

INVESTMENT STATEMENT

IMPORTANT INFORMATION

(THE INFORMATION IN THIS SECTION IS REQUIRED UNDER THE SECURITIES ACT 1978)
PREPARED AS AT 19th December 2013



Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

The Financial Markets Authority regulates conduct in financial markets.

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. For more information about investing, go to <http://www.fma.govt.nz>.

1. WHAT SORT OF INVESTMENT IS THIS?

1.1. The securities being offered are ordinary shares in the capital of Ballance Agri-Nutrients Limited ("Ballance", and any reference to "we", "our" or "us" is a reference to Ballance), with a present nominal value of \$8.10 each. Shares are offered only to persons who are, or immediately after allotment of the shares will be, "transacting shareholders" (ie a shareholder who purchases fertiliser or other goods and services from us).

2. WHO IS INVOLVED IN PROVIDING IT FOR ME?

2.1. The issuer of the shares is Ballance Agri-Nutrients Limited, Hewletts Road, Mount Maunganui. The Companies Office registration number for Ballance is 178492. The Company's directors are Gray Baldwin, Kim Ellis, John Harvey, Andrew Morrison, Dean Nikora, David Peacocke, David Pilkington, Oliver Saxton and Murray Taggart. The Company's address and the names of the Company's directors are current as at the date of this Investment Statement, but are subject to change. A current list of the Company's directors and the Company's current address may be accessed at www.companies.govt.nz.

2.2. Ballance carries on business as a fertiliser importer and manufacturer and has manufacturing plants at Mount Maunganui and Invercargill. We own Ballance Agri-Nutrients (Kapuni) Limited, which operates a urea manufacturing plant at Kapuni. We were established in 1955, at Mount Maunganui. The operation carried on at Invercargill was acquired during 1996-1997, and the urea manufacturing operation was acquired in 1991. We are also involved in other activities through our subsidiaries, including providing Aerial Spreading Services (Super Air Limited), Compound Animal Feed (SealesWinslow Limited) and AgInformation through hardware and software products (Farmworks Systems Limited).

3. HOW MUCH DO I PAY?

3.1. We are registered under the Co-operative Companies Act 1996. Under our constitution, the shares have a nominal value. This is subject to change, by special resolution of our shareholders. At the date of issue of this investment statement, the nominal value of the shares is \$8.10, which is the amount that must be paid by a subscriber.

3.2. Payment for the shares is to be made by cheque to Ballance Agri-Nutrients Limited, Private Bag 12503, Tauranga, or by direct credit to our bank account 060433 0138515 00 including a customer reference number or your name.

3.3. When you apply for shares, you are required to provide information on your projected fertiliser usage. Based on this, we will determine the number of shares you will be required to buy. The required shareholding per tonne of fertiliser is fixed by our board of directors ("Board"), and is presently 30 shares per tonne of fertiliser purchased. You are currently required to hold a minimum of 30 shares, and this may be changed by the Board from time to time. Your shareholding is reviewed every 4 years based on your average annual fertiliser use. Under the constitution, where you do not hold sufficient shares (having regard to the shareholding required per tonne of fertiliser purchased), we can issue further shares and require that you pay for those shares in cash, or we can deduct the cost of those shares from rebates or dividends due to you.

3.4. Our usual practice is to close the share register and not issue shares during the period from 1 August each year to the date of our annual meeting (normally late September) in that year. If we receive your application in that period and the nominal value of the shares is changed at the annual meeting, then the number of shares initially allotted to you will be adjusted to the nearest whole number to reflect the new nominal value. Any residual credit, or any further payment required for shares to ensure that you hold the minimum number of shares, will be added to, or deducted from, your rebate or dividend in the subsequent year.

3.5. If you have already applied for shares, and you did not receive a copy of this Investment Statement before applying for those shares, you may within 10 working days of the date this Investment Statement was sent to you, withdraw your application for the shares by giving us written notice.

4. WHAT ARE THE CHARGES?

4.1. There are no charges (other than the amounts set out above) payable by you to us, or to anyone associated with us, in connection with the issue of the shares.

5. WHAT RETURNS WILL I GET?

5.1. Returns on the shares are:

a. **Rebates.** We expect to pay a rebate of an amount per tonne of qualifying fertiliser purchased during each year. The amount of the rebate is determined by the Board. The rebate for the previous financial year is detailed in our latest annual report, a hard copy of which is available, free of charge, on request from us (at the address set out in paragraph 9.1 below) or on our website www.ballance.co.nz.

b. **Dividends.** Dividends of an amount determined by the Board are paid on a per share basis. The dividend for the previous financial year is detailed in our latest annual report, a hard copy of which is available, free of charge, on request from us (at the address set out in paragraph 9.1 below) or on our website www.ballance.co.nz.

Under our constitution, any debt that you owe us may first be recovered from any distributions paid to you.

5.2. The key factors that determine the returns are:

- The price of international raw materials, with the inherent exchange rate fluctuations;
- Sales volumes and prices;
- Operating costs; and
- Retentions of income to reinvest in the company.

5.3. No particular return is promised in relation to the shares.

5.4. Taxes are likely to affect the returns on shares. Rebates and dividends are in general taxable in the hands of shareholders. It is our current intention to attach imputation credits to dividends.

5.5. The dates on which, or frequency with which, rebates and dividends are paid is not fixed. However rebates and dividends are generally paid in September each year.

5.6. We have the right to offset rebate and dividend payments against payments that you owe us for further shares, which may be issued by us from time to time to bring you up to the appropriate shareholding (see paragraph 3.3 above).

5.7. Ballance is the person legally liable to pay the returns.

6. WHAT ARE MY RISKS?

6.1. The investment is in the share capital of a trading company, and is therefore subject to losses if we do not trade profitably. The amount of the returns payable in relation to the investment is also dependent on

our successful trading. The amount that you receive on sale, surrender or repurchase of your shares may be less than the amount you paid for the shares if we have not traded profitably, if there has been a reduction in the value of our net assets, if the nominal value of the shares has been reduced, or if you elect to surrender and receive an immediate payment of a discounted value (see paragraph 8.2 below).

6.2. Some of the significant potential risks to the value of our shares or net assets, or to our ability to trade profitably include:

- major plant catastrophe or crisis, such as a fire or natural disaster, or other prolonged site closure due to reasons such as strike, inability to source parts, blockage of port, or to transport routes becoming inaccessible;
- foreign exchange movements may affect the cost of purchases that are not denominated in New Zealand dollars, although we use forward exchange contracts and foreign currency options to hedge part of our foreign exchange risk;
- international price volatility for freight and key imports such as urea may affect our costs and our revenues;
- unavailability of natural gas for our urea plant or gas costs that are uncompetitive to imports;
- credit risk from customers that may default on payment;
- a biosecurity event or a sustained and prolonged downturn in farm returns may reduce demand for fertiliser products and services;
- regulatory risks, such as new or proposed legislation, which impact fertiliser application or land use, or changes in the emissions trading scheme, tax legislation or accounting standards; and
- changes in competition, such as the entry of new competitors or the development of new products by competitors.

6.3. If we are put into liquidation or wound up, the holders of ordinary shares will rank equally, and all other claims on our assets (including by secured and unsecured creditors) will rank ahead of the claims of ordinary shareholders. Once such claims have been paid, any remaining assets will be available for distribution between shareholders, but there may be insufficient surplus assets to enable you to recover all or any of your investment.

6.4. Our constitution authorises the Board to allot shares to you if you hold less than your required shareholding. The practice of the Board has been to exercise its power to issue shares only to the extent that rebates and/or dividends are available in satisfaction of payment. However, the constitution authorises the Board to issue shares, and require payment, even if there are no rebates or dividends available, and this power may be exercised if we are insolvent. Other than this, you will not be liable to pay money to any person as a result of our insolvency.

7. CAN THE INVESTMENT BE ALTERED?

7.1. The investment is a share in a company, and accordingly its terms can be altered by a special resolution of our shareholders, or by a special resolution of the holders of the same class of shares.

7.2. The amount payable in respect of each share cannot be changed, but the amount payable in respect of further shares which may be issued to you to bring you up to your required shareholding can be amended by a special resolution of shareholders to alter the nominal value of shares as set out in the constitution.

8. HOW DO I CASH IN MY INVESTMENT?

8.1. The shares can be sold, but in our opinion there is a limited market for the sale of shares (and the Board may refuse to register a transfer if it is not satisfied that the transferee is, or will be, a transacting shareholder). The shares will not be listed on the stock exchange.

8.2. You may surrender, or we may repurchase, the shares in certain circumstances under our constitution, and under the Co-operative Companies Act 1996. If you cease to be a transacting shareholder of Ballance, we can accept a surrender of your shares. Where you have not been a transacting shareholder for a period fixed by the Board from time to time (currently five years) or have disposed of or changed the use of your property with the result that you do not have the capacity to be a transacting shareholder, you can require us to accept a surrender of the shares. The amount payable in respect of each share upon surrender will generally be the nominal value of the share. We have a policy that a shareholder surrendering shares can elect to receive:

- the full nominal value of each share in three equal instalments, which will be paid one third by the day falling 10 working days after the Board meeting at which your request for us to acquire your shares is approved by the Board ("Initial Instalment Date"), one third on the day falling one year after the Initial Instalment Date, and one third on the day falling two years after the Initial Instalment Date; or
- immediate payment of 90% of the nominal value of each share, which will be paid by the day falling 10 working days after the Board meeting at which your request for us to acquire your shares is approved by the Board.

However if the payment of nominal value would cause us to fail the solvency test under the Companies Act 1993, the constitution sets out a special procedure for determining the consideration.

Our constitution provides that if you are in default on a payment to us and there is any debt that remains owed to us this may first be recovered from the proceeds of your shares.

9. WHO DO I CONTACT WITH INQUIRIES ABOUT MY INVESTMENT?

9.1. Inquiries about the shares should be made to:
Shares Registrar
Ballance Agri-Nutrients Limited
Private Bag 12503 Tauranga
Tel (07) 572 7900 Fax (07) 572 7346 Freephone 0800 267 266
Email shares@ballance.co.nz

10. IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

10.1. In the first instance, complaints about the investment should be addressed to the Company Secretary, at the address and phone/fax numbers set out in the preceding paragraph.

10.2. We are a member of a dispute resolution scheme operated by Financial Services Complaints Limited. If your complaint is not resolved within 40 days of contacting us or you are not satisfied with the proposed outcome, you can refer it to:

Financial Services Complaints Limited
PO Box 5967 Lambton Quay
Wellington 6145
Tel (04) 472 3725 or 0800 347257
Email info@fcsl.co.nz

For more information on Financial Services Complaints Limited or the complaints procedure you can visit their website at www.fscl.org.nz.

11. WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

11.1. Other information about the shares and about us is contained in, and referred to in, a prospectus dated 26 September 2013 and in financial statements registered with the Companies Office. A copy of the prospectus, and of our most recent financial statements, can be obtained, free of charge, from us (at the address set out in paragraph 9.1 above), or from the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, a request for the documents can be made by contacting the Companies Office contact centre by telephone on 0508 266 726 or email info@companies.govt.nz.

11.2. As a shareholder in Ballance, you will be provided with an annual report or a notice with a link to a website containing the annual report under the Companies Act 1993. The annual report will include our financial statements.

11.3. Shareholders may request from us the following documents:

- a copy of our most recent annual report;
- a copy of our most recent financial statements;
- a copy of the most recent prospectus for shares;
- a copy of the most recent investment statement.

These documents will be provided free of charge. A request for those documents should be made to the Company Secretary at the address and phone/fax numbers set out in paragraph 9.1.

11.4. The following further information will be available upon request, as required by the Companies Act 1993:

- Our certificate of incorporation
- Constitution
- Share register
- Full names and residential addresses of the directors
- Registered office and address for service
- Minutes of all meetings and resolutions of shareholders*
- Copies of written communications to all shareholders during the preceding ten years, including annual reports and financial statements*
- Certificates given by directors under the Companies Act 1993*
- Our interests register *

The items marked * are available for inspection only by our shareholders, in accordance with section 216 of the Companies Act 1993.

11.5. The information set out in clause 11.4 should be requested from either the Shares Registrar or Company Secretary, at the address set out in paragraph 9.1 above. If you require a copy of, or an extract from, a document which is available for inspection, we may require you to pay a reasonable copying and administration fee, as we may prescribe.