



**Essential**



**Together, creating  
the best soil and  
food on earth.**

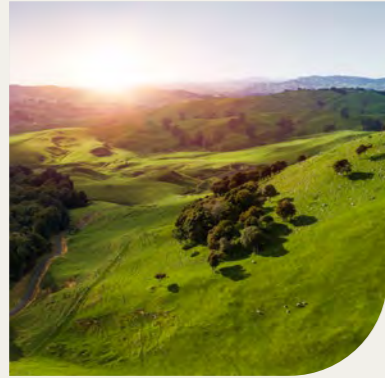




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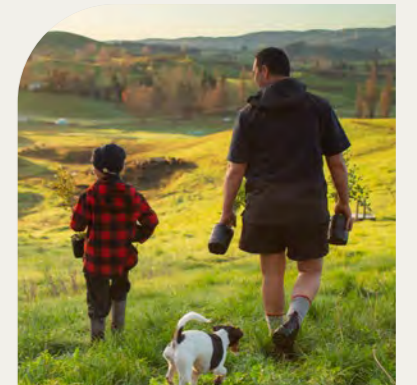


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**MARK WYNNE**  
CHIEF EXECUTIVE OFFICER



**DUNCAN COULL**  
CHAIRMAN, DIRECTOR NORTH ISLAND



**DACEY BALLE**  
DIRECTOR NORTH ISLAND



**ALBERT BRANTLEY**  
APPOINTED DIRECTOR



**OLIVIA BUCKLEY**  
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**SHANE DUFAUR**  
GM OPERATIONS & SUPPLY CHAIN



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**DANI DARKE**  
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DIRECTOR SOUTH ISLAND



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**SHEENA HENDERSON**  
GM CUSTOMER EXPERIENCE  
& MARKETING



**JASON MINKHORST**  
GM SALES



**ANDREW MORRISON**  
DIRECTOR SOUTH ISLAND



**SIMON ROBERTSON**  
APPOINTED DIRECTOR



**JACQUELINE RICH**  
GM PEOPLE & CAPABILITY

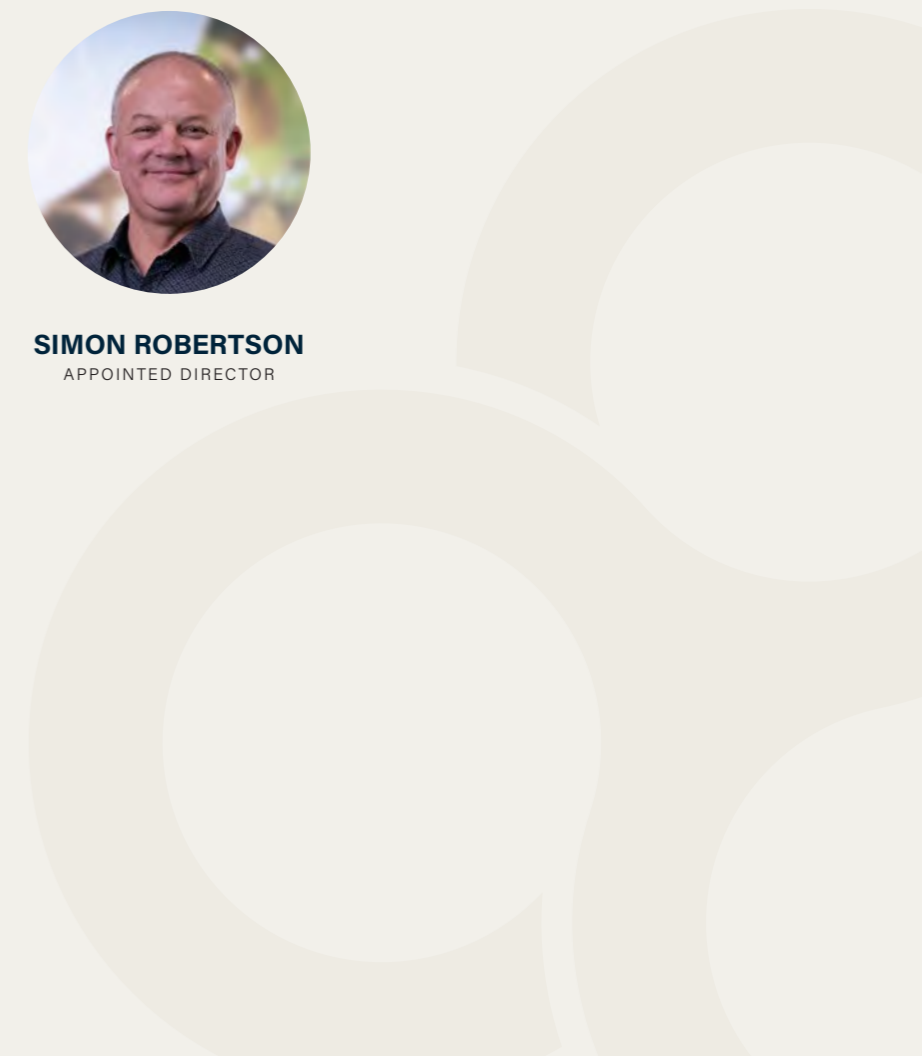


**MATT SKILTON**  
CHIEF FINANCIAL OFFICER



**SARAH VON DAELSZEN**  
DIRECTOR NORTH ISLAND

# Governance & leadership





**Thank you, Kiwi farmers  
and growers, for  
the essential  
work you do**





# Chairman's Report

## Thank you for the essential work you do

I want to open by saying thank you to our farmers and growers across New Zealand for the essential role you continue to play in shaping the prosperity of this country and our communities. Your ongoing commitment to continue to push forward, despite the uncertainties of regulation, climate-related travesties, and global trading conditions, is commendable. It shows character, belief and resilience which will ensure the primary sector continues to play an important part in representing who we are as a nation and the value we bring as sustainable food producers on the global stage.

There is a risk that we as primary producers could fall into the trap of buying into all the negativity we hear and see daily. There has been disruption in the past that posed a great threat to our industry. But we found a way forward and maintained our international competitiveness, despite the relative isolation from the world we trade in. I remember advice given to me as a youngster from my grandfather, albeit relating to rugby: "Keep the chin up, eyes firmly focused on the try line, look out for your mates and never give up". Sage advice for us all today.

**Ballance as an organisation has a strong belief in you and the future of the primary sector. As such, it's important that we continue to invest on your behalf, to help build resilience and support you to continue as global leaders in sustainable food production.**

We have three key areas of focus, starting with building supply chain resilience to ensure you can access nutrients where and when you need them.

This year we opened our new

**\$53m**

hub in Whangārei to improve service to farmers and growers in the region.

There has been

**\$3.5m**

invested in digital support tools to capture data in things like nitrogen use and simplify reporting.

We continue to invest heavily in innovation around next generation nutrients to help you meet sustainability targets. We have a comprehensive workstream focused on decarbonisation of

your investment in our Kapuni ammonia urea plant. We have named this project Te Ata (the dawn) as it represents an opportunity to reset and rebuild this critical piece of infrastructure for the primary sector in the new world. This project will mitigate supply chain risks, which will only amplify as the world shifts to lower emissions whilst grappling with the need to feed a growing population.

Maintaining 'our place' on the planet is important to show we are playing our part to make the world a better place. An ESG framework allows us to report on our progress on environmental factors, from our supply chain through to our farmers and growers; our social fabric in terms of being a good employer and respected member of our community; and that we have a governance framework in place to monitor, measure and report on this progress. Ultimately, it will be our actions that determine our success.

The operating environment has been challenging over the past twelve months as our farmers and growers responded to the rapid rise in fertiliser costs. This resulted in challenges around procurement and higher inventory at year end. The Board made the decision to impair the

value of inventory at year end to better reflect and align to current international commodity prices. Our financial performance was once again supported by your investment in Kapuni, which buffered the challenges faced in the fertiliser business.

We are pleased to announce a profit before tax of

**\$46m**

The Board has made a decision not to pay a rebate this year, reflected in part by the impairment decision, the need to protect working capital and the uncertain nature of demand for the season ahead. The Board will table an increase of the nominal share value to \$9.00 at the AGM in September to reflect the increased strength in the Balance Sheet due to retentions of \$91m over the last two years.

These results don't come easy and are a result of a partnership between our loyal shareholders and the dedicated team of 800 in Ballance who all play a part everyday to make it happen. The Board passes on its thanks to the entire Ballance team for their hard work and dedication to deliver a solid level of service and products to our customers in what has been a challenging year.

I want to also acknowledge our farmers and growers that have suffered through several climate-related events, the most significant being Cyclone Gabrielle. You can never be prepared for the enormity of events such as these, which will have lasting impacts on many families. As a co-operative - for farmers by farmers - we felt compelled to help those in need and donated to Rural Support Trust to help those impacted over the medium term with ongoing support for those needing to rebuild their businesses and, in some cases, their lives.

After nine incredible years of service to our co-operative, we bid farewell to our outgoing Chief Executive, Mark Wynne. Mark has done so much for Ballance over the past nine years in transforming the business from being a supplier of commodities to a true customer-led co-operative ensuring our customers are at the forefront of everything



we do. Mark has a background and passion for innovation as a key enabler in continuing to evolve an organisation to ensure its relevance to its customers needs. Investment in Sustain<sup>®</sup>, SurePhos<sup>®</sup> and MyBallance as a digital platform are just a few of the many projects he has overseen. Mark is someone who truly understands the value of people to an organisation. His willingness to walk alongside our people throughout the organisation, get to know, understand, and support them has created a very special culture within Ballance, which will be his greatest legacy. We wish Mark, Annette, and the boys every success as he embarks on a new chapter in his life.

I am very pleased to announce that after an extensive search, the Board has appointed Kelvin Wickham as the next Chief Executive of Ballance Agri-Nutrients. Kelvin is a proven co-operative leader with over 34 years at Fonterra.

The appointment of Kelvin reflects the Board's ongoing commitment for Ballance to be fit for purpose in a fast-evolving world. Kelvin's wide-reaching experience in the marketplace, his passion for innovation, strong focus on people and driving performance will ensure the co-operative is well placed to serve your needs into the future.

Kelvin's journey at Fonterra has seen him in various leadership roles throughout the world including New Zealand. Based in Amsterdam in his most recent position, he led all business activities across Africa, Middle East, Europe, North Asia, and the Americas. Additionally, he provided global oversight for the Active Living Functional Nutritional Unit and the renowned NZMP brand. In an earlier Supplier and External Relations role, he worked closely with farmer shareholders, with responsibility for Fonterra's farmer

facing teams as well as engaging with key New Zealand government and external stakeholders.

The Board is confident that Kelvin's skill set and proven leadership will continue to drive the co-operative's success, serving the needs of farmers and growers across New Zealand. Kelvin starts with Ballance after the AGM this September.

The Board also wants to recognise Andrew Morrison who is leaving after 12 years' service. Andrew has been a great contributor around the board table and a staunch advocate for our primary sector. Andrew has a strong commitment to the continued evolution of our business to ensure we continue to be well placed to support our farmers and their needs in an ever-changing environment.

We also welcomed Olivia Buckley to the Board as our second associate director. Olivia farms a mix of sheep & beef and dairy in the King Country with her husband and family. We look forward to the opportunity to continue advancing the governance capability of the primary sector through this role.

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



# CEO's Report

## Reflecting with pride on our progress together

It is with pride and gratitude that I look back on my time as Chief Executive, as I prepare to step down in September. It has been a huge privilege to work with you, our 16,800 co-operative shareholders, as we navigated the changes happening within New Zealand's food and fibre sector. I'd like to thank the Ballance Board for their support, shareholders for their trust, and our valued partners for their backing over the past nine years. I'd also like to thank the Ballance team for their commitment and dedication - a great team with a great culture, achieving great things.

The past nine years have been challenging at times, but also immensely rewarding as we've worked to ensure that New Zealand remains a global leader in sustainable food production. Our industry has seen a lot of change over the last few years and despite some challenges, I am optimistic about the future. As the global population continues to grow rapidly, so does the number of mouths that need feeding.

**The world relies on countries like New Zealand to continue producing quality, sustainable food, and Kiwi farmers and growers are essential to this. They have a job for life and we are committed to supporting them, especially when the going gets tough.**

### A greener future

One of the highlights over my tenure has been watching the Ballance Farm Environment Awards (BFEA) evolve and the stories of best practice sustainability being shared. These entrants are inspirational in their own rights, progressive thinkers who are taking steps to ensure their land is in the best possible shape for future generations. Each year, I have enjoyed the panel discussions, learning from these stewards of the land and watching them grow from each other, as well as watching the camaraderie, support, and optimism that this competition provides. I wish the New Zealand Farm Environment Trust all the best for the coming years of this competition.

In the changing landscape affecting New Zealand's primary industry, we have this year been privileged to be a voice for farmers, making many submissions, both written and in-person, on their behalf. We have held meetings with senior ministers, as well as hosting key stakeholders on our sites and taking them on farms and orchards, to demonstrate the connection between what our customers do and the end product. (See case study on [page 25](#))

As well as helping farmers reduce their footprint, this year we have embarked on a hugely significant journey to reduce our own, as we kicked off our Te Ata (the dawn) project to decarbonise our Kapuni facility. [Page 45](#) has more details on Te Ata.

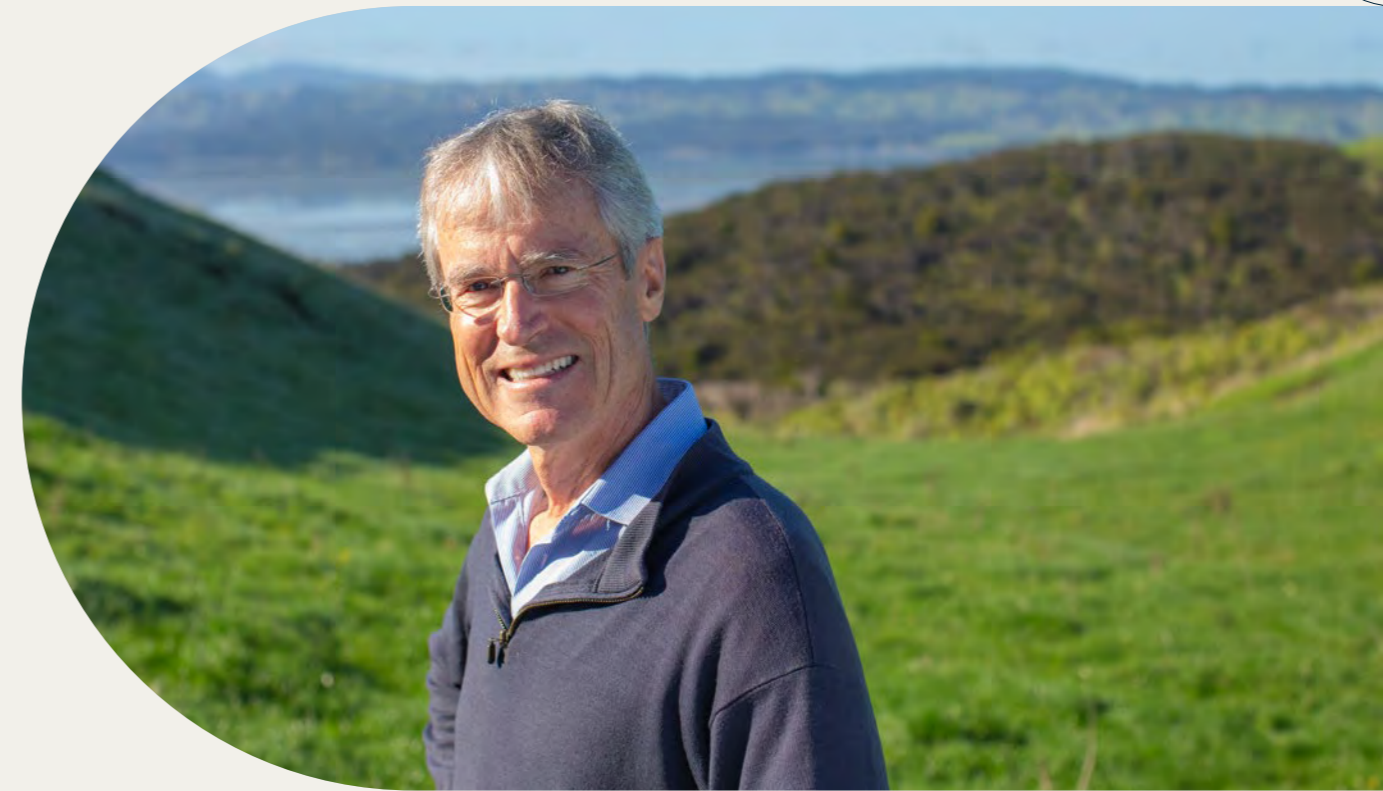
Our ambition is to permanently remove more than

**190,000t**

per annum (tpa) of carbon dioxide equivalent emissions out of New Zealand's national greenhouse gas inventory.

### Caring for our people

This year, our industry was rocked by extreme weather events, of which the impacts will be felt for years to come. Our donation to the Rural Support Trust will go some way to help those affected but, as the long road to recovery begins, we remain committed to helping them



on the ground with our science and innovation teams working with farmers and growers in the region to find solutions and support them and their communities.

Our culture of care, nurtured through our C.O.W.S (care, ownership, well-being, safety) programme, has seen our team through a number of personal and professional challenges and is something I deeply value as I look back on my time at Ballance.

I'm proud of the work our team has done on creating a diverse and inclusive work environment to support the well-being of our people. We continue to support mental health initiatives like Surfing for Farmers and initiated Rural Riders for non-coastal regions.

### Growing for the future

It was a significant milestone this year to see our Whangārei hub open for business. The hub is truly the jewel in the crown of our Northland project, which aims to expand our footprint in this growing market. The innovation involved in the build is state-of-the-art and aims to deliver the best service to the region's farmers and growers.

Super Air has expanded even further this year with the acquisition of Aerospread in the Hawkes Bay, giving the company a truly national footprint. Aerospread is a trusted

brand with local knowledge while Super Air brings its leading precision technology, SpreadSmart®, and the latest mapping advances made by our geospatial team to ensure the best mapping capabilities delivering the best environmental outcomes.

**We know nitrogen reporting has been a challenge for a lot of our customers, so we have invested in our Nitrogen Limit Management tool in MyBallance to help them achieve compliance within the timeframe as simply as possible. We have a significant innovation programme underway to help our co-operative build resilience and be successful whatever the future brings.**

Ballance is a proud co-operative of hard-working Kiwi farmers and growers, essential to feeding New Zealand and the world. I will watch it with interest and always be thankful for my time here. With a dedicated Board, fresh new leadership, and a passionate hard-working team, Ballance is in good hands.

Mark Wynne  
CHIEF EXECUTIVE



# Report card



2023 Ballance Farm Environment Awards East Coast Regional Supreme Winners, Greg and Gail Mitchell of Mitchell Dairy Farms, Patoka

**\$53m**  
invested in the build of our Whangārei hub, to better serve Northland farmers and growers

Our locally manufactured blends were at times **\$50/ha** cheaper than imported alternatives, providing a price advantage to customers

Group sales: **1.26m** TONNES

Revenue: **\$1.222b**

**1hr** to bag the same amount of product at our new Whangārei Hub that our previous site could bag in a day



**\$1m** donated to Rural Support Trust to support Kiwi farmers and growers impacted by severe weather events

**\$35m** (after tax) profit retentions to strengthen our Balance Sheet for the future

**276kt** of urea produced in 2022, the most ever produced in a calendar year, reducing the amount of imported product required

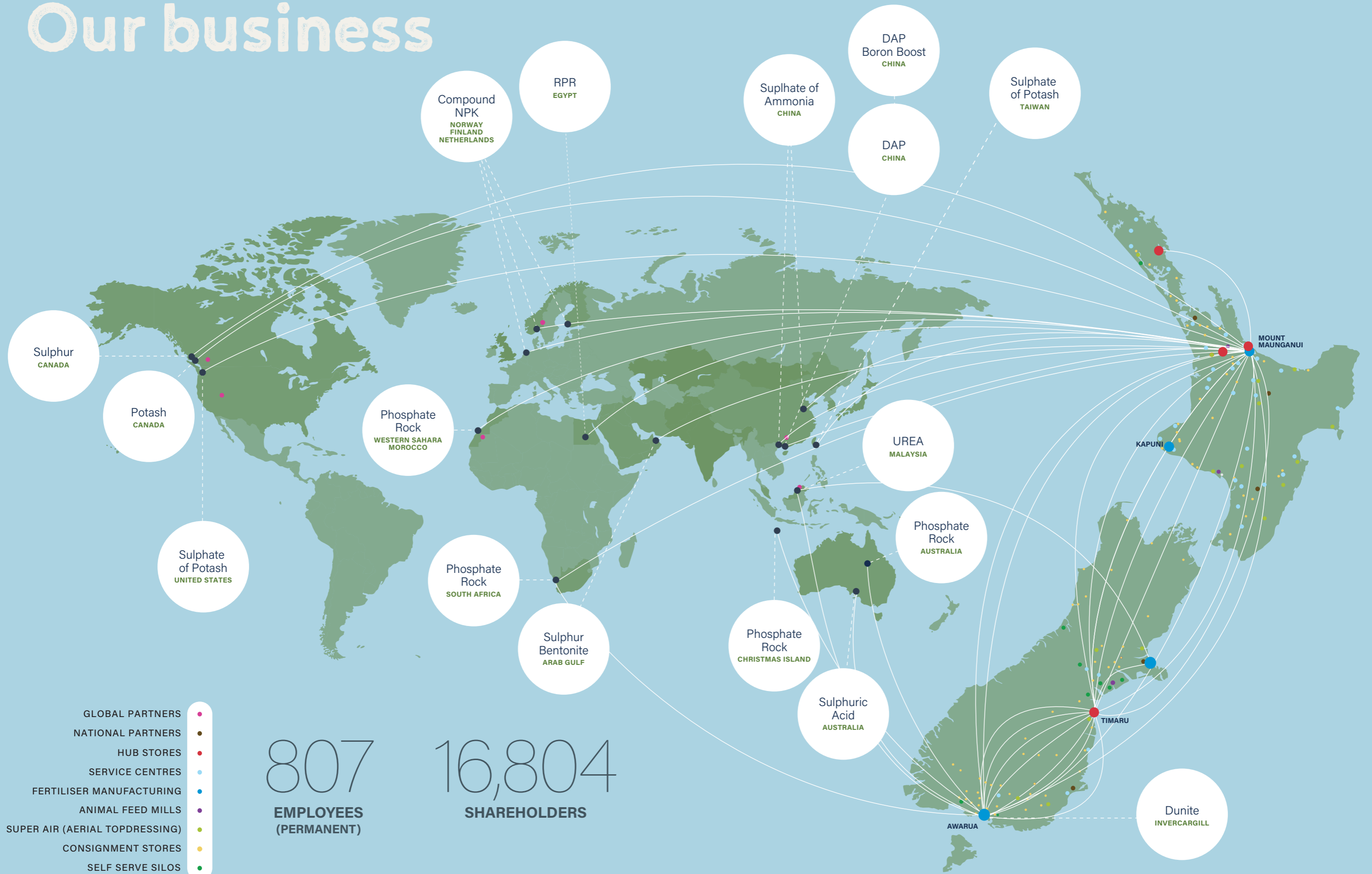
The environmental footprint of our urea is **7%** lower than that of imported equivalents

**23** planes and a national footprint for Super Air, following our acquisition of Aerospread, allowing greater reach of our innovations to sheep & beef farmers





# Our business



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

807  
EMPLOYEES  
(PERMANENT)

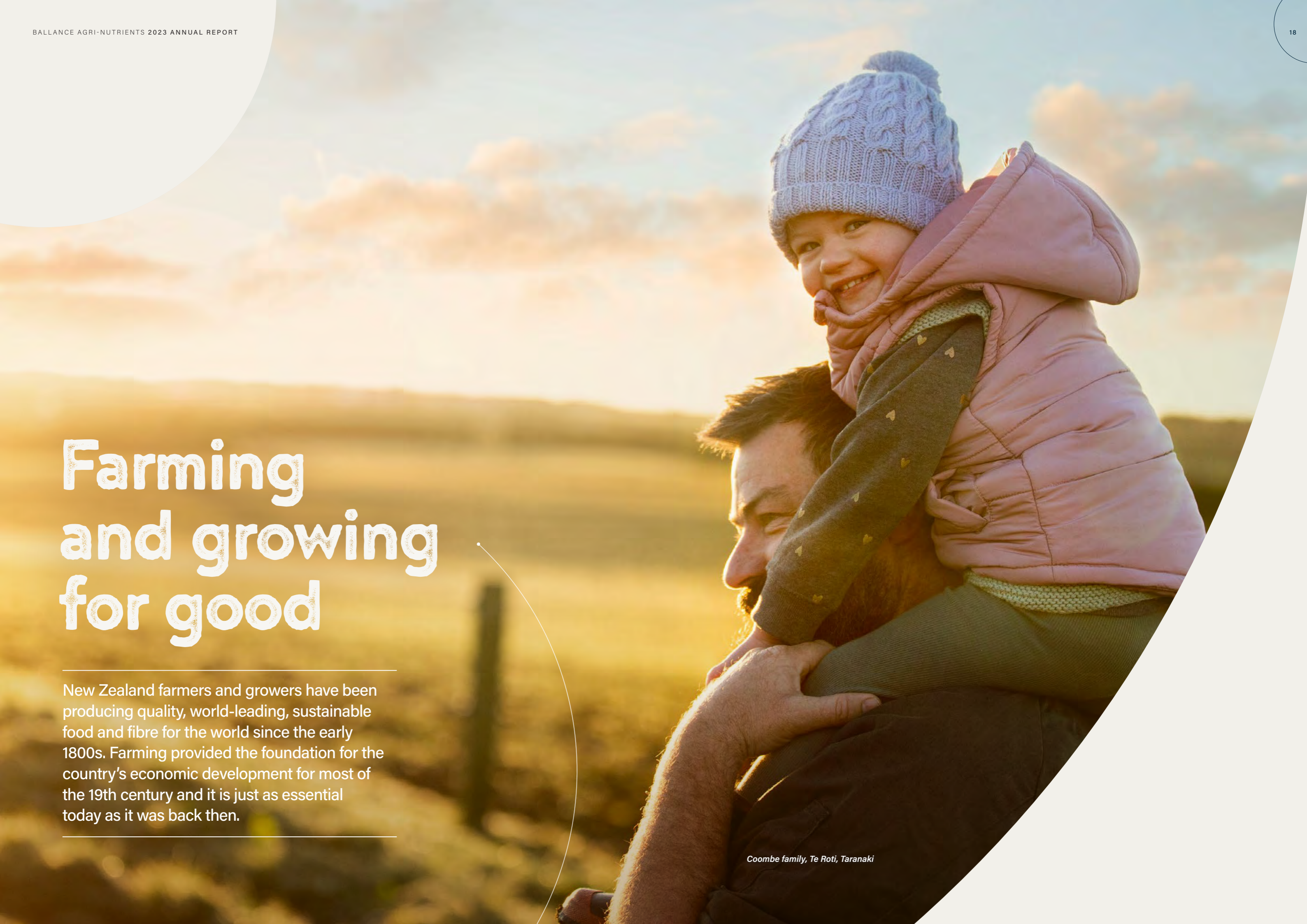
16,804  
SHAREHOLDERS



# Farming and growing for good

New Zealand farmers and growers have been producing quality, world-leading, sustainable food and fibre for the world since the early 1800s. Farming provided the foundation for the country's economic development for most of the 19th century and it is just as essential today as it was back then.

*Coombe family, Te Roti, Taranaki*





**Remaining productive while being mindful of nature is not a new challenge to Kiwi farmers and growers, rather something they've been working on for generations. Science and technology continue to guide practices on farm.**

We invest in science to deliver proof points to our customers to enable their journey of continuous improvement. With the global focus on climate change, there is increasing pressure on the agricultural sector to reduce its footprint. New Zealand is world leading in its split gas (methane and carbon dioxide) approach to emissions management as we recognise the very different sources and impacts of these gases and their contribution to global warming. There's no doubt there are challenges ahead as we navigate

a low emissions environment, however, New Zealand is known for innovative solutions, and we believe we will find pathways to enable continued prosperity in our sector. With a growing global population to feed (it recently clocked 8 billion on its way to 10 billion by 2050) and further diversification options evolving on farm, the future looks bright. While humans walk this earth, farming and growing has a future. Not many industries can say that so definitively!

**Digital tools to help**

We want to help our customers carry out the essential work they do, by making it easier to farm with a lighter touch on the land. Tools like SpreadSmart® help identify exclusion zones and our Nitrogen Limit Management tool in MyBallance aims to help make applications more targeted, ensuring the right amount of nutrients goes where it is needed and nowhere else. We've had the highest number of submissions made this year and a significant uptake in proof of applications as a result. We're encouraged by the number of farmers geo-managing their nutrients, from plan to proof of application, creating strong results.

**Our Nitrogen Limit Management tool in MyBallance**



2023 Ballance Farm Environment Awards  
Canterbury Regional Supreme Winner,  
Ian Knowles of Glenmark Springs



**Showcasing sustainability in action**

The annual Ballance Farm Environment Awards (BFEA) showcase the very best of sustainable farming and growing practices in New Zealand and each year we are seeing more diversification and innovation to protect our unique and precious natural resources. This is strongly in line with Ballance with Nature (see page 22).

Every year, we see individuals, families, and communities from a variety of sectors – from dairy to sheep & beef; deer to horticulture & arable – throughout the country proudly display the work they are doing to protect the land they love. 2022 National Sustainability Ambassadors Phillip and Jocelyn Everest, Paul Everest and Sarah Hayman were awarded the Gordon Stephenson trophy, and have been generously sharing their story since then.

The Everest Family run Flemington Farm in Ashburton, which they've developed into a 255ha sustainable dairy and beef farm that balances the needs of people, animals, economics, and the environment. Environmental sustainability is at the core of how this family runs their business. They have implemented new strategies to successfully reduce greenhouse gas emissions and nitrogen loss, established more than 20km of shelter and riparian planting, to create a comfortable environment for their animals, and monitor all their waterways on a regular basis. They are heavily involved in the community, participating in several catchment groups and local initiatives focused on

improving local ecology, and continue to trial new technologies to further enable their sustainability work. The Everests are continually adapting their operations to lead sustainability on-farm and are strong examples of the passionate and visionary Kiwis that enter the Ballance Farm Environment Awards.



Scan to see the Everest's sustainability journey



Each year, we aim to help the New Zealand Farm Environment Trust (NZFET) diversify and grow BFEA by carrying out a 'muster' campaign. We cast the net wide to encourage farmers and growers from different regions and sectors to share the important work they do by entering the awards.



If you or someone you know is keen to enter BFEA, scan the QR code to visit the awards website



2022 National Sustainability Ambassadors Phillip and Jocelyn Everest, Paul Everest and Sarah Hayman of Flemington Farm in Ashburton.



# Collaborating at Owl Farm



Where we can, we use collaboration of our teams to deliver the best results for our customers. Owl Farm aims to share its learnings with the wider farming industry and educate students about dairy farming.

Owl Farm and Farm Sustainability Services have partnered together to model, through our MitAgator® tool, the mitigations carried out on Owl Farm and the risk of key lost contaminants.

This has allowed the team to capture the value of sustainable action carried out on farm, including wetland creation, stream fencing and riparian planting, the use of SurePhos®, our low soluble phosphate fertiliser, the creation of grass buffer strips and increasing effluent pond storage. Owl Farm has achieved an 8.5% reduction in nitrogen losses and 38% reduction in phosphorous losses thanks to these mitigations.

The nitrogen, phosphorous and sediment risk maps generated depict the spatial risk of lost nutrients across the farm. This allows Owl Farm to hone in on critical source areas and allow future mitigations to be targeted for these locations to maximise their efficiency and reduce wasted investment into low risk areas on farm. Owl Farm serves as a great example to the sustainable change that can be captured and presented back by MitAgator® to key stakeholders and other farmers.

**“Working with the team at Ballance allows us to access expertise and tools to create an annual plan for managing nutrients. It’s a fully integrated approach to efficient nutrient use, with the added benefit of seeing the progress that each of these small changes can make over time to the end outcome.”**

*Jo Sheridan, Demonstration Manager, Owl Farm*

## Future Ready Farms

Our Future Ready Farms programme of work, co-funded by the Government’s Sustainable Food and Fibre Futures fund, continues to progress 13 projects designed to significantly reduce the sector’s environmental footprint, while boosting economic growth and sustainability. The projects are aimed specifically at helping farmers and growers meet national environmental targets for reducing greenhouse gas emissions, agricultural use and nutrient loss to waterways.

**\$2.1<sup>b</sup>** Projected benefits to farmers and growers by 2023

Project Name	Greenhouse Gases			Water Quality	AgChem	Sheep & Beef	Hort & Arable	Dairy	Forestry	Manufacturing
	Nitrous oxide	Carbon dioxide	Methane							
Project 1	▼	▼		▲		●	●	●		
Project 2	▼			▲		●	●	●		
Project 3	▼			▲		●	●	●		
Project 4				▲			●			
Project 5		▼		▲					●	
Project 6		▼								
Project 7		▼				●	●	●		●
Project 8	▼		▼	▲				●		
Project 9	▼		▼	▲	▼	●		●		
Project 10			▼		▼	●				
Project 11	▼	▼	▼	▲		●	●	●		
Project 12	▼	▼	▼	▲		●	●	●		
Project 13						●	●	●		●

# It starts in the soil

As a nutrient provider, we are a key part of a long food chain, which starts in the soil and ends up on dinner tables around the world. We continue to learn more about soil, recognising that there is still a lot to uncover. Leonardo da Vinci stated in the 16th century that **“We know more about the movement of celestial bodies than about the soil underfoot”** and this is still very true today.

Soil health is fundamental to sustainable, productive farm systems and is a key pillar of Ballance with Nature. A healthy soil will efficiently cycle nutrients, support high yields, protect water quality and reduce greenhouse gas emissions. Soil is also a very important reservoir of carbon.

Some environmental factors that influence soil health cannot be controlled, such as climate, topography, and soil type. Ballance is committed to helping customers understand aspects they can control, such as land management practices.

Some aspects of soil health are easier to measure, others are more difficult. We have delivered the ‘easier’ via Soil Health Check, which we spent two years developing with Manaaki Whenua. So far, 1,400 Soil Health Checks have been requested, or 3% of all soil samples taken, exceeding our predicted uptake for the first year. Our shareholders understand the value of healthy soil. Healthy soil grows healthy plants which feeds healthy animals. The healthier the soil, the greater optimisation of nutrients.

New Zealand soils are relatively very healthy compared to global counterparts and they contain high levels of organic carbon – sitting at around 100T carbon per hectare in the top 30cm. 92% of sites measured as part of National State of Environment monitoring met the target range for soil carbon.

## Ballance with Nature

Ballance with Nature is our promise to Kiwi farmers and growers to support them to be future ready and protect their land for the next generations. It’s about caring for and working with our natural resources, while remaining productive, guided by knowledge and underpinned by science.

There are seven key pillars to Ballance with Nature, many of which Kiwi farmers are already doing:

- Soil Health**
- Cleaner Air**
- Nutrient Efficiency**
- Healthy Water**
- Native Biodiversity**
- Animal Care**
- Resource Utilisation**



Read more about Ballance with Nature



Co-developed with Manaaki Whenua Landcare Research



## Protecting our local environment

While we are focused on making environmental gains for our farmers and our own operations, we also acknowledge our responsibility to help preserve the local environments in which we operate. Our team in Kapuni continue to support environmental projects including the Rotokare Scenic Trust and Kapuni Predator Free Project in conjunction with the Taranaki Regional Council and Trap NZ. Nearly 100 pests have been caught in bait and traps in the past 12 months, helping to protect native plants and animals in the area.

This year, we once again supported the work of the Bay Conservation Alliance, which saw 2,400 local students receive hands-on, science-based learning around conservation.



# Reducing our footprint

We are committed to providing innovative ways to help our customers succeed, to farm productively with pride. Like our customers we too are faced with greater expectations from less inputs – more with less. And like our customers we don't have all the answers, but we are guided by a clear vision and purpose. We know we must address our own footprint and are taking significant steps to reduce our operational emissions. Embracing environmental social and governance (ESG) principles validates the values we live in our business each day and ensures we have a relevant part to play in a modern food and fibre system. Our aim is to maintain a sustainable co-operative model that supports the long-term success of our shareholders.

## Nitrogen

Nitrogen is an essential input for farm productivity. It is a major component of chlorophyll, which enables photosynthesis, and it's a major component of amino acids, the building blocks of proteins. In other words, plants and humans need nitrogen to survive.

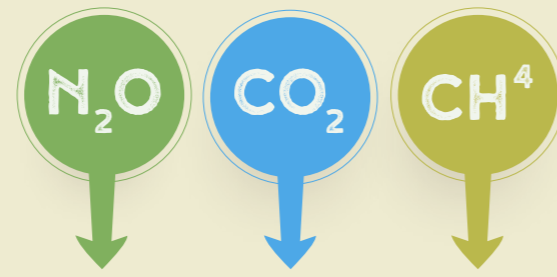
**Today, around half the world's population depends on food grown using nitrogen fertiliser.**

Enabling a low emissions food supply in New Zealand requires domestic production of low-emissions nitrogen to support our national commitment to global emissions reductions.

We manufacture urea at our Kapuni plant in southern Taranaki, the only such facility in the country. We are also New Zealand's #2 manufacturer of hydrogen, producing around 28,000 tonnes per annum (tpa). Made from methane, our New Zealand manufactured urea and Sustain® are the lowest emissions forms of nitrogen available in New Zealand today.

**Sustain® reduces nitrogen volatilisation by 50%.**

Urea is derived from ammonia and manufacturing ammonia is an energy-intensive process, producing significant carbon emissions.



## Decarbonising our Kapuni plant

We are committed to achieving meaningful emissions reductions at our Kapuni site and have identified a two-phase decarbonisation pathway, which can abate around 190,000 tonnes per annum of our manufacturing emissions – an opportunity that materially reduces New Zealand's national carbon emissions.

- Phase 1 will involve electrification of the synthetic ammonia loop along with several other decarbonisation projects. Instead of using natural gas to heat the plant to 1,100°C, we will use renewable energy. Annual emissions are projected to be reduced by approximately 90,000 tpa.
- Phase 2 comprises a plan to abate another 100,000 tpa post the deployment of phase 1. This involves us changing the manufacturing process to no longer use natural gas as an input, instead using hydrogen from electrolysis. This is in phase 2 because while deep decarbonisation is feasible at pilot scale, it will depend on improved global technologies, significantly greater renewable electricity supply, lower electricity price and enabling legislation.

We have called this decarbonisation programme Te Ata ("the dawn" in Te Reo) and have proposed a framework for collaboration between the Government and Ballance, which will help achieve the strategic and economic benefits of Te Ata. (see case study on [page 45](#))

## Hydrogen in heavy transport

Our joint venture with Hiringa Energy to produce 'green' hydrogen from renewable energy is currently sitting with the high court of appeal, with a judgement pending. The project applied to build four wind turbines to produce renewable electricity to power to our Kapuni plant, as well as supplying electrolyzers to separate oxygen and hydrogen, producing 'green' hydrogen. This would not only produce a 'greener' fertiliser with a lower emissions profile but would also provide a carbon-neutral fuel for the transport sector, a significant step towards our national Net Zero by 2050 emissions targets.

## Lower emissions domestic transport

Our partnership with Market2X (M2X) continues to add real value to both our shareholders and to New Zealand Inc, by reducing our transport emissions. With more than 40 additional trucking companies joining our M2X platform over the past 12 months, we are engaging with more carriers, minimising empty trucks and reducing CO<sub>2</sub> emissions, as well as adding significant capacity to our freight task during peak times. M2X is helping us deliver on our strategy of achieving a World Class Supply Chain.



We continue to produce large volumes of our AdBlue-certified GoClear® product, a diesel exhaust additive that reduces nitric oxide emissions in modern diesel engines. Ballance currently produces around 50% of New Zealand's AdBlue requirements. This year we won a supply contract for granulated urea produced at Kapuni and we now supply close to 100% of the industrial wood resins market for urea.

## Continuous improvement in our network

Site management plans ensure best environmental practices are integrated into the everyday running of our stores around the network. Following on from risk assessments, performance metrics are tracked monthly to monitor and assess the environmental performance of each site.

We have a network-wide programme in place to replace our conventional bulk store, office, and outside lighting with LEDs to reduce power usage. We continue to add electric forklifts to our fleet to reduce operating emissions in our network.

Our Mount Operations site implemented a comprehensive Dust Management Review Programme, which has resulted in reduced dust levels in and around our site.

## Responsible sourcing

We have an extensive procurement programme that not only ensures the product we are purchasing is fit for purpose, but that the organisation we are purchasing from is too.

Traditionally, we have sourced our phosphate from suppliers in the African continent and diammonium phosphate (DAP) from China. Being able to source raw materials closer to home reduces supply risk and has a positive effect on our CO<sub>2</sub> footprint, with approximately 60% of our superphosphate footprint attributed to the shipping of raw materials.



*We use electric forklifts to reduce operating emissions in our network.*

This year, our procurement team travelled to South Africa and Australia to conduct due diligence on potential rock suppliers. These audits include a strong focus on environmental, social and governance practices as well as identifying any potential risks a new supplier could pose to our operations and supply chain capabilities.

Establishing and communicating clear expectations is part of our Supplier Code of Conduct (the "Code"), which we have also implemented with all our current key fertiliser and raw material suppliers.

The long-standing relationships we have with global suppliers, in some cases over decades, have helped us to weather market volatility and supply chain issues.

**Ballance produces Hydrofluorosilicic Acid (HFA) at our Mount Maunganui site. HFA is an important chemical used in the fluoridation of drinking water, protecting the teeth of future generations.**







CASE STUDY

# Being a voice for Kiwi farmers and growers

New Zealand is a global leader in sustainable food production, and we are proud to play a big part in this. Farmers and growers are essential to New Zealand's food story, so as well as providing nutrients, we support them by making submissions on their behalf to ensure their voice is heard and their needs understood.

Ballance regularly reviews policy changes and contributes to consultations on these. Our aim is to provide constructive input to the processes, based on our expertise, to help identify any potential unintended consequences, develop solutions and increase the effectiveness of the proposals.



### Written submissions

Over the last year we made written submissions on the New Zealand Emissions Trading Scheme (ETS), Productivity Commission, and the Resource Management Act Reforms. A key element of these submissions has been highlighting the importance of supporting agriculture, associated industry, and decarbonisation projects to ensure the ongoing resilience and economic well-being of New Zealand.

In our discussions we have reinforced the importance of primary industry to New Zealand, the vital role our shareholders play for rural communities and for New Zealand, and the role we provide to ensure that, alongside our shareholders, New Zealand is productive and sustainable.



### Connecting our stakeholders to our customers

Being a voice for our customers means ensuring decision-makers fully understand the role of farmers and growers and how vital they are to our economy. We regularly host stakeholders on informative tours of our manufacturing sites, and often our customers' operations as well, to demonstrate the connection between what our customers do and the food that ends up on plates around the world.

This year, we hosted a group of Wellington stakeholders, including representatives from Ministry for Primary Industries (MPI) and Ministry for the Environment (MfE), for a tour of our Mount Operations site where they met our team, heard about our operations and were able to ask questions. The group were then taken on a tour of an orchard and a local dairy farm where hosts David and Lesley Jensen, who own both, discussed the nutrients needed and the farm systems.

Our Kapuni team also hosted representatives from Energy Efficiency and Conservation Authority (EECA), the Climate Change Commission (CCC), Ministry of Business Innovation and Employment (MBIE), MPI and MfE for the same purpose.

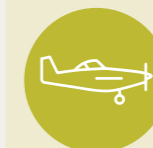


### Engaging policy-makers

It is critically important that New Zealand maintains onshore production and manufacturing, while at the same time enabling industries to transition to a lower emissions future. We have been engaging stakeholders to inform them about the benefits of decarbonisation to the New Zealand economy e.g. it is considerably more expensive to import 100% of our nutrients. Farmers and growers would have to earn more to offset these costs, creating a net increase to global emissions. To support this transition, we have been actively ensuring our presence and participation in policy-making discussions.

Over the past 12 months, we have held meetings with key Labour and Green party ministers including Ministers for the Environment, Primary Industries, Climate Change Commission, Agriculture, Energy and Resources and Economic Development, as well as prominent representatives and spokespeople from the Act and National parties. We did this to ensure bipartisan understanding of the implications of both new and existing policies.

This engagement involved engaging with a broad range of government stakeholders. The collective efforts ensured that during a recent presentation to the Environment Select Committee regarding proposed changes to the ETS, every member was well-informed about our decarbonisation efforts and the crucial role nutrients play in ensuring New Zealand's sustainability.



### Reviewing district plans

Reviewing district plans in addition to central government engagement, we regularly review and submit on district plan changes that affect our customers' business. These submissions focus on proposed restrictions around the use of rural airstrips and the generation of noise in rural zones. Many of the proposals would have unintentionally impacted farmers' ability to maintain productive hill country and our submissions use Super Air's operational experience to provide clear examples of airstrip use and aircraft operating constraints.

### Presenting to the Environment Committee





# Powered by our people

People are vital to the success of our co-operative and to our communities. They are the drivers behind our success, whether they work in our team at Ballance, are a passionate farmer or grower, or a member of one of our vibrant communities.

*Coombe family, Te Roti, Taranaki*





# Well-being of our people & communities

As a co-operative we know it's important that all members of our communities flourish and grow. We place importance in understanding the whole person because we care, and we want them and their whānau to prosper.

As an organisation, we are only as strong as our people, so we are committed to supporting each person's physical and mental well-being, as well as their whānau and community. Our communities are essential to the success of our co-operative, and for them to thrive, its people must be given the opportunity to reach their potential, and be safe at work.

Our C.O.W.S (care, ownership, well-being and safety) internal programme ensures we maintain a humanistic culture, placing the well-being of our people at the core. This year, 588 members of our staff attended workshops as part of our flagship C.O.W.S 2.0 programme, which specifically focused on driving ownership of our culture and performance. Ownership means that our people are empowered to make the right decisions for themselves and their whānau (work and home).



See our C.O.W.S 2.0 programme in action

We offer a range of medical, health, and care insurance benefits to all permanent full-time employees, some which extend to direct families, ensuring our people receive a minimum health and personal care standard.

## 1,750

Ballance employees or their dependents were covered with our medical insurance provider.

We offer an Employee Assistance Programme to all employees. This is a confidential service that continues to be valuable for our team and for our organisation. The sooner support is provided, the sooner the progress begins.



## 367 hours

of support were provided to staff for a range of personal and professional reasons.

Maintaining our well-being and safety focus, we are in the process of rolling out mental health first aid training workshops to enable our team to help others with mental health issues and/or crisis.

### Creating an inclusive workplace

We are committed to cultivating a diverse and inclusive work environment, that is welcoming, equitable, and inclusive for all employees. We have created a Diversity & Inclusion Policy that is specifically focused on well-being, flexible working and understanding and minimising bias.

### Updates made to our Diversity & Inclusion Policy framework:

 <b>1</b> Parental Leave	 <b>2</b> Flexible Working	 <b>3</b> Diversity & Inclusion
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Earlier this year, we announced three new updates to our Diversity and Inclusion Policy framework, which we believe are instrumental in ensuring that, as a business, Ballance is evolving to support the well-being of its employees. An industry leading change will be made to the co-operative's Parental Leave Policy, where staff members who are expecting parents will be granted leave benefits far greater than the standard legislative requirements and are gender neutral. Our Flexible Working Policy has also been updated to promote employee well-being and family-friendly needs.

We have trained 40 of our top leaders in diversity and inclusion and understanding and minimising bias in the workplace. We have worked with 180 members of our supply chain on improving inclusivity for our female colleagues.

# Supporting those in need

We both support and are enriched by New Zealand's rural communities, and this year, support has been needed more than ever as Kiwi farmers and growers across the country faced a range of adverse weather events.

In early 2023, New Zealand was hit by Cyclone Gabrielle, one of the worst storms to hit the country in living history. The East Coast and Hawkes Bay bore the brunt of the storm with hundreds left isolated and cut off from the rest of the country. Our Super Air team acted immediately, delivering much-needed supplies to help rural communities recover from the impact on land, animals, and people.

Approx.

# 18

tonnes



of supplies were delivered to isolated communities in the days following Cyclone Gabrielle

The Ballance Board endorsed a relief package to help provide the best on-ground response to the farmers and growers who provide essential produce to feed our country and the world. Our Weather Relief Fund comprised a \$1 million donation to the Rural Support Trust (RST), run by rural people who understand the needs of our local communities. The RST has the reach and services to help with all aspects of the recovery journey from clean-up to rebuilding. The fund has been provided in full to RST, however the bulk of the funds are aimed at the 6+ month time window where the enormity of the rebuild begins to be felt.



We are looking ahead to the support that will be needed over the coming months, and possibly years, as the recovery begins. Our Science Extension team are carrying out science-based work to help farmers determine what work is needed on-farm. An example is a Silt Revegetation Trial and Demonstration at the base of the Esk Valley, as part of local research to further understand the impact and ensure we have science-based data to show what works best in regards to practical measures that farmers can use to revegetate pastures onto flat silt covered areas.



**Our geospatial team created ways to quickly analyse satellite imagery to identify bare land and slips on farm. The team analysed nine different sheep & beef stations covering over 20,000ha and identified over 1000ha of significant slip area.**

Some properties had lost up to 10% of their productive land. Maps were supplied to farmers showing imagery before and after the cyclone as well as where slips had occurred.

We will continue to carry out such work to further inform how we can best support farmers in the region.



**Focus on safety**

Safety continues to be a key focus in the culture at Ballance. This year, we refreshed our Health & Safety strategy based on the foundations laid by our Safety Evolution project, which aimed to strengthen our organisational culture. The strategy highlights three core areas that require improvement: culture, capability and organisational resilience. We will be rolling out initiatives over the next three years to ensure these core areas are implemented well with SMART safety measures in place to monitor their progress.

**\$82,200**

contributed to our local communities as part of our Safety Cross programme, which sees a donation offered to a local charity each month that we meet a set of site-specific health and safety KPIs.



**Growing great people**

We believe that every person should have the opportunity to reach their potential. This is how we keep our co-operative moving forward and achieve results for our shareholders. We have a focus on promoting and developing our leaders from within and all of our roles have succession plans. This means we can provide development to key employees and have them primed and ready to step into vacancies as they arise.

This year, we launched our Futurework leadership programme, which aims to support our people to find new ways of thinking, leading and working. Each year, we provide a range of bespoke internal development programmes, and this year our team spent over 900 hours training on these courses. This is an investment in our future capability of over \$1 million.



**Connecting our people to our purpose**

The Ballance purpose is 'Together, creating the best soil and food on earth'. This purpose guides us to ensure that we achieve, for ourselves and for our shareholders. A team aligned and united to the purpose ensures we are working together bringing a range of mindsets, experiences, capabilities and perspectives to ensure the customer is at the core of what we do.

Strategy is about choice – what we want to focus on and achieve as a business, and how we are going to get there. Every 2-3 years we take our strategy, built from the ground up over the years with our people, and we refresh it with our current team members. This involves running a series of workshops throughout the country where each of our 800 employees are invited to participate. These 'Strategy to 800' workshops, facilitated by our Lead Team and assisted by emerging leaders in the business, explore the key opportunities that lie ahead. Wearing a customer lens, we identify the initiatives our people believe should be prioritised to maximise our strategic differences in market, how these initiatives fit under each strategic pillar, and how the team of 800 bring this to life in their everyday team environment. The results of these workshops, fresh thinking and new insights, are collated, shaped into a refreshed strategy and communicated to the business.

**A shared purpose, a shared strategy, and knowledge of each person's role to play and their value, creates a powerful team.**

We know that coming together to share food is how we connect, so we did this as part of the workshops, celebrating the amazing food produced by our farmers and growers with a menu inspired by chef Al Brown.

**Our values**

Values are our guide rails; they ensure that how we turn up reflects positively on our co-operative. Incorporating bravery, honesty, connections, and imagination into our everyday work has served us well, and together with our C.O.W.S culture, have helped us through challenges.



So we embrace challenges to create a positive impact.



So we share our views and welcome tough conversations.



So we nurture strong and caring relationships.



So we move forward with open minds and fresh perspectives.

**Celebrating our achievements**

Celebrating our achievements, individually and as a team, acknowledges the talent and skills within Ballance and the commitment we invest as we strive to be the best for our customers.

This year, our geospatial team took out the Environmental and Sustainability Award at the Spatial Excellence Awards, which celebrate the highest standard of achievement in the New Zealand geospatial community and is open to all New Zealand professionals and organisations working with spatial data.



**Our Customer Services team took out the 'Farming Support Services' major industry award at the National Contact Centre Awards in September.**

Our team have been recognised with major awards at this event for four years in the past five, setting the bar high for award-winning customer service.

**Community connection**

New Zealand is a global leader in sustainable food production, and we are proud to play a part in our country's food story. We relish the opportunity to share this with industry and stakeholders and demonstrate the connection between what we do and the food that ends up on plates around the world.

We open our doors to customers, industry, and our communities so they can view our operations, ask questions, and better understand our business. We regularly host community open days, like the one we hosted at our Mount Operations site, attended by over 200 people. The purpose of the day was to share information about who we are and what we do, to build trust and understanding. Over four hours, attendees were able to take a tour of the site, and connect with Ballance staff from the laboratory, Science Extension or Innovation teams about all the great mahi we do with farmers and growers. Our Kapuni team also opened its doors to the community as part of its 40th anniversary celebration.

**Being a good neighbour and an active member of our community reflects our co-operative spirit.**





# Encouraging youth into agriculture

At Ballance, we know that the future of New Zealand's primary sector relies on the passion and skills of the next generation. It needs bright, enthusiastic young people who are keen to continue, and build upon the best practices established now. We need to nurture this passion and give young people a foot in the door, so we proudly support educational initiatives like STEM Festivals, science fairs and Young Enterprise New Zealand challenge days, which inspire and educate students with an interest in STEM or social science subjects. This support is assisted in part by our \$25 million Future Ready Farms partnership programme with the Ministry for Primary Industries.

**We have a goal to not only deliver high performing Nutrient Specialists but also to be the best agribusiness intern programme in New Zealand.**

We receive a large number of applicants for our internship programme and had over 100 from Massey and Lincoln universities for this intake, with 50 interviews conducted.

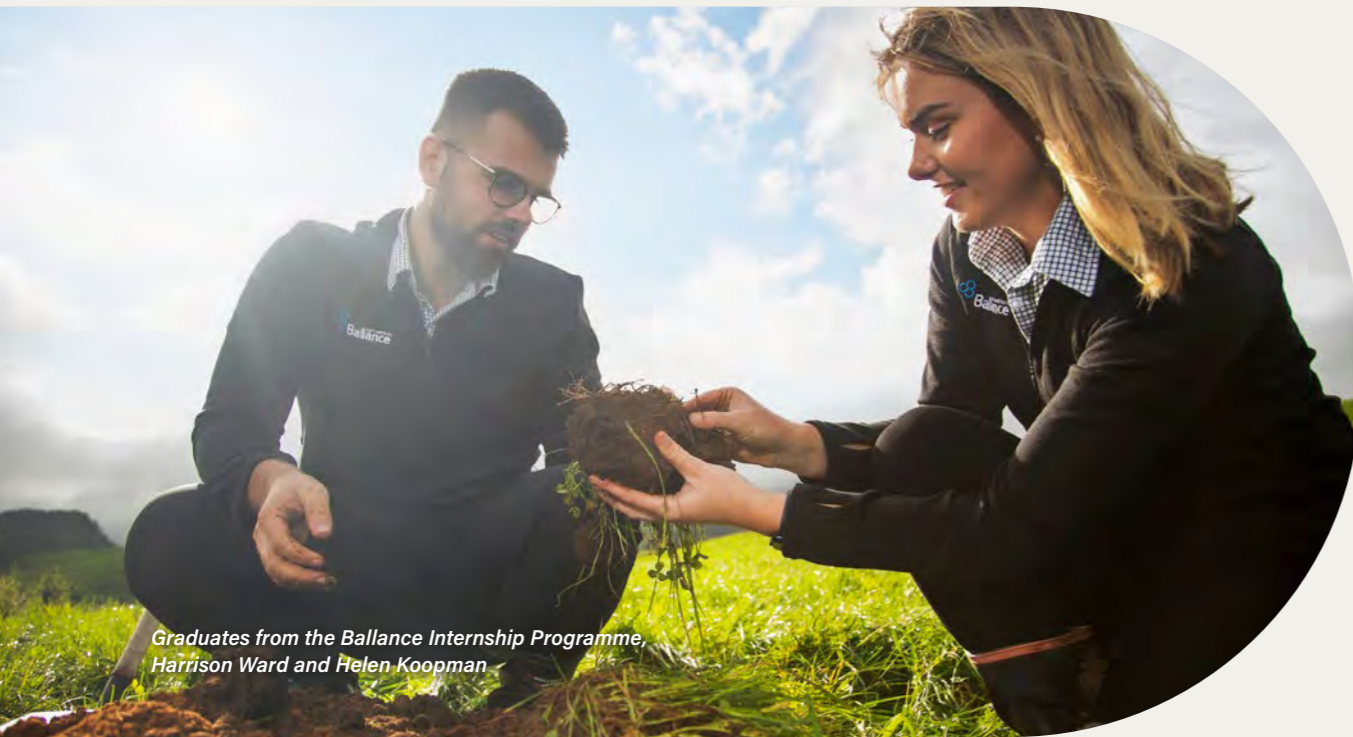
We offer tertiary scholarships to promising young students studying towards a career in agribusiness or the primary sector. This year, we awarded three 3-year scholarships and three 1-year scholarships, as well as five continuing scholarships from previous years. We had 58 applicants in total for this year's scholarships.



Students taking part in the Growing NZ Innovation Challenge

**9** This year we welcomed another nine students into the Ballance Internship Programme

Watch aspiring students taking part in Young Enterprise New Zealand



Graduates from the Ballance Internship Programme, Harrison Ward and Helen Koopman

# Strength in our partnerships

We are proud of the partnerships we have built at Ballance, whether community or industry focused, short or long-standing.

## Customer connection events

We value the opportunity that events give us to connect with our customers, in a relaxed, informal setting. Fielddays gives us the opportunity to thank our shareholders and customers personally for their business as well as share some locally sourced food, prepared by local food experts. Each year we put time and effort into ensuring we showcase the work we are doing on behalf of our customers and the innovation investments we are making to ensure we have solutions ready for them.



Watch our team in action at the National Fielddays

The 2023 BallanceEx Dinner Series was an opportunity for our team not only to provide thought-leadership content to regional audiences around the country but also to hear from farmers and growers about how their businesses are evolving and what they believe are the big opportunities coming down the line (see case study on [page 35](#)).



**Ballance Farm Environment Awards**  
Promoting Sustainable Farming and Growing

Our partnership with the New Zealand Farm Environment Trust delivers the Ballance Farm Environment Awards (BFEA), a showcase and celebration of the very best in sustainable farming and growing in New Zealand.

We also invest in local community partnerships, relationships fostered on Ballance giving back to the community and in respecting the region's unique natural resources.

**DAIRY WOMEN'S NETWORK**  
success through inspiration

Dairy Women's Network (DWN) is a partnership that is now 12 years in the making and continues to grow thanks to our values alignment and shared commitment to supporting inclusive and diverse farming leadership. This network is brimming with talented, thriving women who are not only committed to their own development, but also active in supporting and driving development in their communities and within the industry. Their stories are inspirational and provide the next generation with energy and aspiration to unleash their potential.



Watch some of the inspiring women from the Dairy Women's Network





CASE STUDY

# 2023 BallanceEx Dinner Series

Thought-leadership, connection, and great New Zealand food.

Helping our customers to be future ready is core to the service we provide. Our BallanceEx platform helps showcase our commitment to the future by looking at international trends and developing solutions to foster a sustainable and productive future.

BallanceEx is our version of TedEx, a home-grown leadership platform. However, unlike TedEx which has one expert leading the conversation, this year's BallanceEx Dinner Series featured a panel of experts and involved the farming and growing expertise in the room to discuss, debate and challenge a range of topics, all facilitated by Te Radar as MC. It is designed to be a farmer-to-farmer discussion where learnings and practices are shared in a relaxed, and entertaining atmosphere.

This year we looked up and out to the world of the global consumer. As a significant exporting nation, how do we ensure we are relevant in their future? And we took time to remind all in the room that they are Essential, our theme of the event. It reflected the essential role that New Zealand farmers and growers play in producing world-class food for a global population.

Ballance Science Strategy Manager, Warwick Catto provided a thought-provoking presentation, following a discussion from a farmer and grower panel, who shared their biggest challenges and successes so far and what they believe are the biggest opportunities coming down the line.

Warwick noted that the topics discussed across all eight events were consistent, highlighting some key industry trends. "The demographics are compelling in terms of the future world and how this may shape up," said Warwick. "When exploring future environmental trends, challenges and opportunities, the same topics keep arising, like land diversification and the opportunities around water."

Warwick also noted a growing focus on labour, with competition for good staff highlighting the need to be a good employer, as well as innovation, with many watching tech evolutions, closely monitoring how they can help be ready for the future.

Throughout the events, farmers and growers expressed their gratitude for the support Ballance provided to Rural Support Trust in response to the impact of extreme weather events. They also expressed a sense of optimism and excitement for the future.

World-class food and refreshments were provided to attendees as part of a menu inspired by Kiwi chef Al Brown and designed to showcase the quality meat and produce grown in New Zealand's primary sector. Each regional event was catered by local caterers using local produce, sharing the food grown in the region and celebrating the mahi of the attendees.

A total of eight regionally based events were held around the country and Te Radar once again kept the crowd engaged.



Te Radar has been part of BallanceEx since its inception and we are thankful for his talent, connectedness and smarts.

**"We really noticed a sense of optimism amongst the attendees. People are enjoying taking part in events and taking time to connect, especially after the past few years where the COVID-19 epidemic hindered connection."**



Watch the BallanceEx team in action during the 2023 BallanceEx Dinner Series



# Innovating for prosperity

Innovative leadership is at the heart of our economic prosperity.

2023 Ballance Farm Environment Awards Waikato Regional Supreme  
Winners Anjena, Arjun, Amreeta and Daljit Singh of Lawwal Holsteins





Fertiliser co-operatives started post World War II, when New Zealand farmers and growers struggled to access the nutrients they needed. They needed to replace the nutrients that left the farm as quality food and fibre for export. These co-operatives invested in local manufacturing assets to ensure access to affordable and reliable supply of appropriate nutrients.

This strategy remains relevant today. Primary industry is still the backbone of New Zealand and the economy. Our shareholders farm and grow a greater variety of products and export 95%+ of what they produce, so ensuring that the right

products are available at the right price, at the right time, and in the right place is still key.

Investing to ensure that our assets provide relevant and leading nutrients to enable our shareholders to achieve their goals is at the heart of our asset and innovation programme. It's also at the heart of our pricing for value programme where we aim to provide a nutrient cost advantage and lower greenhouse gas emissions per hectare applied versus an imported product.

#### Self serve silo number 12

We added two more self serve silos at Woodlands in Southland and Mayfield in Canterbury, bringing the total number of silos around the country to twelve. Our self serve silos give our farmers and growers 24/7 access to nutrients allowing them to collect product at a time that's convenient for them. On average we are servicing 20% of customers' needs outside of our normal trading hours.

## Expanding our aerial offering

Aerial application of nutrients using clever technology is leading in both productivity gains and sustainability. SpreadSmart® and geospatial is helping more customers achieve their goals in a new regulatory environment.

This year, Super Air expanded its footprint into the Hawkes Bay, one of North Island's largest sheep and beef regions, with the acquisition of Aerospread.

**The purchase of Aerospread creates a truly national footprint for Super Air, allowing us to offer customers across the country access to market-leading innovation and value.**

#### Science and innovation - farming & growing with pride

We continue to learn and be guided by science and knowledge gained from generations of farming and land-based families. Ballance has a proud and recognised history of significant science investment. We know that our shareholders value the proof points this investment gives our advice and our products, both of which contribute to the quality of food and fibre they produce for global consumers.

**We are committed to innovating for a productive and sustainable primary sector.**



A key priority of the Super Air business is to grow our market share in the sheep and beef category, and this acquisition is an important step in achieving this. Both businesses are an excellent fit from both a business model and cultural perspective. Aerospread is an exciting addition to the Super Air team, with its fleet of planes and loader trucks, local knowledge, and a trusted brand. Super Air brings leading precision technology, SpreadSmart®, which combined with geospatial mapping technology, provides customers with a productive fertiliser application plan to achieve the best environmental outcomes. We will maximise our combined strengths to provide market-leading service in the Central Plateau, Hawke's Bay, Wairarapa and Manawatu regions.

This year launched two products to give our customers the confidence that they can farm within limits:



SurePhos® is a world-leading, uniquely formulated, low emissions fertiliser that reduces phosphate loss by up to 75% when compared to other superphosphate products. This means that more stays on the land where it's needed. It is also compatible to blend with most other fertilisers, including SustaiN®, so you can combine nitrogen, phosphate and sulphur into a single application. SurePhos® was launched in the North Island in 2019 and is now available in the South Island.



SuperN® is a blendable nitrogen product that enables customers to combine their ideal ratio of nitrogen, phosphate and sulphur in one application. It creates 22% less emissions than DAP\* during production, and is a more sustainable option than DAP alternatives, making it easier for farmers to manage costs, meet productivity goals, and be confident that they can farm within limits. Currently available in the North Island only.

\*Source: Independent product comparison of the greenhouse gas footprint for Ballance sourced DAP and Ballance manufactured SSP.



# Whangārei Hub – open for business

When reviewing our capital programme, we always look for opportunities that will help our customers grow, increase our service offering and expand our footprint into markets where we can add value. Five years ago, we identified Northland as a region with significant growth opportunities for us as well as farmers and growers in the region. The area's tropical climate offers a competitive advantage for the agricultural sector, which is dominated by dairy, beef and sheep farming, but also the fast-evolving horticulture market. It is a critical time to support the horticulture sector, and growers need quality products delivered in a timely fashion.



Our plan to expand our footprint and our service offering in Northland, consisted of three major infrastructure projects:

- a service centre strategically based at Marsden Point
- a self serve silo at Te Kopuru
- and the jewel in the crown – a new, modern regional hub in Whangārei complete with automated bagging.

Our new Whangārei hub opened its doors in February this year after five years of research and planning. The operations team in Whangārei were involved throughout the project, from concept, to design and execution. Local spreaders and carriers were also involved making it one of our most collaborative projects to date. When building a regional asset like this, we ensure that the design and capabilities are specific to that region and it is important to us that the community is involved in the build. Communications were regular and widespread, in the form of open days, newsletters, and site visits from neighbours, spreaders, carriers, and customers. We asked local Iwi to come and bless the site in November, and to honour the Māori heritage in the area, Mauri stones were placed at the North and South end of the site.

The new Whangārei hub is state-of-the-art, incorporating hi-tech innovations and design elements aimed at delivering the best service to customers and spreaders. It enables us to deliver nutrients for food production blended using world leading technology, and specifically designed for our local customers. Some of the key features of the hub include:

- 
**Location**  
 The central location, secured among limited options in the region, allows for convenient access for spreaders and customers in the Northland region.
- 
**Product quality**  
 The design of the plant has minimised handling of product and therefore, degradation, producing a better quality product.
- 
**Environmental elements**  
 A dust management plan has been implemented and rain gardens installed to minimise the impact on the surrounding environment and neighbours.
- 
**Business continuity**  
 The decision to transition from our current long-serving Port Road site to the new site in Kioreroa Road has allowed for continuity of business for farmers and growers in the region.
- 
**Safety**  
 A traffic management plan has been implemented to ensure the safety of our people, spreaders and customers.



## World-class innovation

We are focused on the future of farming and growing in Northland, so we invested in precision automated technology and digital infrastructure that will enhance product quality and reliability of supply. The world-leading innovations featured in the build of the hub include:

### 1. Declining weight dispatch plant

Sourced from the Netherlands, our new dispatch plant is designed to reduce product degradation. Product is layered onto a conveyor belt based on mix percentage, then gently mixed at every transfer junction to create the very best blend.

### 2. Fully enclosed truck dispatch lanes

Two enclosed dispatch lanes, with fast acting doors and a traffic light system, control vehicle movement. Bespoke dispatch shuttle cones produce a vortex of product significantly reducing dust.

### 3. Intake plant

Fully automated with 24/7 access, our intake is full of hi-tech innovation including tripper conveyor, pile height sensors, Burnley Baffles to reduce dust and radar-controlled doors to ensure trucks can't exit the building with their hoist up.

### 4. Bagging plant

A key part of the new hub. Boasting 20kg, 500kg and 1 tonne bagging lines, which include dust extraction, the new plant can bag in an hour, what used to take a day at our old site.

### 5. Traffic management

Our new hub has been designed to minimise customers' time on site. Boom gates and intercoms connect customers, spreaders, and carriers to our customer service team without leaving their vehicle.

### 6. Raingarden, landscaping and building design

Our engineered raingarden has been designed to reduce solid waste from site. Any hard surface that may contain contaminants washes through the raingarden where native plants take up any nutrients, leaving minimal solid waste.



See some of the many innovations featured in our new Whangārei Hub

## Investment in our network

Our goal is to delight our customers with great timely service. Increasingly we are seeing shifts and changes in buying patterns and with weather giving us all a few challenges, perhaps the new normal, we invested in updating our inventory management system. MyStore is now up and running in each of our service centres. The aim of MyStore is to provide more information to service centres and improve decision making, freeing up time for our team members to work with customers, maintaining our sites and have some breathing space to consider continuous improvement and supply excellence. MyStore provides a standardised view of orders, transfers and capacity, as well as analytical tools to provide extra information, and generate top-up recommendations.



## Better blending and dispatch

Blending a combination of nutrients to best meet the specific requirements of our customers' nutrient needs is a key component of our service commitment and is part of the Ballance purpose – Together, creating the best soil and food on earth.

Recognising the importance of blending, this year we have begun investing in providing the most up-to-date infrastructure, upgrading our blending and dispatch plant at our Waingawa Service Centre, to add to our existing blending plants in Reporoa and Marsden Point. The new facilities will improve efficiencies for the team, including faster turnaround times, easier maintenance, and a safer environment, while providing a quality product to our customers and spreaders. We will be rolling out more blending plants throughout the network to further enhance our offering.





# Ensuring strength in all sectors

We place strategic importance on supporting our sectors as well as growing and sharing our knowledge so we can help our customers to grow their business.

## Growing our knowledge

We are excited by the mahi in the Māori agriculture sector and seek to increase our understanding of its aspirations, priorities and opportunities. To ensure we understand Tikanga and Mātauranga Māori, we hold regular wānanga, teaching and research sessions with Māori land entities to share knowledge and learnings of the application of Māori tradition according to Māori custom. One recent wānanga, held in Otamarakau in the western Bay of Plenty, covered a range of topics driven by three observations of our partners Dr Wiremu McMillan and Hemi Dawson from Whāma Kau – that Māori engage poorly with 'mainstream' events, that Māori engage well with 'Māori' events and that Māori prefer to work collectively – with Māori.

We continue to proudly support the Ahuwhenua Trophy competition and deeply value the learnings gathered at



the finalist fielddays. The Ahuwhenua Trophy is a very high profile, prestigious event with huge mana bestowed on the finalists and the overall winner. Both Ahuwhenua and the Ballance Farm Environment Awards (BFEA) showcase the commitment and mahi of generations of kaitiaki.

We know our shareholders care deeply for their animals and that strategic feed in a changing climatic environment is key to success. With that in mind, another 12 nutrient specialists joined our Sheep & Beef training group this year, which aims to develop them into specialists of the physical and financial fundamentals of sheep & beef farm systems.

This year, like all sectors, the dairy sector has been dominated by inflationary cost pressures, predominantly from interest rates, fertiliser prices and fuel prices. This has led to farmers reducing their use

of nutrients to help manage their operating bottom-line. We decreased the price on key products to help mitigate the inflationary cost pressures customers were having on farm.

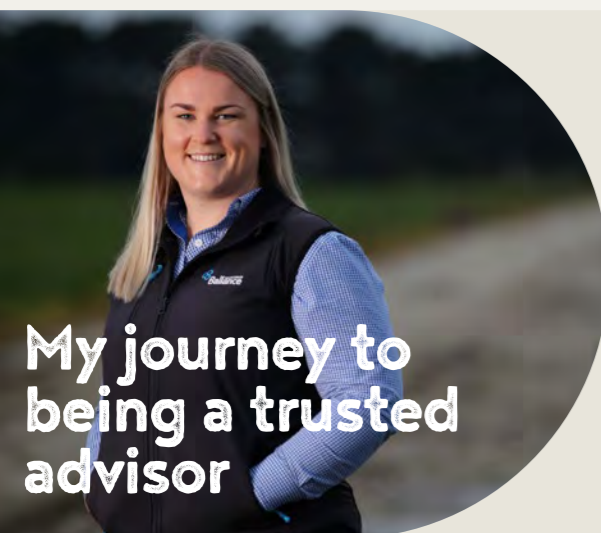
We continued to invest in both people and network upgrades in the growing horticulture and arable sector, especially in the Central South Island. We added an additional arable nutrient specialist to accommodate significant growth in both customers and volumes in the region, as well as continued our investment into our self serve silos.

After participating in the Ballance Sheep & Beef group, that broad picture has been broken down to understand how key parameters impact farming businesses.

I can now identify key drivers for their business to guide my conversation, engage closely with the farmer, and create value for them.

I've applied these learnings by having conversations that are topical to the time of year in which we meet. It's also pushed me to get out on-farm and be more hands-on and involved in their business, like pasture cover walks, body condition scoring etc.

My customers now see me as a trusted advisor and ask me questions that aren't necessarily related to fertiliser. They understand what impacts and benefits their fertiliser applications have on their whole farming business, rather than just being something that makes grass grow. My confidence to challenge my customers, has seen many review their initial decisions to not apply anything but instead look at the long-term big picture, and redistribute their spend to make more targeted applications that provide measurable benefits, rather than just convenience.



**My journey to being a trusted advisor**

## Rachael Hoogenboom, Ballance Sheep & Beef Group graduate

Prior to taking part in the Ballance Sheep & Beef group, my knowledge of the sector was very broad. I had a good understanding of the 'what' but not the 'why'.

## Leading the way in complete animal nutrition solutions

As our farmers face greater social and environmental accountability on farm, SealesWinslow's nutritional solutions provide value to our shareholders each year. Its range of compound feed and mineral products help farmers achieve greater production efficiencies and therefore a reduced nitrogen and carbon intensity of yield.

This year, SealesWinslow also became one of the first animal nutrition companies in New Zealand to join AgRecovery, a recycling scheme that allows farmers to recycle its 20kg and 25kg feed bags at

no cost. The initiative helps farmers reduce waste in order to meet dairy company requirements and environmental regulations and alone, could reduce up to 1 million bags from being buried or burned. SealesWinslow also engaged a new packaging supplier and new specifications to provide a lighter solution for its 20kg bags, reducing both the amount of plastic imported into New Zealand and transport emissions.



# A digital future in the cloud

Ballance is currently on a journey to move our IT systems to the cloud, to modernise and enable our IT strategic vision.

Last year, phase one of the programme was completed, which saw our core SAP system move to SAP Cloud, setting the foundation for phase two. This phase involves the technical upgrade of our Hybris technology, which has seen our system updated to the latest supported version and moved to the cloud, allowing a more agile way of working.



## The agility of the cloud system now means we can make the MyBallance customer journey even simpler.

### Mapping at your fingertips

Our geospatial team continue to make advances in mapping and we have collaborated with global companies to ensure the best mapping capabilities deliver greater accuracy and better decision making.

Our new Auto-Paddock Detection tool uses clever machine learning and geospatial smarts to make it much quicker and easier for a farm map to be created. The machine learning uses a new satellite imagery technique to identify paddock boundaries quickly, and then edits can be easily made before the map is made available for the customer to use in MyBallance.



### Digital support team

To help further with our digital tools, we have formed a dedicated group within our Customer Services team to provide support around MyBallance, mapping and submissions. The team are also proactively connecting with customers to help them get the most out of these tools.

### Nitrogen reporting

The new nitrogen limits reporting framework was launched this year and has been a learning journey for all involved – our customers and shareholders, ourselves, and regional councils. The industry has worked hard to collaborate and find solutions via the Ncap16 group.

With a clear reporting framework now agreed, we have invested in our Nitrogen Limit Management Tool to help our customers achieve their compliance goals inside the regulated timeframes and to try and make it as simple and easy as possible.

Recognising that nutrient reporting is time consuming for our customers, we collaborated with Fonterra to streamline data sharing for our joint customers. This allows those who opt-in to the data-sharing feature on MyBallance to automatically populate their end-of-season Farm Dairy Record reporting, saving them valuable time and allowing them to focus on what matters most – running their business.



View our Nitrogen Limit Management Tool



CASE STUDY

# Te Ata: The Dawn – Decarbonising



According to the UN Population Fund (UNFPA), the global population is expected to rise from 8 billion to 9.7 billion by 2050. This growing population will require an estimated 71% increase in global food production, despite growing constraints on productive land. Available arable land per person continues to decline (it decreased by 56% between 1960 and 2020).

New Zealand's food and fibre exports accounted for more than 81% of our GDP in the year ending June 2022. When we export our premium products, we are also removing nutrients from our system that need to be replaced, so there is no question that domestically produced fertiliser is therefore critical to New Zealand's contribution to a low emission domestic and global food supply.

Our ammonia-urea manufacturing facility in Kapuni, Taranaki, is dedicated to the domestic production of urea, and is a major provider of products to New Zealand's primary industry, transport, and wood processing sectors. The plant produces around 30% of New Zealand's nitrogen nutrient requirements.

Our Kapuni facility is a complex chemical manufacturing plant that currently relies on natural gas for feedstock, process heat, and plant operations. Many of New Zealand's hard-to-abate (energy-intensive) facilities are of strategic importance to our economy and our Kapuni facility is no exception. We believe supporting investment in solutions to transition hard-to-abate industries such as ammonia – urea manufacturing will provide New Zealanders with well-being, economic, and environmental benefits – do so while maintaining jobs in New Zealand is key, decarbonisation without deindustrialisation.

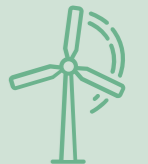
We have identified a two-phase decarbonisation pathway with the potential to abate over 90% of the CO<sub>2</sub>e emissions arising from day-to-day operation and manufacturing at the Kapuni facility (manufacturing emissions). Our ambition is to permanently remove more than ~190,000 tonnes per annum (tpa) carbon dioxide equivalent emissions (CO<sub>2</sub>e) out of New Zealand's national greenhouse gas inventory.

In addition, Ballance, as the second largest hydrogen producer (~28,000 tpa) in New Zealand, supports the transition of the high value oil and gas industry in Taranaki to a low carbon future, through its Te Ata project.

Our ambition through our Te Ata project:

- potentially avoid emissions leakage overseas of more than 300,000 tpa of CO<sub>2</sub>e, based on imported Saudi Arabia urea substitution.
- by 2040, materially transition from using gas to using electricity for manufacturing; and
- over two phases, invest around \$700+ million into New Zealand's low carbon future.

Te Ata is in addition to our joint venture with Hiringa Energy, which aims to use renewable energy to make green hydrogen for the heavy transport sector. Ballance can access green electricity and essentially underwrites Hiringa's hydrogen production while the hydrogen market is being established. Reducing emissions in heavy transport is another way Ballance can ensure we are leading and playing our part as a responsible member of the team of five million.



New Zealand's low emission primary production needs to be supported, while still reducing its carbon footprint, to minimise global emissions. Supporting innovation and greenhouse gas emissions reduction in the New Zealand primary sector is vital for the country to be able to achieve its emissions reduction commitments (net zero by 2050), and for global low emissions protein and food production. How to address agricultural issues through the lens of climate change and the urgent need to accelerate action around the Nationally Determined Contributions (NDCs) was reviewed at the 26th United Nations Climate Change Conference (COP26).



View Te Ata - The Dawn



View Te Ata Aide Memoir



# Sustainability

Guided by our purpose - "Together, creating the best soil and food on earth" - Ballance embraces a broad, ESG lens around sustainability. Our focus areas, where we seek to collaboratively create value now and for future generations, are outlined through four strategic pillars and underpinned by strong governance.

In 2023, we've developed an ESG Reporting framework to enable greater awareness, continuous improvement, and transparency of our business impacts across our value chain. We look forward to sharing relevant ESG reporting with our valued stakeholders in 2024.



Gardner family dairy farm in Maihihi, Waikato



# Green energy

Leading in sustainable energy with Kaitiakitanga front-of-mind.

## Kakariki Pūngaoa



## Our activities/contribution

### Ballance and Hiringa Energy: 'green' hydrogen initiative

#### Rationale

Lower emissions nutrient manufacture

Carbon efficiencies & opportunities for heavy transport

Renewable energy

#### Where we've focused this year

Our green hydrogen project with Hiringa Energy will produce greener nitrogen fertilisers with a low emissions profile.

Our green hydrogen project will reduce carbon emissions in the transport sector, offsetting up to 12,000 tonnes of emissions.

Sufficient renewable energy, produced as part of our hydrogen project, will supply our Kapuni site.

### Decarbonising Kapuni

#### Rationale

Lower emissions nutrient manufacture

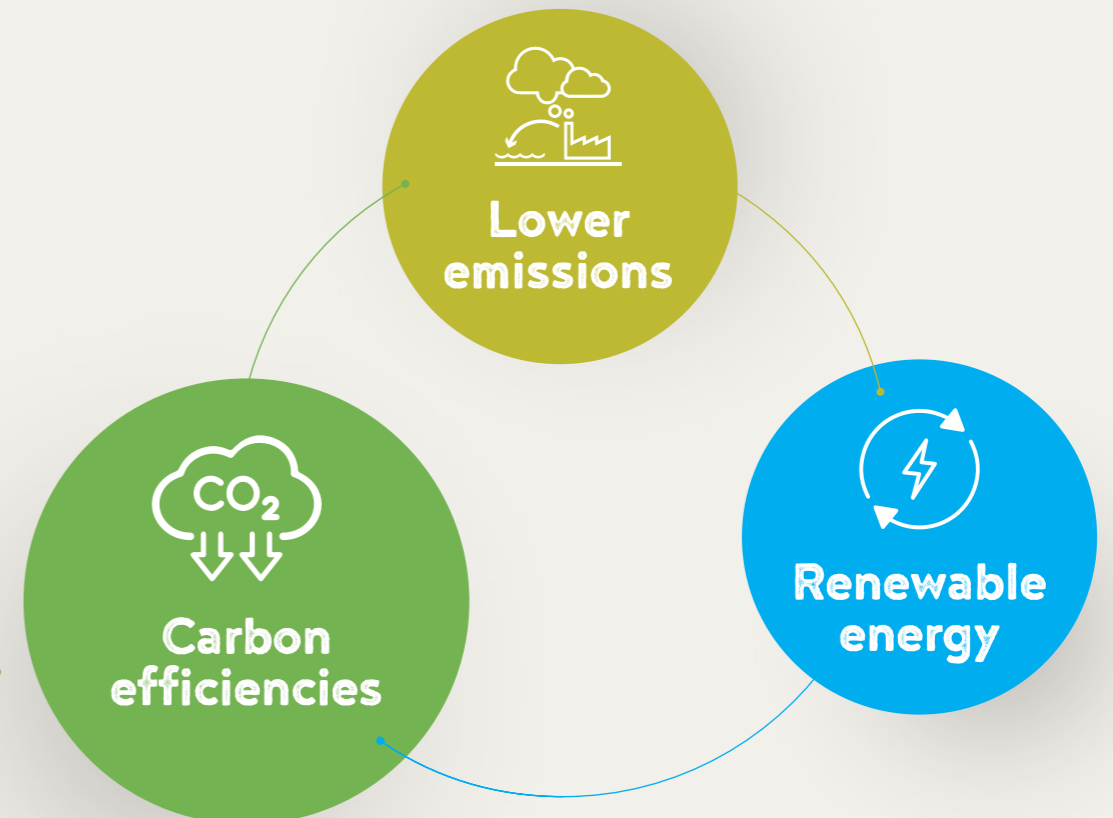
Lower emissions farming and growing

Lower emissions heavy transport

#### Where we've focused this year

As New Zealand's second largest producer of hydrogen, we are well positioned to help New Zealand reduce transport emissions.

Through staged 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. Phase one, the pathway is clear. Phase two is in the exploratory phase post the completion of Phase one.





# Greener operations

Reducing the environmental footprint of our Ballance sites and operations.

## Kakariki Mahi



## Our activities/contribution

### Reducing our footprint

#### Rationale

Meaningful action towards adapting to climate change

#### Where we've focused this year

Focus on reduction in transport emissions: Another 40 trucking companies joined our M2X platform, optimising service delivery and associated emissions.

Operational leadership – monitoring data at our sites continues ahead of compliance. Open and transparent operations – we continue to publish all site monitoring data and consents on our website.

We are developing plans to align with New Zealand targets for waste minimisation and management. We participate in a recycling scheme with AgRecovery, allowing us to recover more plastic from the environment. A Dust Management Review Programme has resulted in reduced dust levels at our Mount Maunganui site.

All sites monitor water discharges against consent limits with service centres operating a range of stormwater protection and treatment systems.

### Sustainable sourcing

#### Rationale

Open and transparent supply chain

#### Where we've focused this year

Our supplier code of conduct establishes clear expectations of all our suppliers, regarding their ethical, social, and environmental business responsibilities. Regular review and audit of sourcing to ensure compliance.

We also undertook in-person due diligence on new potential rock suppliers closer to New Zealand.





# Care for our people and communities

Supporting the well-being of our people and communities, enabling them to thrive and grow.

## Manaakitanga



In FY23  
**553**  
 of our people attended our flagship C.O.W.S 2.0 programme

## Our activities/contribution

### Thriving in a rapidly changing world

Rationale	Where we've focused this year
Well-being of our team	<p>We offer medical, health, or care insurance benefits to permanent full-time employees, some which extend to direct families.</p> <p>In 2022, 1,750 employees and their dependants were covered with our medical insurance provider and 4,700 claims valuing \$1.2m were paid.</p> <p>In FY23, 367 hours of support were provided through our Employee Assistance Programme (EAP). Mental Health First Aid Training workshops for people who can help others with mental health issues and/or crisis.</p> <p>In FY23, 553 members of our staff attended our flagship C.O.W.S (Care, Ownership, Well-being, Safety) 2.0 programme, an internal programme that ensures we maintain a humanistic culture where the whole human is at the core.</p> <p>We contributed \$82,200 to our local communities as part of our Safety Cross programme.</p>
Well-being of Kiwi communities	<p>We continue to support mental health initiatives like 'Surfing for Farmers', which saw 28 regional events held throughout the summer, attracting 800 rural participants. We initiated "Rural Riders" mountain biking events in six locations with nearly 1,500 participants.</p> <p>2,400 students received hands-on learning around sustainable land management and biodiversity enhancement, as part of our partnership with Bay Conservation Alliance.</p> <p>We produce Hydrofluorosilicic Acid (HFA), which is used in the fluoridation of drinking water, protecting the teeth of future generations.</p> <p>Our Weather Relief Fund included a \$1 million donation to the Rural Support Trust (RST) to help those recovering from severe weather events. Our science and innovation teams will continue to provide on-the-ground support in the long-term.</p>
Unleashing potential	<p>Recognising a changing business landscape and the diverse needs of our people, our Futurework Leadership programme aims to find new ways of thinking, leading and working.</p> <p>We continue to invest in our people to support promotion from within.</p> <p>We ran 15 different development programmes equating to over 900 hours of training. This is an investment in our future capability of over \$1 million.</p> <p>We supported educational initiatives, like STEM festivals and Young Enterprise New Zealand Challenge Days, to inspire students with an interest in STEM subjects.</p> <p>Another nine people graduated from our Ballance Internship Programme, and we offered four new scholarships to promising students studying agribusiness.</p>
Recognising contribution	<p>We are committed to paying equal pay for work of equal value and conduct annual reviews to work towards eliminating differences.</p> <p>We are proud to pay all employees the living wage or greater.</p>
Inclusivity & diversity – reflecting a changing New Zealand	<p>800 employees were invited to participate in our Strategy to 800 workshops, sharing our strategy built from the ground up and refreshing it with current team members.</p> <p>Our Diversity &amp; Inclusion (D&amp;I) Policy is focused on well-being, flexible working, and understanding and minimising bias. 40 of our top leaders have attended D&amp;I training.</p> <p>We have worked with 180 members of our supply chain to improve inclusivity for our female colleagues.</p> <p>Females make up 29% of our senior lead team and 52% of our sales team.</p> <p>We continue our 12-year partnership with the Dairy Women's Network, providing opportunities, connections, and development for women in the dairy industry.</p> <p>We are developing our understanding of Māori agribusiness and te taiao to better serve our customers in this sector. We hold regular wānanga with Māori land entities to share learnings of the application of Mātauranga Māori tradition according to Tikanga Māori practices.</p>



# Ballance with Nature

Helping farmers and growers reduce their environmental footprint whilst caring for our unique natural resources.

## Kaitiakitanga

## Our activities/contribution



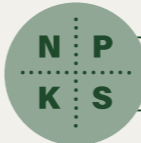
### Soil Health

#### Rationale

Healthy soil is key to productive, sustainable growth

#### Where we've focused this year

Our healthy soil programme helps farmers and growers look after the physical, chemical, and biological health of their soil. 1,400 Soil Health Checks have been requested since launch last year, exceeding our predicted uptake for the first year. We have developed a booklet on soil health in Te Reo to recognise the connection of soil health with Mātauranga Māori.



### Nutrient Efficiency

#### Rationale

Optimising nutrient use whilst avoiding nutrient loss

#### Where we've focused this year

The MyBallance mobile app allows customers to conveniently manage their farm's nutrients 24/7. Features like the Nitrogen Limit Management Tool help make applications more targeted. My Pasture Planner helps farmers optimise nitrogen use within a regulatory framework. Super Air fleet with SpreadSmart® technology ensures 'right place' aerial application, protecting sensitive areas and reducing nutrient use by up to 17%.



### Native Biodiversity

#### Rationale

Help preserve and restore native flora and fauna

#### Where we've focused this year

Biodiversity is an integral part of Farm Environment Plans developed by our Farm Sustainability Services team.



### Resource Utilisation

#### Rationale

Mindful use of our natural resources

#### Where we've focused this year

Support of on-farm practices from nutrient cycling to waste reduction, to reduce emissions and loss. This year saw 150% more Farm Environment Plans developed, 140% more mitigation scenarios using MitAgator® and three times as many risk maps, as farmers seek to address potential contaminant losses.





Projected benefits of  
**\$2.1b**  
 to New Zealand farmers by 2030

Gardner family dairy farm in Maihihi, Waikato

## Our activities/contribution

### Cleaner Air

Rationale	Where we've focused this year
Understanding and reducing emissions	<p>Sustain<sup>®</sup> &amp; PastureSure<sup>®</sup> enable farmers and growers to reduce gaseous emissions from volatilisation.</p> <p>SuperN<sup>®</sup> is a blendable nitrogen product that creates 22% less emissions than DAP* ** during production.</p> <p>Our Kapuni plant produces GoClear<sup>®</sup> to reduce emissions from diesel engines in the motor and marine industries. We currently produce ~50% of New Zealand's requirements.</p> <p><small>*DAP emissions include ammonium nitrate production. **Source: Independent product comparison of the greenhouse gas footprint for Ballance sourced DAP and Ballance manufactured SSP.</small></p>

### Healthy Water

Rationale	Where we've focused this year
Protecting our precious waterways	<p>SurePhos<sup>®</sup> reduces phosphate loss to waterways by up to 75%**.</p> <p>My Pasture Planner and Sustain<sup>®</sup> nitrogen tools, along with Farm Sustainability Services and Science Extension resources, help farmers to navigate Essential Freshwater Policy. SpreadSmart<sup>®</sup> and geospatial mapping identify exclusion zones for Super Air customers.</p> <p><small>**Relative to superphosphate products.</small></p>

### Animal Care

Rationale	Where we've focused this year
Optimal animal care	<p>SealesWinslow<sup>®</sup> has worked alongside farmers to develop products that deliver key nutrients to dairy cattle to meet their specific needs through seasonal changes.</p>

## Innovation to create sustainable solutions

Rationale	Where we've focused this year
We use clever science and innovation to lead the way to a sustainable future	<p>13 projects are underway to help farmers reduce emissions and greenhouse gases as part of our Future Ready Farms project, partly funded by Government. Projected benefits are \$2.1 billion to New Zealand farmers by 2030.</p> <p>Our world-leading slow release phosphate fertiliser, SurePhos<sup>®</sup>, is now available in the South Island. Our production of superphosphate not only employs more New Zealanders but has a better environmental footprint than other products such as DAP.</p> <p>BallanceEx delivers thought-leadership that helps farmers address environmental issues while sharing our clever science and knowledge of our pre-eminent thinkers and creators. The 2023 BallanceEx Dinner Series was held in eight events throughout the country, the largest in Te Awamutu with over 160 attendees.</p> <p>We added two more self serve silos to our network, allowing 24/7 access to nutrients. We are servicing 20% of customers' needs after hours, with the silos proving popular among arable customers in growth regions.</p>



# Financial information

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*Community planting day at Wright family dairy farm in Tapanui, Northland*



## Consolidated Income Statement

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	GROUP 2023 \$000	GROUP 2022 \$000
<b>Revenue before rebate</b>	2	<b>1,222,337</b>	1,195,308
Rebates to shareholders	7	-	(36,522)
<b>Revenue after rebate</b>		<b>1,222,337</b>	<b>1,158,786</b>
Cost of sales		<b>(982,925)</b>	(926,453)
<b>Gross profit</b>		<b>239,412</b>	<b>232,333</b>
Other operating income	2	<b>25,044</b>	20,768
Sales, marketing and distribution expenses		<b>(101,918)</b>	(89,994)
Administrative expenses		<b>(84,651)</b>	(71,718)
Other operating expenses	3	<b>(11,257)</b>	(6,993)
Net financing costs	6	<b>(20,093)</b>	(8,799)
Share of (loss) / profit from equity accounted investments		<b>(88)</b>	(12)
<b>Profit before tax</b>		<b>46,449</b>	75,585
Income tax (expense) / benefit	8	<b>(11,554)</b>	(19,738)
<b>Profit for the year</b>		<b>34,895</b>	<b>55,847</b>
<b>Non GAAP supplementary note:</b>			
<b>Profit before tax</b>		<b>46,449</b>	75,585
<i>Add back:</i>			
<b>Rebates to shareholders</b>	7	-	36,522
<b>Adjusted profit before rebate and tax</b>		<b>46,449</b>	<b>112,107</b>

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

## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2023 \$000	RESTATED 2022 \$000
<b>Profit for the year</b>		<b>34,895</b>	55,847
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</b>			
Effective portion of changes in the fair value of cash flow hedges		<b>12,051</b>	30,300
Income tax on items recognised directly in other comprehensive income	8	<b>(3,374)</b>	(8,484)
<b>Other comprehensive income, net of income tax</b>		<b>8,677</b>	21,816
<b>Total comprehensive income for the year</b>		<b>43,572</b>	<b>77,663</b>

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



## Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	FULLY PAID ORDINARY SHARES \$000	SHARE ALLOTMENT RESERVE \$000	HEDGING RESERVE (RESTATED) \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
<b>Balance at 1 June 2021</b>		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		-	-	30,300	-	30,300
Income tax relating to components of other comprehensive income	8	-	-	(8,484)	-	(8,484)
<b>Total other comprehensive income for the year, net of tax</b>		-	-	21,816	-	21,816
Amounts transferred to initial cost of inventory on hand during the period		-	-	(9,923)	-	(9,923)
Income tax relating to amounts transferred to initial cost of inventory on hand during the period	8	-	-	2,778	-	2,778
<b>Transactions with owners</b>						
Shares issued	23(a)(i)	149	-	-	-	149
Shares provided / issued in lieu of rebate - 2021	23(a)(i)	16,807	(7,697)	-	-	9,110
Shares repurchased	23(a)(i)	(9,061)	-	-	-	(9,061)
<b>Total transactions with owners</b>		7,895	(7,697)	-	-	198
<b>Balance at 31 May 2022</b>		213,129	9,220	10,308	314,074	546,731
<b>Balance at 1 June 2022</b>		<b>213,129</b>	<b>9,220</b>	<b>10,308</b>	<b>314,074</b>	<b>546,731</b>
Profit for the year		-	-	-	34,895	34,895
Net change in the fair value of cash flow hedges		-	-	12,051	-	12,051
Income tax relating to components of other comprehensive income	8	-	-	(3,374)	-	(3,374)
<b>Other comprehensive income for the year, net of tax</b>		-	-	8,677	-	8,677
Amounts transferred to initial cost of inventory on hand during the period		-	-	(14,911)	-	(14,911)
Income tax relating to amounts transferred to initial cost of inventory on hand during the period	8	-	-	4,175	-	4,175
<b>Transactions with owners</b>						
Shares issued	23(a)(i)	82	-	-	-	82
Shares provided / issued in lieu of rebate - 2022	23(a)(i)	9,129	(9,220)	-	-	(91)
Shares repurchased	23(a)(i)	(11,300)	-	-	-	(11,300)
<b>Total transactions with owners</b>		(2,089)	(9,220)	-	-	(11,309)
<b>Balance at 31 May 2023</b>		<b>211,040</b>	<b>-</b>	<b>8,249</b>	<b>348,969</b>	<b>568,258</b>

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

## Consolidated Balance Sheet

AS AT 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2023 \$000	2022 \$000
<b>Current assets</b>			
Cash and cash equivalents		2,740	7,471
Trade and other receivables	10	83,803	161,913
Prepayments	13	17,571	14,197
Inventories	11	349,717	317,741
Derivative assets	24(e)	13,032	17,463
Intangible assets	17	14,249	13,320
Assets held for sale	12	32,810	7,381
<b>Total current assets</b>		<b>513,922</b>	<b>539,486</b>
<b>Non-current assets</b>			
Investments in equity accounted investees		401	114
Deferred tax assets	9	15,720	-
Property, plant and equipment	15	401,620	391,659
Lease assets	16	30,555	35,819
Intangible assets	17	55,543	51,952
Prepayments	13	5,670	5,908
<b>Total non-current assets</b>		<b>509,509</b>	<b>485,452</b>
<b>Total assets</b>		<b>1,023,431</b>	<b>1,024,938</b>
<b>Current liabilities</b>			
Trade and other payables	18	134,124	167,274
Loans and borrowings	22	248,000	226,000
Derivative liabilities	24(e)	374	330
Rebate payable	7	-	27,300
Provisions	19	688	964
Lease liabilities	16	8,944	9,507
Income tax payable		29,651	11,472
<b>Total current liabilities</b>		<b>421,781</b>	<b>442,847</b>
<b>Non-current liabilities</b>			
Provisions	19	10,203	7,129
Lease liabilities	16	23,189	27,741
Deferred tax liabilities	9	-	490
<b>Total non-current liabilities</b>		<b>33,392</b>	<b>35,360</b>
<b>Total liabilities</b>		<b>455,173</b>	<b>478,207</b>
<b>Shareholders' equity</b>			
Paid-in capital		211,040	213,129
Retained earnings and other reserves		357,218	333,602
<b>Total equity</b>		<b>568,258</b>	<b>546,731</b>
<b>Total equity and liabilities</b>		<b>1,023,431</b>	<b>1,024,938</b>

For and on behalf of Board of Directors:



**DJ Coull**  
Chairman of Directors  
26 July 2023



**SD Robertson**  
Director  
26 July 2023

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 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2023 \$000	2022 \$000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,295,946	1,131,097
Cash paid to suppliers and employees		(1,173,270)	(1,136,938)
Interest received		1,620	521
Dividends received		-	2
Government grants		612	1,094
Rebate paid net of shares issued in lieu of rebate		(27,396)	(43,505)
Interest paid		(17,933)	(6,183)
Income tax (paid) / received		(11,484)	(1,547)
<b>Net cash flow from operating activities</b>	20	<b>68,095</b>	(55,459)
<b>Cash flows from investing activities</b>			
Proceeds from the sale of property, plant and equipment		136	788
Proceeds from the sale of assets available for sale		-	2,975
Acquisition of property, plant and equipment and intangibles		(72,673)	(95,354)
Investment in equity accounted associate		(375)	-
<b>Net cash flow from investing activities</b>		<b>(72,912)</b>	(91,591)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of co-operative shares		82	149
Repurchase of surrendered shares		(11,126)	(9,167)
Net drawdown of borrowings		22,000	151,991
Payment of lease liabilities		(10,870)	(10,120)
<b>Net cash flow from financing activities</b>		<b>86</b>	132,853
<b>Net movement in cash and cash equivalents</b>			
Cash and cash equivalents at 1 June		7,471	21,668
<b>Cash and cash equivalents at 31 May</b>		<b>2,740</b>	7,471

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 2023. 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 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities (see Note 14).

The Group's principal activities are the manufacture, marketing and supply of agri-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 equivalent to International Financial Reporting Standards (NZ IFRS), as appropriate to profit-oriented entities. They also comply with International Financial Reporting Standards.

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 consolidated financial statements were approved by the Board of Directors on 26 July 2023.

#### b) Use of estimates and judgements

The preparation of the consolidated financial statements requires the use of judgements, estimates and applying assumptions that affect the amounts reported in the consolidated 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, estimates and assumptions that have had a significant effect on the amounts recognised in the consolidated financial statements are disclosed in the relevant Notes as follows:

- Notes 13, 15 & 17 - The useful life of property, plant and equipment, intangible assets such as software, and prepayments.
- Note 16 - Leases - relating to lease terms and whether the Group is reasonably certain to exercise options to extend.
- Notes 11 & 19 - Inventories and provisions - quantification and estimation of net realisable value of inventories and site restoration costs for provisions.
- Note 24 - Financial instruments - 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 and 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 and interest bearing loans.

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.

The profit before rebate and tax is an important profit measure of the Group that Directors use to monitor 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

There are no new standards or interpretations that impact the Group for the year ending 31 May 2023.

#### e) Prior period restatements

Other comprehensive income reported in the consolidated statement of comprehensive income for the year ended 31 May 2022 has been restated by \$7.1m to remove the component of cash flow hedge reserve which was transferred to the initial cost of inventory on hand during the period as this is required to be separately disclosed in the statement of changes in equity (\$9.9m gross impact less related \$2.8m deferred tax). This was previously presented on a net basis in the effective portion of changes in fair value of Cash Flow hedges in Statement of Comprehensive Income. The restatement is limited to the Statement of Changes in Equity and Comprehensive Income and has no impact on profit, cash flow or the Balance Sheet of the Group.

### 2. REVENUE AND OTHER OPERATING INCOME

	2023 \$000	2022 \$000
Sale of goods	1,207,728	1,173,201
Services provided	14,609	22,107
<b>Total revenue from contracts with customers</b>	<b>1,222,337</b>	1,195,308
<b>Other operating income</b>		
Other dividend income	-	2
NZ Emission Trading Scheme credits	22,927	16,284
Government grants	1,155	1,908
R&D tax credit	378	203
Gain on sale of NZ Emission Trading Scheme credits	-	1,715
Other	584	656
	<b>25,044</b>	20,768



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. 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 the month following the 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

	NOTE	2023 \$000	2022 \$000
Net loss on disposal of property, plant and equipment		1,012	601
Research and development expense		3,753	6,175
Donations – Other		37	37
Donations – Rural Support Trust		1,000	-
Other		3	180
Impairment writedown of ETS units		5,452	-
		<b>11,257</b>	<b>6,993</b>

### 4. PERSONNEL EXPENSES

	NOTE	2023 \$000	2022 \$000
Wages, salaries and bonuses		88,328	85,869
Contributions to defined contribution superannuation plans		5,298	5,023
Increase / (decrease) in liability for long-service leave	19	226	(25)
		<b>93,852</b>	<b>90,867</b>

### 5. AUDITORS' REMUNERATION

	NOTE	2023 \$000	2022 \$000
<b>Audit services</b>			
Audit of financial statements		246	228
Other audit related fees - share register fee		3	3
<b>Other services</b>			
Taxation services - compliance		50	37
Taxation services - advisory		4	5
		<b>303</b>	<b>273</b>

### 6. FINANCING INCOME AND EXPENSE

	NOTE	2023 \$000	2022 \$000
<b>Financing expense</b>			
Interest paid to banks		17,296	4,602
Net change in fair value of derivatives designated at fair value through profit or loss		453	297
Unwind of discount rate on deferred and contingent consideration	19	1	26
Interest from lease liabilities		1,732	1,555
Other financial expenses		3,346	2,840
Interest capitalised to property, plant and equipment		(1,115)	(297)
<b>Total finance costs</b>		<b>21,713</b>	<b>9,023</b>
<b>Financing income</b>			
Interest from bank		1,620	224
<b>Total finance income</b>		<b>1,620</b>	<b>224</b>
<b>Financing costs (net)</b>		<b>20,093</b>	<b>8,799</b>

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 6. FINANCING INCOME AND EXPENSE (CONTINUED)

#### Policy

Finance income comprises interest income on funds invested, net foreign currency gains, net 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, net foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), and net 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

	2023 \$000	2022 \$000
Rebate provided for current year	-	36,520
Rebate for the prior year (over) / under provided and recognised in the current year	-	2
	<b>-</b>	<b>36,522</b>
<b>Balance Sheet:</b>		
Rebate provided for the current year	-	36,520
Less rebate allocated to the share allotment reserve	-	(9,220)
	<b>-</b>	<b>27,300</b>

#### Policy

Rebateable sales are eligible for sales volume and value rebates as determined 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 23(a)(iii)) 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)

	2023 \$000	2022 \$000
<b>Reconciliation of income tax expense / (benefit)</b>		
Profit before tax	46,449	75,585
Income tax using the domestic company tax rate - 28%	13,006	21,164
<b>Increase / (decrease) in income tax expense due to:</b>		
Non-deductible expenses	326	817
Tax exempt revenues	(1,154)	(2,236)
Adjustments for prior years	(655)	(332)
Other	31	325
<b>Income tax expense / (benefit) in income statement</b>	<b>11,554</b>	<b>19,738</b>
Comprising:		
Current tax	29,572	14,819
Deferred tax	(18,018)	4,919
	<b>11,554</b>	<b>19,738</b>
<b>Income tax recognised directly in other comprehensive income</b>		
Other comprehensive income - cash flow hedges	(3,374)	(8,484)
Statement of movement in equity - cash flow hedges	4,175	2,778
	<b>2023 \$000</b>	<b>2022 \$000</b>
The imputation credits are available to shareholders of the parent company:		
Through the parent company	142,024	130,916
Through subsidiaries	1,743	1,743
	<b>143,767</b>	<b>132,659</b>



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. 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 in other comprehensive income.

### 9. DEFERRED TAX ASSET / (LIABILITY)

	PPE AND INTANGIBLES \$000	PROVISIONS AND ACCRUALS \$000	HEDGE RESERVE \$000	OTHER \$000	TOTAL \$000
<b>Balance at 1 June 2021</b>	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	-	-	(8,484)	-	(8,484)
Recognised in equity	-	-	2,778	-	2,778
<b>Balance at 31 May 2022</b>	(4,935)	6,128	(4,010)	2,327	(490)
Recognised in profit or loss	<b>3,986</b>	<b>12,516</b>	-	<b>1,516</b>	<b>18,018</b>
Recognised in other comprehensive income	-	-	(3,374)	-	(3,374)
Recognised in equity	-	-	4,175	-	4,175
Less assets held for sale	(2,456)	(97)	-	(56)	(2,609)
<b>Balance at 31 May 2023</b>	<b>(3,405)</b>	<b>18,547</b>	<b>(3,209)</b>	<b>3,787</b>	<b>15,720</b>

As at 31 May 2023 there were unused tax losses of \$0.6m (2022: \$0.7m) not recognised as a deferred tax asset. These arose prior to the 100% owned acquisition of SealesWinslow 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

	2023 \$000	2022 \$000
<b>Current</b>		
Trade and other receivables	<b>83,803</b>	161,913
Trade and other receivables status		
Not past due	<b>81,854</b>	160,483
past due 0 - 30 days	<b>692</b>	979
past due 31 - 120 days	<b>653</b>	320
past due > 120 days	<b>604</b>	131
<b>Total</b>	<b>83,803</b>	161,913

#### Policy

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

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 (2022: 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 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 11. INVENTORIES

	2023 \$000	2022 \$000
Manufactured and finished products	<b>258,780</b>	244,142
Raw materials	<b>33,785</b>	26,937
	<b>292,565</b>	271,079
Goods in transit	<b>45,870</b>	36,463
Packaging	<b>6,230</b>	3,999
Consumables and spares	<b>5,052</b>	6,200
	<b>349,717</b>	317,741

#### 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 the weighted average and includes expenditure incurred in bringing them to their existing location.

#### Impairment

The Group's inventory principally comprises nutrient products which are purchased in overseas markets. When prices decline for these nutrients in overseas or local markets, an assessment is required as to whether the carrying value of inventory can still be achieved. In these cases, consideration of projected sales are assessed and a judgement formed as to likely future demand in light of market forecasts and likely price movements thereon. As a result of these conditions, the Group has increased its provision estimation for inventory items where sales prices have, or are expected to, decline for projected sales of such inventories. For the year ending 31 May 2023, an impairment provision of \$50.6m has been recognised (2022: nil). Because of such judgements, the net inventory balance at 31 May 2023 comprises \$400.3m of inventory initially carried at cost (2022: \$317.7m) and a net realisable impairment provision of \$50.6m, which represents 14% of net inventories. The provisions for inventories held at net realisable value is a material amount and hence any changes in future expectations or outlook may impact the carrying amount or the financial results in the future year.

### 12. ASSETS HELD FOR SALE

The Group has the following assets held for sale:

	2023 \$000	2022 \$000
Emissions Trading Scheme units	-	7,381
SealesWinslow business	<b>32,810</b>	-
	<b>32,810</b>	7,381

#### a) Emissions Trading Scheme units

The Emissions Trading Scheme (ETS) units held for sale are measured at lower of cost or net realisable value.

No ETS units were held for sale at 31 May 2023, refer to Note 17.

#### b) SealesWinslow business

In May 2023 the Board received a number of non-binding indicative offers for the SealesWinslow animal nutrition business. As a result, the Board approved a due diligence process to be performed, which is still ongoing at the time of signing the financial statements. In accordance with IFRS the SealesWinslow net assets & liabilities are presented as held for sale as at 31 May 2023.

The following asset and liabilities were classified as held for sale in relation to SealesWinslow as at 31 May 2023:

	2023 \$000
<b>Assets classified as held for sale</b>	
Cash and cash equivalents	<b>209</b>
Receivables and prepayments	<b>3,950</b>
Inventory	<b>15,669</b>
Property, plant, equipment and intangibles	<b>16,552</b>
Income tax receivable	<b>91</b>
Deferred tax assets	<b>2,609</b>
Lease assets	<b>688</b>
	<b>39,768</b>
<b>Liabilities classified as held for sale</b>	
Trade and other payables	<b>(6,182)</b>
Provisions	<b>(44)</b>
Lease liabilities	<b>(732)</b>
	<b>(6,958)</b>
<b>Net assets of disposal group held for sale</b>	<b>32,810</b>



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 13. PREPAYMENTS

	2023 \$000	2022 \$000
Pre-paid software	7,561	7,416
Other prepayments	15,680	12,689
<b>Total prepayments</b>	<b>23,241</b>	<b>20,105</b>

**Prepayments are reported in the Balance Sheet as:**

	2023 \$000	2022 \$000
Current asset	17,571	14,197
Non-current asset	5,670	5,908
	<b>23,241</b>	<b>20,105</b>

Pre-paid non-cash consideration for configuration and customisation costs relating to the fulfilment of a service contract with a cloud provider are expensed over the related contract life as noted in the software policy per Note 17. As a result of the IFRIC Agenda decision \$1.8m (2022: \$6.8m) was transferred from intangible assets to pre-paid software during the year.

### 14. INVESTMENTS

The Company has the following material investments:

#### a) Subsidiaries

	PRINCIPAL ACTIVITY	2023 BALANCE DATE	INTEREST	2022 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%
SealesWinslow 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	2023 BALANCE DATE	INTEREST	2022 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 consolidated 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 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 15. PROPERTY, PLANT AND EQUIPMENT (PPE)

	LAND AND IMPROVEMENTS \$000	BUILDINGS \$000	PLANT, EQUIPMENT AND AIRCRAFT \$000	UNDER CONSTRUCTION \$000	TOTAL \$000
Cost	61,471	135,747	447,947	68,393	713,558
Accumulated depreciation	(7,737)	(71,687)	(290,168)	-	(369,592)
<b>Carrying value 1 June 2021</b>	<b>53,734</b>	<b>64,060</b>	<b>157,779</b>	<b>68,393</b>	<b>343,966</b>
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
<b>Carrying value 31 May 2022</b>	<b>53,577</b>	<b>68,447</b>	<b>208,730</b>	<b>60,905</b>	<b>391,659</b>
Cost	61,982	144,704	498,190	60,905	765,781
Accumulated depreciation	(8,405)	(76,257)	(289,460)	-	(374,122)
Acquisitions / (transfers)	2,017	36,121	32,882	3,051	74,071
Depreciation expense	(711)	(5,692)	(40,867)	-	(47,270)
Disposals - cost	(18)	(32)	(6,775)	-	(6,825)
Disposals - accumulated depreciation	-	31	6,278	-	6,309
Assets held for sale - cost	(4,948)	(16,221)	(41,211)	(409)	(62,789)
Assets held for sale - accumulated depreciation	2,259	8,011	36,195	-	46,465
<b>Carrying value 31 May 2023</b>	<b>52,176</b>	<b>90,665</b>	<b>195,232</b>	<b>63,547</b>	<b>401,620</b>
Cost	59,033	164,572	483,085	63,547	770,238
Accumulated depreciation	(6,857)	(73,907)	(287,853)	-	(368,618)

#### 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 is ready for use.

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

Aircraft are depreciated on a units of use method based on hours flown.

#### 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

The Group's 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, existing inventories of carbon credits, 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 amount 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 units 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 \$13.6m for the Group (2022: \$34.9m).



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 16. LEASES

#### Leases as lessee

	PROPERTY \$000	VEHICLES \$000	OTHER \$000	TOTAL \$000
<b>Right-of-use asset</b>				
Cost	49,629	6,149	629	56,407
Accumulated depreciation	(15,163)	(2,630)	(190)	(17,983)
<b>Carrying value 1 June 2021</b>	<b>34,466</b>	<b>3,519</b>	<b>439</b>	<b>38,424</b>
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)
<b>Carrying value 31 May 2022</b>	<b>32,064</b>	<b>3,274</b>	<b>481</b>	<b>35,819</b>
Cost	55,826	6,877	857	63,560
Accumulated depreciation	(23,762)	(3,603)	(376)	(27,741)
Additions	3,799	2,650	37	6,486
Completed leases - cost	(6,563)	(2,248)	(81)	(8,892)
Completed leases - accumulated depreciation	6,563	2,248	81	8,892
Depreciation expense	(8,950)	(1,904)	(208)	(11,062)
Assets held for sale - costs	-	(945)	(588)	(1,533)
Assets held for sale - accumulated depreciation	-	455	390	845
<b>Carrying value 31 May 2023</b>	<b>26,913</b>	<b>3,530</b>	<b>112</b>	<b>30,555</b>
Cost	53,062	6,334	225	59,621
Accumulated depreciation	(26,149)	(2,804)	(113)	(29,066)

	MINIMUM LEASE PAYMENT \$000	INTEREST \$000	PRESENT VALUE \$000
<b>Lease liability 2023</b>			
Within one year	10,501	1,557	8,944
One to two years	11,312	2,099	9,213
Two to five years	8,470	1,113	7,357
Greater than five years	7,555	936	6,619
	<b>37,838</b>	<b>5,705</b>	<b>32,133</b>

Leases reported in the Balance Sheet as:

- current liabilities			8,944
- non-current liabilities			23,189
			<b>32,133</b>

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

Leases reported in the Balance Sheet as:

- current liabilities			9,507
- non-current liabilities			27,741
			<b>37,248</b>

#### Lease interest expense included in profit and loss

	NOTE	2023 \$000	2022 \$000
Interest	6	1,732	1,555

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 16. 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 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 twelve months of lease term.
- Not recognising right-of-use assets and liabilities if the leased asset is considered a low value asset of up to \$5,000.

### 17. INTANGIBLE ASSETS

	NOTE	GOODWILL \$000	EMISSIONS TRADING SCHEME \$000	SOFTWARE \$000	TOTAL \$000
Cost		737	22,730	93,367	116,834
Accumulated amortisation		-	-	(58,993)	(58,993)
<b>Carrying value 1 June 2021</b>		<b>737</b>	<b>22,730</b>	<b>34,374</b>	<b>57,841</b>
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	13	-	-	(6,838)	(6,838)
Disposals - cost		-	-	(20,079)	(20,079)
Disposals - accumulated amortisation		-	-	19,654	19,654
<b>Carrying value 31 May 2022</b>		<b>737</b>	<b>35,684</b>	<b>28,851</b>	<b>65,272</b>

#### Intangible assets are reported in the Balance Sheet as:

Current	-	13,320	0	13,320
Non-current	737	22,364	28,851	51,952
<b>31 May 2022</b>	<b>737</b>	<b>35,684</b>	<b>28,851</b>	<b>65,272</b>

Acquisitions		875	-	579	1,454
Movement in development costs		-	-	2,365	2,365
Transferred from assets held for sale		-	7,381	-	7,381
Grant - net allocation of emissions trading scheme credits		-	10,395	-	10,395
Amortisation		-	-	(8,718)	(8,718)
Transfer to prepayments	13	-	-	(1,820)	(1,820)
Disposals - cost		-	-	(4,330)	(4,330)
Disposals - accumulated amortisation		-	-	3,473	3,473
Impairment charge	3	-	(5,452)	-	(5,452)
Assets held for sale - costs		-	-	(768)	(768)
Assets held for sale - accumulated depreciation		-	-	540	540
<b>Carrying value 31 May 2023</b>		<b>1,612</b>	<b>48,008</b>	<b>20,172</b>	<b>69,792</b>

#### Intangible assets are reported in the Balance Sheet as:

Current	-	14,249	-	14,249
Non-current	1,612	33,759	20,172	55,543
<b>31 May 2023</b>	<b>1,612</b>	<b>48,008</b>	<b>20,172</b>	<b>69,792</b>



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 17. 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 units 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 twelve 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

Over the last two years the Group migrated its on-premise systems 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 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 (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 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. Units held on hand at the end of May 2023 are 1,059,290 (2022: 1,021,630).

The Group is exposed to costs of the NZ ETS primarily by the consumption of gas, electricity, and fuels. For the gas consumption, the Group has the option of transferring ETS units to settle the contractual obligation. The contractual cost is determined by using a first-in-first-out methodology of the ETS units that will be transferred to settle the obligation.

#### Goodwill

Goodwill is associated with Super Air's acquisition of aerial topdressing businesses.

### 18. TRADE AND OTHER PAYABLES

	2023 \$000	2022 \$000
<b>Current</b>		
Trade payables and accrued expenses	91,580	126,627
Share repurchase instalments	6,554	6,353
Employee benefits	9,831	10,639
Emissions trading scheme - deferred income	12,803	11,689
Emissions trading scheme - liability	8,153	5,219
Non-trade payables and accrued expenses	5,203	6,747
	<b>134,124</b>	<b>167,274</b>

#### Policy

The emissions trading scheme deferred income refers to the amount of ETS units held but not yet earned. ETS units have been allocated in advance based on an estimated annual urea production to compensate for the cost of carbon associated with the urea manufactured. The ETS units allocated are only earned as urea is produced and the income progressively recognised.

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 19. PROVISIONS

	NOTE	2023 \$000	2022 \$000
<b>Employee benefits - long-service leave provision</b>			
Opening balance		1,574	1,599
Movement in provision	4	226	(25)
Closing balance		<b>1,800</b>	1,574
<b>Contingent consideration</b>			
Opening balance		169	872
Movement in provision		894	(28)
Cash payment		(170)	(701)
Unwind of discount	6	1	26
Closing balance		<b>894</b>	169
<b>Holiday Act remediation</b>			
Opening balance		172	1,808
Movement in provision		-	(1,625)
Cash payment		-	(11)
Closing balance		<b>172</b>	172
<b>Site restoration</b>			
Opening balance		6,178	6,379
Movement in provision		1,542	1,081
Utilised		(211)	(1,282)
Closing balance		<b>7,509</b>	6,178
<b>Other provisions</b>			
Site maintenance and onerous lease		516	-
Closing balance		<b>516</b>	-
<b>Total provisions</b>		<b>10,891</b>	8,093

Total provisions are reported in the Balance Sheet as:

- current liabilities	688	964
- non-current liabilities	10,203	7,129
	<b>10,891</b>	<b>8,093</b>

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 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.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2023 \$000	2022 \$000
Profit for the year	34,895	55,847
<b>Add non-cash and non-operating items:</b>		
Depreciation on assets and leases	58,332	51,708
Amortisation	8,718	9,692
Emissions trading scheme - net cost of carbon	(895)	(6,575)
Loss / (gain) on sale of assets held for sale	-	(1,715)
Derivative fair value movement	(989)	308
Loss / (gain) on sale of property, plant and equipment	1,093	601
Loan forgiveness to associate	-	288
Employee benefits	226	(25)
Rebate transferred to Share Allotment Reserve	(91)	9,110
Equity accounted earnings of associates	88	12
Increase / (decrease) in deferred tax	(18,018)	4,919
<b>Add / (deduct) movements in working capital:</b>		
Movement in trade and other receivables	73,947	(65,194)
Movement in inventories	(47,645)	(149,018)
Movement in trade and other payables	(29,364)	44,128
Movement in rebate payable	(27,300)	(16,093)
Movement in tax receivable	18,089	13,272
Movement in prepayments	(2,991)	(6,724)
<b>Net cash from operating activities</b>	<b>68,095</b>	<b>(55,459)</b>

### 21. RELATED PARTIES

#### Identity of related parties

Related parties of the Group include the subsidiaries and associates disclosed in Note 14, and key management personnel including 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 interest are less than 2% of the total operating revenue and rebates for the year respectively.

	2023 \$000	2022 \$000
<b>Transactions with external related parties through common directorship, control or significant influence</b>		
Revenue	9,917	9,549
Expenses	6,387	9,085
Rebate paid	308	535
<b>Balances with external related parties through common directorship, control or significant influence</b>		
Amounts owing to the Company	2,303	2,884
Amounts owed by the Company	119	126
<b>Key management personnel and Directors compensation</b>		
Short term employee benefits, excluding Directors (measured on an accrual basis)	5,237	4,732
Directors' fees	852	785
Total	6,089	5,517

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 22. LOANS AND BORROWINGS

At 31 May 2023 the committed and uncommitted Bank Revolving Cash Advance Facilities available were \$600m, of which \$248m was drawn in the Group (2022: facility \$500m, actual drawn \$226m). 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 45%, 2 year 31%, 3 year 17%, 4 year 5% and 5 year 2%. The average interest rate in 2023 was 4.53% (2022: 1.83%). 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 Company has interest rate swaps with a nominal value of \$45m (2022: \$45m) with an average interest rate of 2.7% (2022: 1.48%), refer Note 24(b).

Borrowings are unsecured and subject to various lending covenants. These have all been met for the years ended 31 May 2023 and 31 May 2022.

### 23. CAPITAL AND RESERVES

#### a) Share capital

##### (i) Reconciliation of movement in co-operative shares

	2023 000's	\$000	2022 000's	\$000
Opening balance	45,624	213,129	44,704	205,234
Co-operative shares issued	10	82	18	149
Co-operative shares issued in lieu of rebate	1,127	9,129	2,075	16,807
Co-operative shares repurchased	(1,485)	(11,300)	(1,173)	(9,061)
Closing balance	45,276	211,040	45,624	213,129

##### (ii) Co-operative shares

All shares are fully paid and have no par value. Each share has a nominal value of \$8.10 (2022: \$8.10). The holders of ordinary shares are entitled to receive dividends 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 1,485,840 shares (2022: 1,172,969) were repurchased at an average price of \$7.61 per share (2022: \$7.73) and subsequently cancelled.

#### (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.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 24. FINANCIAL INSTRUMENTS

#### Financial risk management policy

The Group has a comprehensive treasury policy, approved by the 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 Directors.

Each risk is monitored on a regular basis and reported to the Directors.

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 24(f).

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, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

#### Cash flow hedges

The Group has entered into foreign exchange forward contracts, foreign exchange swaps and interest rate swaps (the hedging instruments) to hedge the variability in cash flows arising from foreign currency exchange rate and interest 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. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred to be included in the measurement of the initial cost of the asset or liability.

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:

	2023		2022	
	\$000		\$000	
	MATURITY		MATURITY	
	1-6 MONTHS	6-12 MONTHS	1-6 MONTHS	6-12 MONTHS
<b>Foreign currency risk</b>				
<b>Forward exchange contracts</b>				
Net exposure (in thousands of New Zealand Dollars)	168,870	53,062	261,486	14,336
Average New Zealand Dollars: USD forward contract rate	0.628	0.622	0.688	0.696
Average New Zealand Dollars: EUR forward contract rate	-	-	0.620	-

	2023	2022
	\$000	\$000
	USD	USD
<b>Foreign currency risk USD</b>		
Bank accounts	597	2,668
Trade payables	(21,695)	(37,854)
Net Balance Sheet exposure before hedging	(21,098)	(35,186)
Forward exchange contracts relating to exposures	21,098	35,186
Net unhedged exposure	-	-

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### Sensitivity analysis

At 31 May 2023 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.

		PROFIT		PROFIT	
		EQUITY	OR LOSS	EQUITY	OR LOSS
		2023	2023	2022	2022
		\$000	\$000	\$000	\$000
Forward exchange contracts	+10%	(20,671)	(934)	(26,110)	-
	-10%	25,265	3,656	31,912	-

### 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 20% and 100% of its estimated foreign currency exposure in respect of forecasted purchases over the following 12 months. The Group uses forward exchange contracts 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 quoted market price, if available. If a quoted 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 2023	TOTAL	MATURITY PROFILE			
		0 - 6 MONTHS	6 - 12 MONTHS	1 - 2 YEARS	2 - 5 YEARS
	\$000	\$000	\$000	\$000	\$000
Variable rate instruments and related derivatives	-	-	-	-	-
Cash and cash equivalents	2,740	2,740	-	-	-
Bank loans	(248,000)	(248,000)	-	-	-
Net variable rate instruments	(245,260)	(245,260)	-	-	-
Effect of nominal value of interest rate swaps	45,000	-	-	-	45,000
Unhedged exposure	(200,260)	(245,260)	-	-	45,000

Interest rate risk - repricing analysis 2022	TOTAL	MATURITY PROFILE			
		0 - 6 MONTHS	6 - 12 MONTHS	1 - 2 YEARS	2 - 5 YEARS
	\$000	\$000	\$000	\$000	\$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

At 31 May 2023 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 (2022: \$0.4m). The impact of the interest rate swaps have been included in this calculation.

### 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.



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 24. FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

	CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0 - 12 MONTHS \$000	1 - 2 YEARS \$000	2 - 5 YEARS \$000	> 5 YEARS \$000
<b>2023</b>						
Unsecured bank loans	248,000	251,682	251,682	-	-	-
Trade and other payables	121,321	121,321	121,321	-	-	-
Lease liabilities	32,133	37,838	10,501	11,312	8,470	7,555
Total non-derivative liabilities	401,454	410,841	383,504	11,312	8,470	7,555
Net settled foreign exchange derivatives used for hedging:	(12,658)	(9,933)	(9,933)	-	-	-

Net settled cash flow hedge derivatives	(2,357)	(2,466)	(477)	(1,410)	(501)	(78)
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	CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0 - 12 MONTHS \$000	1 - 2 YEARS \$000	2 - 5 YEARS \$000	> 5 YEARS \$000
<b>2022</b>						
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)	-	-	-
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Net settled cash flow hedge derivatives	(2,332)	(2,415)	(890)	(1,251)	(274)	-
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#### 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 to Note 22 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 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### 24. FINANCIAL INSTRUMENTS (CONTINUED)

	NOMINAL AMOUNT \$000	FAIR VALUE HELD FOR TRADING \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
<b>2023</b>				
<b>Assets</b>				
Derivatives	216,568	13,032	-	13,032
Trade and other receivables	-	-	83,803	83,803
Cash and cash equivalents	-	-	2,740	2,740
Total assets	216,568	13,032	86,543	99,575

<b>Liabilities</b>				
Derivatives	5,363	374	-	374
Trade and other payables	-	-	121,321	121,321
Net rebates payable	-	-	-	-
Bank loan	-	-	248,000	248,000
Total liabilities	5,363	374	369,321	369,695

	NOMINAL AMOUNT \$000	FAIR VALUE HELD FOR TRADING \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
<b>2022</b>				
<b>Assets</b>				
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

<b>Liabilities</b>				
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

#### 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

There were no material contingent assets or liabilities at balance date (2022: nil).

### 26. SUBSEQUENT EVENTS

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





# 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 (the 'company') and its subsidiaries (together the 'group') on pages 61 to 82 present fairly, in all material respects, the group's financial position as at 31 May 2023 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 issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 May 2023;
- 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, tax advisory and other 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 \$9m determined with reference to a benchmark of total expenses (including cost of sales). 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

As disclosed in Note 11 of the financial statements the group has inventory of \$349.7m (2022: \$317.7m), which is net of an impairment provision of \$50.6m (2022: \$nil).

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 or net realisable value, particularly given current volatility of global fertiliser commodity prices and the resulting impact on the NZ fertiliser market.

Our audit procedures included:

- Assessing processes and controls over the valuation and accuracy of inventory.
- Attending a sample of stock counts at selected sites (including those attended by independent quantity surveyors) to ensure the process and controls followed are consistent across locations including the re-performance of measurements and calculation of inventory volumes where surveyors were not engaged.
- Assessing the competence, objectivity and independence of the quantity surveyors used by management including an assessment of their professional qualifications and experience.
- Reviewing quantity surveyors reports for a sample of sites, assessing appropriateness of method utilised by surveyors and ensuring any variances above a set threshold identified were updated by management.
- Selecting a sample of items, verifying the bulk density factor and comparing to the bulk density applied to stock within SAP.
- Obtaining a copy of management's inventory impairment model, reviewing the veracity of model, verifying key inputs and challenging key assumptions.
- Comparing inventory volumes on hand at year end with sales volumes for the period using analytical procedures to identify potential obsolescence issues.





## The key audit matter

## How the matter was addressed in our audit

- Utilising internal specialists to test the control effectiveness of the system in calculating the weighted average cost of inventory.

We had no matters to report as a result of our procedures.

## Other information

The directors on behalf of the group are responsible for the other information included in the entity's Annual Report. Other information includes the Statutory Information received before the date of our audit report and the other information included in the Annual Report we won't receive until after we issue our audit report (including the sections relating to: Governance & Leadership; Chairman's Report; CEO's Report; Report Card; Our Business; Farming and Growing for Good; Powered by our People; Innovating for Prosperity; Sustainability; Trend Statement; Corporate Governance and the Directory). 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 received the Statutory Information and have nothing to report in regards to it. The remainder of the Annual Report is expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to the directors.

## 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 company, 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 issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is 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 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

Tauranga

26 July 2023



## Statutory Information

FOR THE YEAR ENDED 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

### FINANCIAL PERFORMANCE

Shareholder distributions:

	2023	2022
<b>Average rebate per tonne provided</b>	<b>nil</b>	\$30

### DIVIDEND

No dividend is proposed for the year ending 31 May 2023 (2022: nil).

### SHAREHOLDING AND CAPITAL

Shareholder membership at 31 May 2023 was 16,804 (2022: 17,098). Total shares issued and paid up on 31 May 2023 are \$45.3m (2022: \$45.6m).

The nominal share value at 31 May 2023 was \$8.10 (2022: \$8.10). An increase of the nominal share value to \$9.00 will be tabled at the annual general meeting of the Company in September 2023.

### DIRECTORATE

No new Directors were appointed and no Directors retired in the year ended 31 May 2023.

### GENERAL DISCLOSURES

Particulars of other appointments (excluding some family and farming companies) are listed below. In some instances, where there are large groups of companies, they are summarised as 'group of companies'.

DIRECTOR	POSITION	COMPANY
<b>DV Balle</b>	Director	Balle Bros Group of companies Balle Bros Growers Limited Balle Bros Transport Limited BBCA Farms Limited Kopuera Dairies Limited Onions New Zealand Incorporated Potatoes New Zealand Incorporated BBMY Farms Limited
<b>AG Brantley</b>	Shareholder Chair	AML Limited FarmRight Limited H.W. Richardson Group of companies Leighs Construction Limited (appointed July 2022) Leighs Construction Holdings Limited (appointed July 2022) Independent Assessment Board, Local Government of New Zealand Excellence Programme Energy Efficiency & Conservation Authority
<b>DJ Coull</b>	Director Member Chair	NZ Phosphate Company Limited Otorohanga District Development Board (resigned March 2023) Westfield Developments Limited Coull Farms Limited Harakeke Dairies Limited RBS 2015 Limited Fertiliser Association of New Zealand OSPRI Director assessment panel Waipa Pastoral Limited Ngutunui Investments Limited
<b>AC Darke</b>	Chairman of Advisory Board Director	Mt View Limited Ridgeway Farms Limited Te Kuiti Pony Club Rural Coach Limited
<b>CJ Henderson</b>	Director Member Trustee	Henderson Farms Trust Limited ECan Regional Water Management Committee He Waka Eke Noa (Primary Sector Climate Action Partnership) (resigned February 2023) MainPower Trust (appointed March 2023) North Canterbury Farmers Charitable Trust Waimakariri Landcare Trust
<b>MM Kernahan</b>	Chief Executive Director	Ritchies Transport Holdings Limited Birkenhead Transport (2019) Limited (appointed July 2022) Coachline Properties Limited (appointed July 2022) Red Bus (2020) Limited (appointed July 2022) Ritchies Intercity Limited (appointed July 2022) Ritchies Murphy Transport Solutions Limited (appointed July 2022) Ritchies Transport Holdings Limited (appointed July 2022) Rome NZ Bidco Limited (appointed July 2022) Rome NZ Holdco Limited (appointed July 2022) Rome NZ Propco Limited (appointed July 2022) Timmich Trustees Limited
<b>AD Morrison</b>	Trustee Chair Director	Beef + Lamb New Zealand Limited (resigned March 2023) NZ Meat Board (resigned March 2023) Glenroy Morrison Limited Pastoral Greenhouse Gas Research Consortium (resigned March 2023) Ovis Management Limited Wool Research Organisation of New Zealand Food and Fibre Leaders' Forum (resigned March 2023) Food and Fibres Partnership Group (resigned March 2023) AD Morrison Farms Partnership
<b>SD Robertson</b>	Partner Chair Director	Synlait Milk Limited Synlait Milk Finance Limited Alliance Group Limited Independent Timber Merchants Co-Operative Limited (resigned July 2022)
<b>SJ von Dadelszen</b>	Director Member Shareholder Trustee	Centralines Limited FMG Insurance Limited Tukituki Water Security Limited Maharakeke and Porangahau streams catchment group Hinerangi Station Limited Totara Dairy Farm Limited Assistance Dogs New Zealand Trust (appointed November 2022)

## Statutory Information

FOR THE YEAR ENDED 31 MAY 2023. 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 2023.

#### 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:

DJ Coull	\$166,722
DV Balle	\$81,722
AG Brantley	\$91,722
AC Darke	\$81,722
CJ Henderson	\$81,722
MM Kernahan	\$81,722
AD Morrison	\$81,722
SD Robertson	\$95,739
SJ von Dadelszen	\$89,473
<b>Total paid to Company Directors</b>	<b>\$852,266</b>



## Statutory Information

FOR THE YEAR ENDED 31 MAY 2023. 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 section 162 of the Companies Act 1993 and the constitution of the Company.

### CO-OPERATIVE STATUS

As required by section 10 of the Co-operative Companies Act 1996, the following resolution was approved by the Board on 26 July 2023. 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 2023 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:

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

### 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	240,001 - 250,000	3
110,001 - 120,000	44	250,001 - 260,000	6
120,001 - 130,000	46	260,001 - 270,000	3
130,001 - 140,000	37	270,001 - 280,000	1
140,001 - 150,000	38	280,001 - 290,000	1
150,001 - 160,000	21	300,001 - 310,000	1
160,001 - 170,000	24	360,001 - 370,000	1
170,001 - 180,000	14	410,001 - 420,000	1
180,001 - 190,000	18	420,001 - 430,000	1
190,001 - 200,000	13	430,001 - 440,000	1
200,001 - 210,000	10	570,001 - 580,000	1
210,001 - 220,000	4	580,001 - 590,000	1
220,001 - 230,000	7	610,001 - 620,000	1
230,001 - 240,000	2	1,560,001 - 1,570,000	1

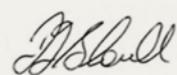
### AUDITOR

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

### DONATIONS

The total donations made during the year are \$1.04m (2022: \$0.04m).

For and on behalf of the Directors



**DJ Coull**  
Chairman of Directors  
26 July 2023



**SD Robertson**  
Director  
26 July 2023

## Trend Statement

FOR THE YEAR ENDED AND AS AT 31 MAY 2023. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

		2019	2020	2021	2022	2023
<b>Group sales volumes</b>	tonnes	1,647,000	1,551,000	1,553,000	1,583,000	<b>1,260,000</b>
<b>Revenue before rebate</b>	\$000	910,472	891,274	897,040	1,195,000	<b>1,222,000</b>
	\$/tonne	\$553	\$575	\$578	\$755	<b>\$970</b>
<b>Profits</b>						
Adjusted profit before rebate and tax	\$000	72,457	68,850	63,147	112,107	<b>46,449</b>
	\$/tonne	\$43.99	\$44.39	\$40.66	\$70.82	<b>\$36.86</b>
Group profit retained	\$000	11,943	8,941	7,787	55,847	<b>34,895</b>
After distributions, impairment provision, inventory write down and including minority interest retentions in subsidiary companies						
<b>Cash Flow</b>						
From operations (prior to rebate payment)	\$000	103,063	140,839	96,404	(11,954)	<b>40,699</b>
Capital and investment expenditure (net)	\$000	83,674	80,224	77,506	91,591	<b>72,912</b>
<b>Distributions to Shareholders</b>						
Rebates paid or proposed	\$000	57,045	54,107	60,228	36,522	<b>0</b>
Rebate per tonne	\$/tonne	\$45.00	\$45.00	\$50.00	\$30.00	<b>\$0.00</b>
<b>Analysis of Shareholders' Equity</b>						
Number of shareholders		18,637	17,950	17,441	17,098	<b>16,804</b>
Shares on issue	000's	43,473	44,116	44,704	45,624	<b>45,276</b>
Nominal share value	\$	\$8.10	\$8.10	\$8.10	\$8.10	<b>\$8.10</b>
Share quota per tonne		30	30	30	30	<b>30</b>
Investment per quota tonne	\$	243.00	243.00	243.00	243.00	<b>243.00</b>
Group shareholders' equity	\$000	459,544	469,955	476,015	546,731	<b>568,258</b>
Group equity ratio		73.7%	67.5%	62.5%	53.3%	<b>55.5%</b>
Net asset backing per share	\$	\$10.57	\$10.65	\$10.65	\$11.98	<b>\$12.55</b>
<b>Assets</b>						
Total assets	\$000	623,629	696,053	761,605	1,024,938	<b>1,023,431</b>
Working capital (current assets less current liabilities)	\$000	138,572	112,287	72,611	96,639	<b>92,141</b>
Ratio of current assets to current liabilities		1.9	1.6	1.3	1.2	<b>1.2</b>
Stock turn		4.1	4.1	4.1	3.8	<b>2.7</b>



# Corporate Governance

FOR THE YEAR ENDED 31 MAY 2023. 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. In 2023 new applicants were invited to apply for this role, and a replacement Associate Director, Olivia Buckley was selected. 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 ten occasions in the financial year ended 31 May 2023. 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. Five video conference meetings were conducted in addition to the in person meetings.

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 Chair. 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 2023. 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 Daddelsen.

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  
 Olivia Buckley – Associate Director  
 Dani Darke – Director (North Island)  
 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](mailto:reception@ballance.co.nz)  
 Freephone customer line 0800 222 090  
 Website [www.ballance.co.nz](http://www.ballance.co.nz)

### BALLANCE AGRI-NUTRIENTS LIMITED - SOUTH

PO Box 849, Invercargill  
 Phone 03 211 3220  
 Email [Invercargill.reception@ballance.co.nz](mailto:Invercargill.reception@ballance.co.nz)

### BALLANCE AGRI-NUTRIENTS (KAPUNI) LIMITED

PO Box 439, Hawera  
 Phone 06 272 6449  
 Email [kapuni.reception@ballance.co.nz](mailto:kapuni.reception@ballance.co.nz)

### SEALESWINSLOW LIMITED

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 Phone 0800 287 325  
 Email [sales@sealeswinslow.co.nz](mailto:sales@sealeswinslow.co.nz)  
 Website [www.sealeswinslow.co.nz](http://www.sealeswinslow.co.nz)

### SUPER AIR LIMITED

Rukuhia, RD2, Hamilton  
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 Email [reception@superair.co.nz](mailto:reception@superair.co.nz)



Scott family, Whiritoa Orchard, Te Teko, Bay of Plenty