CREATING THE NEW POSSIBLE.

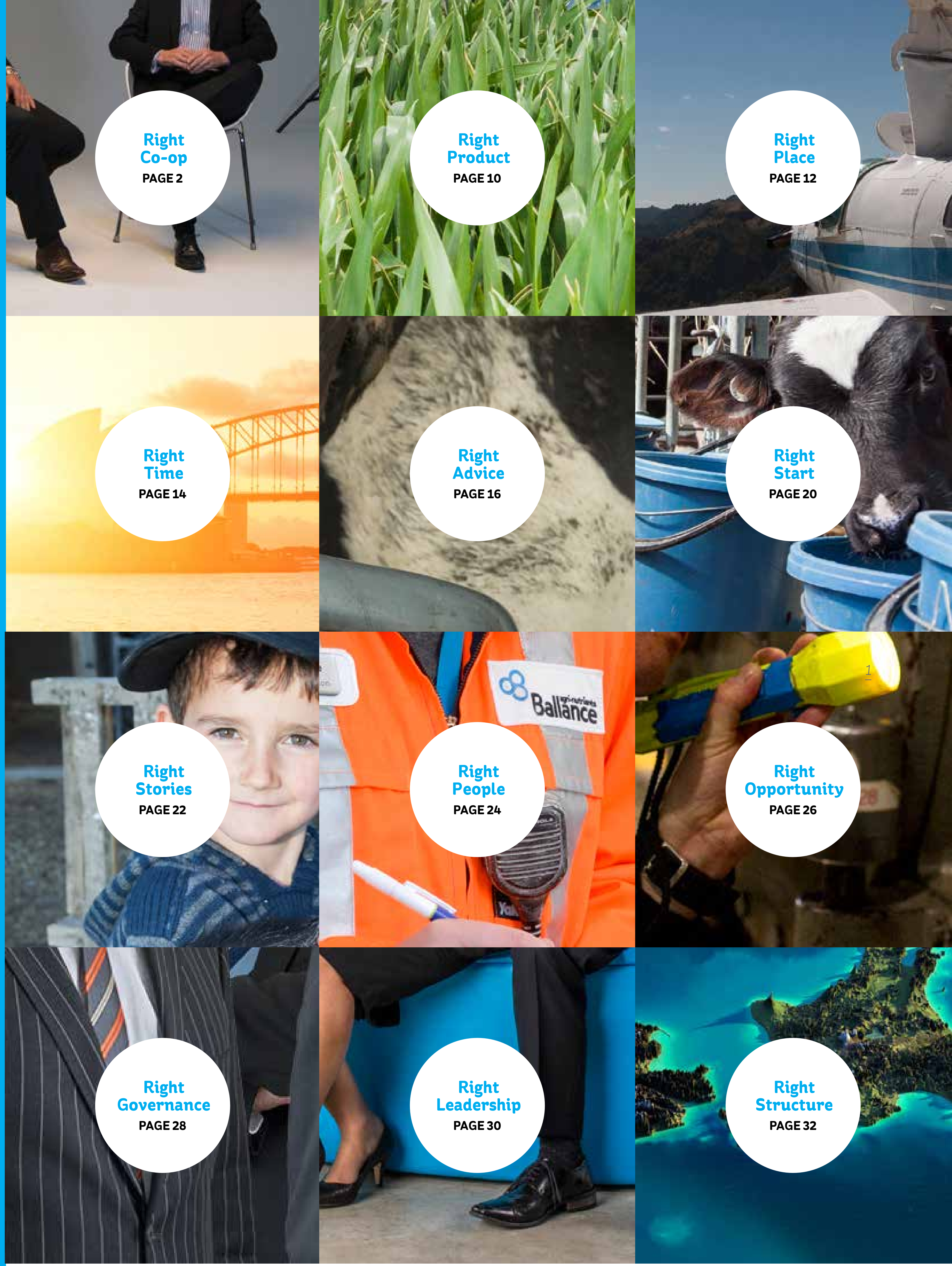
BALLANCE ANNUAL REPORT 2015

agri-nutrients
Ballance

At Ballance we've taken a good hard look at what farming in New Zealand might look like in years to come.

We've considered our domestic and global markets, the challenges and opportunities that our New Zealand farmers and growers may face, and the expectations consumers around the globe might have about the food we produce.

We've been thinking about our part to play in shaping this future of new possibilities. And most importantly we've been thinking about you, our 19,253 shareholders, and how we can help you find more productive, profitable and sustainable ways to farm – for today and tomorrow.



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Right Co-op

WE'VE BEEN WORKING BEHIND THE SCENES.

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

Ballance delivered for our growing shareholder base this year by understanding your needs and ensuring we met them. While we didn't break any financial records, we did break the mould in two ways.

First we opted to reduce the profit margins on products to support farm productivity. We could see the downward trend in farm incomes and made a call to effectively share profit earlier by pricing very competitively. It was the right call; reflected in record group sales volumes at 1.75 million tonnes compared to last year's 1.72 million.

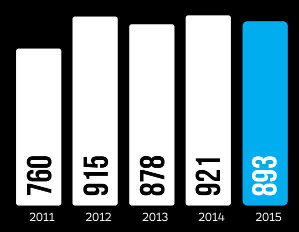
Second, we distributed 94 percent of our $81 million gross trading result through our annual rebate and dividend and brought the payment forward by seven weeks to help tight farm budgets. At the end of July we distributed a total of $76 million to shareholders, representing an average return of $60 per tonne of fertiliser purchased. This was made up of a rebate averaging $55.83 a tonne along with a 10 cent dividend per share.

REBATES AND DIVIDENDS PAID

In the eyes of our shareholders the health of the co-operative is measured by the rebate and dividends paid.

2015 – Rebates are slightly down on prior years due to lower profit margins on products to support farmers.

REVENUE



Measures the revenue including all sources of cash received from sales, services and recovery of expenses from across the group.

2015 – Our lower revenue reflects a reduced average sell price despite an increase in volumes.

Rebate
Returns to shareholders vary according to tonnages and product purchased over the financial year, but a fully paid up shareholder buying 100 tonnes received around $6,000.

Our strong rebate shows a co-operative in good financial shape and with its heart in the right place. We've had a good year and it came down to the simple question of who needed the money most.

The low dairy payout had many dairy farmers facing the winter months with limited cashflow. Drought, then storms and floods have also hit beef and sheep farmers in many districts. Loyal shareholders are doing it hard, largely through no fault of your own.

Handing over almost the entire gross trading result was an easy call to make, given we are in our best financial shape ever with no debt, and an equity ratio of 80.4% compared to last year's 70.9%.

Impairment write-down
This year we recorded an $18.7 million impairment write down in the value of SealesWinslow. We acted quickly to turn the business around and you can read more below.

The write down, coupled with our high returns to shareholders, meant we reported an $11 million loss after rebates and tax this year. In determining the value of our rebate we considered the non-cash nature of the impairment, so that it did not unnecessarily impact on our payment to shareholders. Our strong balance sheet also meant we were able to afford a one-off stay on retentions.

Revenue
Our revenue was $893 million compared to a record at $921 million last year when confidence in the agricultural sector was boosted by the high dairy payout. The lower number reflects our decision to trim margins early in the financial year.

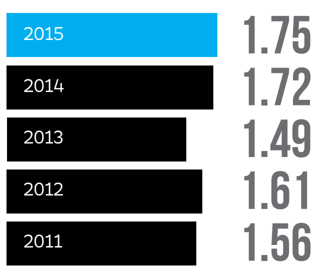
Sales
Despite the downturn in dairy, fertiliser sales grew, with farmers recognising that with grass the cheapest form of feed, investing in soil fertility is the most cost effective strategy. We have also seen sales growth linked to the conversion of forestry blocks into dairy in the Central North Island, and Canterbury dairy conversions in irrigated areas.

On dry stock farms we saw increased demand for fertiliser with the sheep and beef market taking advantage of steady returns.

New customers and shareholders have also contributed to our growth, buying into our innovation programme with products like SustaiN coated nitrogen, which offers a proven way to mitigate nutrient losses on farm.

Subsidiaries
SealesWinslow leads the market in branded calf feed and supplement blocks,

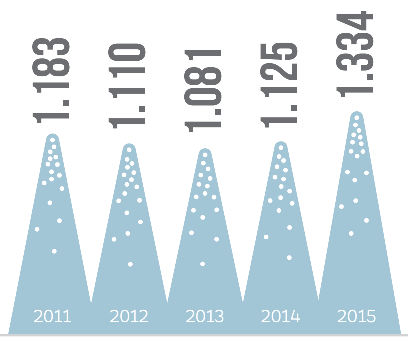
SALES VOLUMES
MILLION TONNES



The sales volume shows the level of business activity for the current year compared to prior years. Volume is recorded in tonnes sold and includes all sales to the agricultural and industrial sectors.

2015 – Volume increased 2% on 2014 leading to another record year and an accumulated increase of 12% over the past five years.

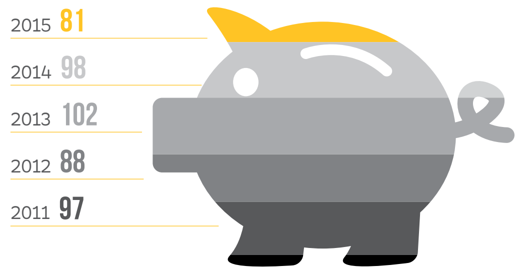
EQUIVALENT IMPORT TONNES
MILLION



Import tonnes are sourced from NZ customs monthly and provide a lead indicator as to where the NZ fertiliser market is tracking. We manufacture some of our requirements for urea and sulphur which are included in these numbers.

2015 – This was a record year for import and urea production at Kapuni.

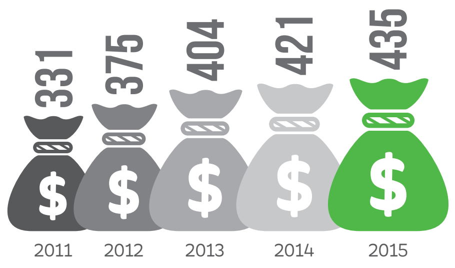
GROSS TRADING RESULT
$M



Shareholders receive rebates and dividends paid from our gross trading result less interest.

2015 – Our lower result reflects lower margins on fertiliser products and a disappointing performance from our feed business.

CO-OPERATIVE EQUITY
$M



The strength of our balance sheet is the investment that shareholders have made into the co-operative. This measures the paid-up capital from shareholders and the accumulated retained earnings over the years.

2015 – Equity has grown by $14m in 2015 and by 31% over the past five years.

underpinned by growing customer confidence in our sound science positioning and expertise in nurturing calves. However these good results have yet to be matched with growth across our other animal nutrition products. The impairment write down in the value of SealesWinslow followed a decision early in the financial year to realign the business around our regional mills and bring us closer to the main points of customer demand. Now better procurement and more efficiencies will support sharper pricing, and the business is well-placed to gain from pick-up in demand.

The quality of SealesWinslow's Wanganui stock feed mill has been recognised with FeedSafeNZ accreditation. This new quality stamp from New Zealand Feed Manufacturers Association (NZFMA) gives farmers certainty our products are safe and have been produced in an audited manufacturing plant. It covers most aspects of the production chain including feed ingredients, such as grains. Our Morrinsville and Ashburton mills are working towards FeedSafeNZ accreditation.

Our Ag Hub subsidiary was also geared up for future growth during the year. The technology has been enhanced and an alliance with NIWA for customised weather forecasting has been formed.

Super Air increased its flying hours and optimised efficiencies to make a useful contribution to our performance. Our customers experienced more aircraft availability as a result.

Primary Growth Partnership
Our Clearview Innovations Primary Growth Partnership programme with the Ministry for Primary Industries aims to provide solutions to one of farming's burning issues - how to improve nitrogen and phosphorus use efficiency and reduce losses to the environment. It is now into its fourth year, and is a $19.5 million investment over seven years.

We've continued to deliver exciting technology, products and education for our shareholders and for New Zealand through our programme. This includes our new SpreadSmart variable rate application technology, offering precision fixed wing aerial fertiliser application on hill country. You can read more about this on page 12.

All innovation is high risk, and although most of our science has been promising, we have acted fast to stop any projects that while technically sound, won't deliver commercial returns. This means we can focus our efforts on backing the projects which have the greatest potential to boost the profitability and sustainability of farming.

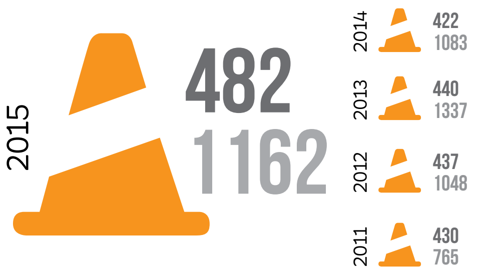
MitAgator is a good example of this, and we've made good progress with exploring our options to take the technology to market. This software modelling system identifies areas on farm that are at high risk of losing phosphorus, sediment, nitrogen and microbial contaminants so

TOTAL RECORDABLE INJURY FREQUENCY RATE - TRIFR

The safety of our people is our number one priority. TRIFR is a key indicator of our employee and contractor safety performance and is measured by the number of lost time or medical treatment injuries per million man hours.

2015 – A number of LTIs towards year end resulted in a TRIFR of 24. We are working hard to reduce our injury rates and have actions in place which are expected to significantly reduce our TRIFR.

SAFETY REPORTING



Safety/Environmental Near Hit
Safety/Environmental Concern

We believe that every near hit or concern reported will bring us a step closer to our aim of zero harm. Both near hits and safety concerns are lead indicators as they are reports that help us put controls in place to avoid any type of injury.

2015 – We are tracking very well in the lead indicators for 2015.

that mitigation strategies can be targeted to those areas. We have also investigated biological solutions for improved plant growth and pest control. The next step is to optimise commercial impact so the full benefits of our research are realised.

We have expanded the science extension component of the programme to include a greater emphasis on farmer education around nitrogen and phosphate loss. We want to increase the adoption of current and new ways to minimise nutrient loss on farm by getting the knowledge out to farmers faster. Rapid adoption of science means faster gains for farming.

Superphosphate Operations

This year saw record levels of tonnage leaving our Awarua plant. The team worked hard to maximise production on site, meeting the demand for South Island manufactured product and removing the need to bring product in from the North to top up supply.

Site upgrades and investments included a new acid to acidulation pipeline and a new weighbridge. One discharge to air was recorded at the site – the first in 11 years. We have increased the daily monitoring of scrubber performance to avoid or mitigate a recurrence.

In the North Island, our Mount Maunganui site achieved the lowest controllable unit costs for production on the back of high volume through the plant.

Capital investment included a new acid plant economiser vessel and manufacturing plant high voltage systems to support growth and improvements.

The site recorded no resource consent breaches for the year. An accidental discharge of sulphur dioxide to air the prior year concluded with a Court hearing and a fine of $60,000. Immediately after the incident we took every practical step to prevent a recurrence, installing additional automated safety systems and upgrading other equipment.

The Mount site is accredited to ACC's highest tertiary level and the international environmental management standard ISO 14001.

Supply Chain

We continue to upgrade our supply chain to support higher customer service levels. Plant upgrades at several sites, including Feilding, Greatford and Te Kuiti have enabled faster turnaround of orders and improved mixing and blending services. This means we can provide a more consistent product for our customers and ensure a more even application of all nutrients.

A new mobile screening plant located at our Timaru hub store is producing top-quality high analysis fertilisers, and as a result is providing a smoother drilling experience for Canterbury and North Otago arable farmers. A SustaiN manufacturing plant was also installed at the Timaru site during the year, to support growing South Island demand as more farmers realise the benefits of the coated nitrogen product.

Our new Ballance consignment store on the West Coast was opened in September last year by Aratuna Freighters. The store has been popular with local farmers, improving access to supply, as well as giving a boost to the local economy through shipping.

Industrials

We continue to find ways to recycle or generate supplementary products and revenue from raw materials.

Production of our GoClear exhaust system additive passed 10 million litres during the year. The additive, which reduces nitrogen oxide emissions from diesel engines, is increasingly being used by many bus and truck operators, including Fonterra's 550-strong tanker fleet. Scientists calculate this GoClear volume has removed 2,000 tonnes of harmful exhaust gases from the air. To keep up with growing demand for GoClear we have invested $2 million in storage capacity to ensure a continuous supply, lifting total storage at our Kapuni urea manufacturing site to 600,000 litres. This storage, coupled with storage at our Timaru hub and product in the network, ensures we have several months' worth of contingency supply.

In our first foray into smart phone services we launched a GoClear app for truck drivers to help them find the location of all GoClear outlets via their smart phones.

Our hydrofluosilicic acid (HFA) exports remain steady as we continue to fulfil the long-term supply agreements we established last year.

Kapuni record

Last year we invested $21 million in upgrades and maintenance at our Kapuni ammonia urea plant. This year, the investment paid off in higher levels of product quality and plant reliability, resulting in a record year for production of nearly 270,000 tonnes. Record volumes did not mean record revenues, given the fall in international urea prices, but they do underline the plant's improved capability.

Our co-operative is thinking ahead about meeting future demand for urea that is high quality, competitive and lessens farmers' exposure to global prices for urea imports. We expect to talk to shareholders about development and funding options for a new plant in the first half of 2016. You can read more on page 26.

Strategy and structure

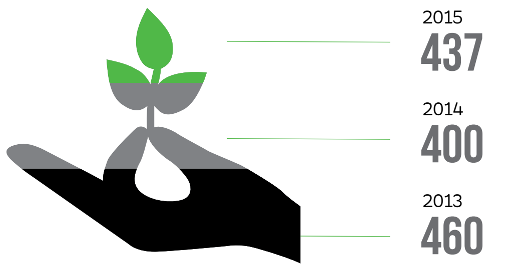
We reviewed our co-operative's structure and strategy this year after Mark Wynne settled his feet under the chief executive's desk at the start of the financial year.

Our lead team has been reduced from nine to seven, with some general management roles changed to reflect decisions on strategy. New appointments include Jodi Tong as General Manager Customer Experience and Marketing and Edith Sykes as General Manager People and Capability.

We also farewelled Warwick de Vere who retired in May after a 45 year career with us. Known for his vast technical and chemical knowledge, his leadership and his plain speaking, Warwick made a huge contribution to our co-operative and brought out the best in so many of our people over his long career.
In late November the lead

GREENHOUSE OBLIGATIONS

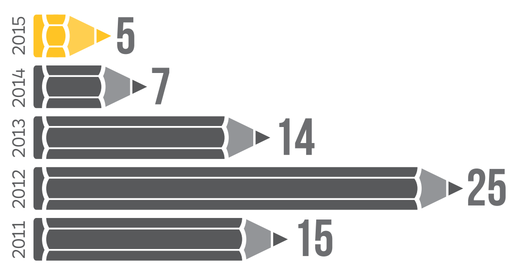
MILLIONS TONNES CO_2



We are a large user of energy and very environmentally conscious recognising our responsibility to manage CO2 emissions. To this end we have invested significant capital to reduce emissions over time.

2015 – Emissions increased 9% this year, reflecting gas usage during the record production year at our Kapuni ammonia urea manufacturing plant.

CONSENT BREACHES



Having plants that are regulatory compliant is core to having a sustainable business. We work hard to prevent resource consent breaches across our three fertiliser manufacturing plants and 38 service centres. These include air, water and technical breaches.

2015 – Five breaches were recorded for the year.

team and board agreed on the principles supporting our future strategy. We want to be a customer-centric fertiliser business, driven by delighting our customers while maximising shareholder returns. We want to strengthen and enhance our people and capability. We want to create viable future growth opportunities in animal feed and ag information. Finally, we want to be an intelligence-led business with a strong focus on speed and agility. These will be our priority areas in the new financial year. We're confident we're on to a winning formula, having capped off the financial year by breaking our previous record for shareholder numbers. We signed up another 1015 shareholders this year, bringing total shareholder numbers to 19,253. We appreciate the vote of support.

Governance

In September we welcomed new independent director Genesis Energy chief executive Albert Brantley to the board. Albert brings to the table 20 years of experience leading operationally complex businesses which require high levels of stakeholder, political, regulatory and environmental management. Our board stands to gain much from his capability, maturity, and breadth of international experience including executive roles in listed companies.

Albert replaced David Pilkington, who retired after a decade on the Ballance board. David contributed a vast amount of knowledge to the board and his expertise helped guide us through an enormous period of growth. We are grateful for his contribution.

We want shareholders to be involved with their co-operative and last year's Ward B elections in November showed outstanding participation. We had a record 10 nominations to replace Dean Nikora, who resigned ahead of taking up an international posting. The Board welcomed Sarah von Dadelszen as their new Ward B director in November.

We are looking for similar participation at the annual meeting when we ask shareholders to approve some changes to our constitution that will improve access to a wider range of skilled director candidates. Changes include a proposed shift from three Wards to two, and giving the board the option to move to national director elections in future.

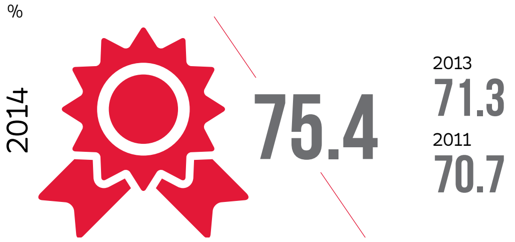
Outlook

Farmer confidence and cashflow influences demand for farm nutrients. With agriculture facing mixed conditions, it is hard to accurately forecast our own prospects for the new financial year.

The decline in the New Zealand dollar is good for exported products, but not so good for imports, including fertiliser. However predictions of lower global fertiliser demand, given softer commodity prices and relatively stable supply, mean prices could remain stable. The wild cards are Africa and India, both with large populations to feed.

EMPLOYEE ENGAGEMENT

%

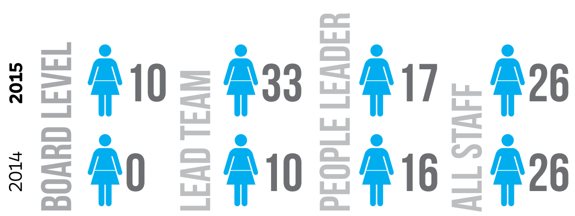


Great people make a great company, and we place a strong emphasis on attracting and retaining the right people. An engagement survey is conducted among all staff on a regular basis. The results are reported to a granular level to enable all functional areas to perform.

2015 – In November 2014 Ballance won the 2014 Kenexa IBM 'Most Improved Enterprise' 750+ Employees in New Zealand award. We improved our engagement index by 4.1 points – 2.5 points is considered meaningful, so this is a significant improvement.

GENDER DIVERSITY

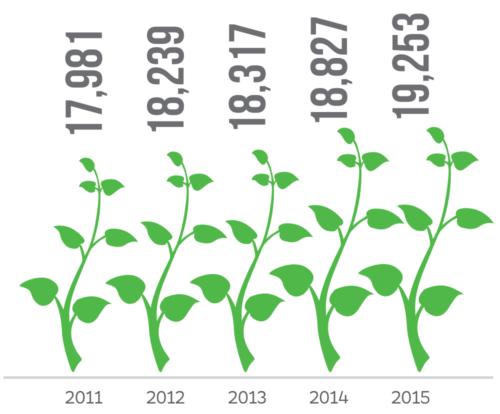
%



We believe that a diverse range of perspectives and ideas is a key ingredient for our success. Gender representation is one indicator of how our diversity is tracking.

2015 – In 2015 our first female director was elected to the board, and one additional female joined our lead team.

NUMBER OF SHAREHOLDERS

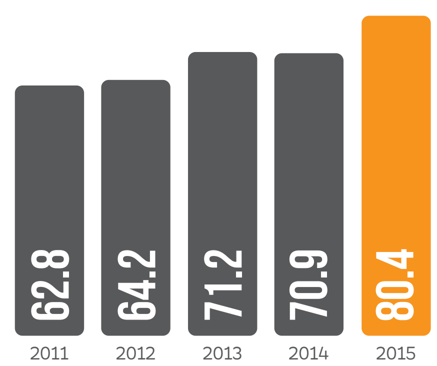


The success of a primary sector co-operative can be measured by the net growth in shareholders. This measures the total number of shareholders at year end which includes new shareholders signed up less those redeemed during the year.

2015 – Net increase in shareholders for the year was 426 or 7% over the past five years.

GROUP EQUITY RATIO

%



Equity % measures the health of our balance sheet – the higher % the stronger the co-operative's balance sheet.

2015 – The increase in equity this year reflects a significant reduction in liabilities and a 10% increase in paid-up capital during 2015.

With India looking to improve its subsidies programme and Africa's soil needing building, demand from both markets could rise sharply and take prices up.

Closer to home, our dairy industry is facing the lowest returns in some years, with economists forecasting payouts in the $3-4 range. Dairy farmers are adjusting to tight times, but recognise that the "back to basics" approach of pasture as the primary source of feed is the most cost effective. Good grass growth needs soil nutrients and these can't be tapped indefinitely without maintenance applications of fertiliser. We also have farmers working to rebuild pastures after both droughts and floods and again, nutrients help.

In this tougher operating environment your co-operative's farmers-first approach remains unchanged. Our aim is to drive value for our shareholders through access to a secure supply of quality nutrient products at competitive prices, a smart range of products designed to get the most out of your farm, expert nutrient advice, and a return on capital through rebates and dividends.

Our co-operative is in good financial and operational shape and while the new financial year will bring some challenges, we remain confident in agriculture's future and our place in it.

DAVID PEACOCKE
Chairman

MARK WYNNE
Chief Executive

Right Product

SUSTAINING SUCCESS.

Cropping industry leaders Warren and Joy Darling have grown as big a reputation for their passion and dedication as the yield from their barley crops at their Poplar Grove farm in Timaru.

With 30 years of experience, they know what works at Poplar Grove, a coastal farm with the right mix of winter rains, moderate springs and good summers which consistently help them produce great crops. But even with all that experience, Warren and Joy know it's easier to push production boundaries when you have a bit more muscle behind you.

Balance has worked with the couple for 16 years providing advice and recommendations to ensure soil nutrients maximise yields of barley, wheat and oilseed rape crops.

So when the couple decided to have a crack at the 25-year-old Guiness World Record of 12.2 tonnes per hectare for barley yield, we were glad to be on the team with them and the Exclusive Grain Group. The mission? To get the maximum harvest from the barley variety 776, bred by Blackman Agriculture.

Warren and Joy knew a world record was within reach having harvested 11.5 t/ha of feed barley on clairmont clay soils the prior year.

"We are always up for a challenge and once we realised we were reasonably close it was worth a crack," said Warren.

For the world record attempt we worked closely with the Darlings to get their base nutrient levels correct, undertaking soil tests and fertiliser recommendations, as well as getting our local science extension specialist on-board to discuss the role of nutrient management in achieving the record.

They were fast adopters of SustaiN – our coated urea product which minimises volatilisation and nitrogen losses. With traditional urea farmers try to avoid these losses by spreading when wet weather is forecast. But as Warren explains, rain doesn't always come on cue which is no help when you're going for gold.

"Our goal is to get the highest yields possible from our crops. We started using SustaiN because we apply nitrogen during early spring, when we can't always rely on rainfall within eight hours of application. The crops are going through the growth stages so fast that we've just got to keep pushing on. Using SustaiN is about being able to utilise more of that nitrogen without the loss to the atmosphere."

Warren credits favourable weather, growing management changes and a great team behind him for breaking the world record. We're proud our people and our products are part of it – and we're even more proud of Warren and Joy and their determination to push boundaries and create new possibles.

PICTURED: Timaru arable farmer and Guiness World Record holder, Warren Darling

Right Place

4 REASONS TO SPREAD SMARTER.

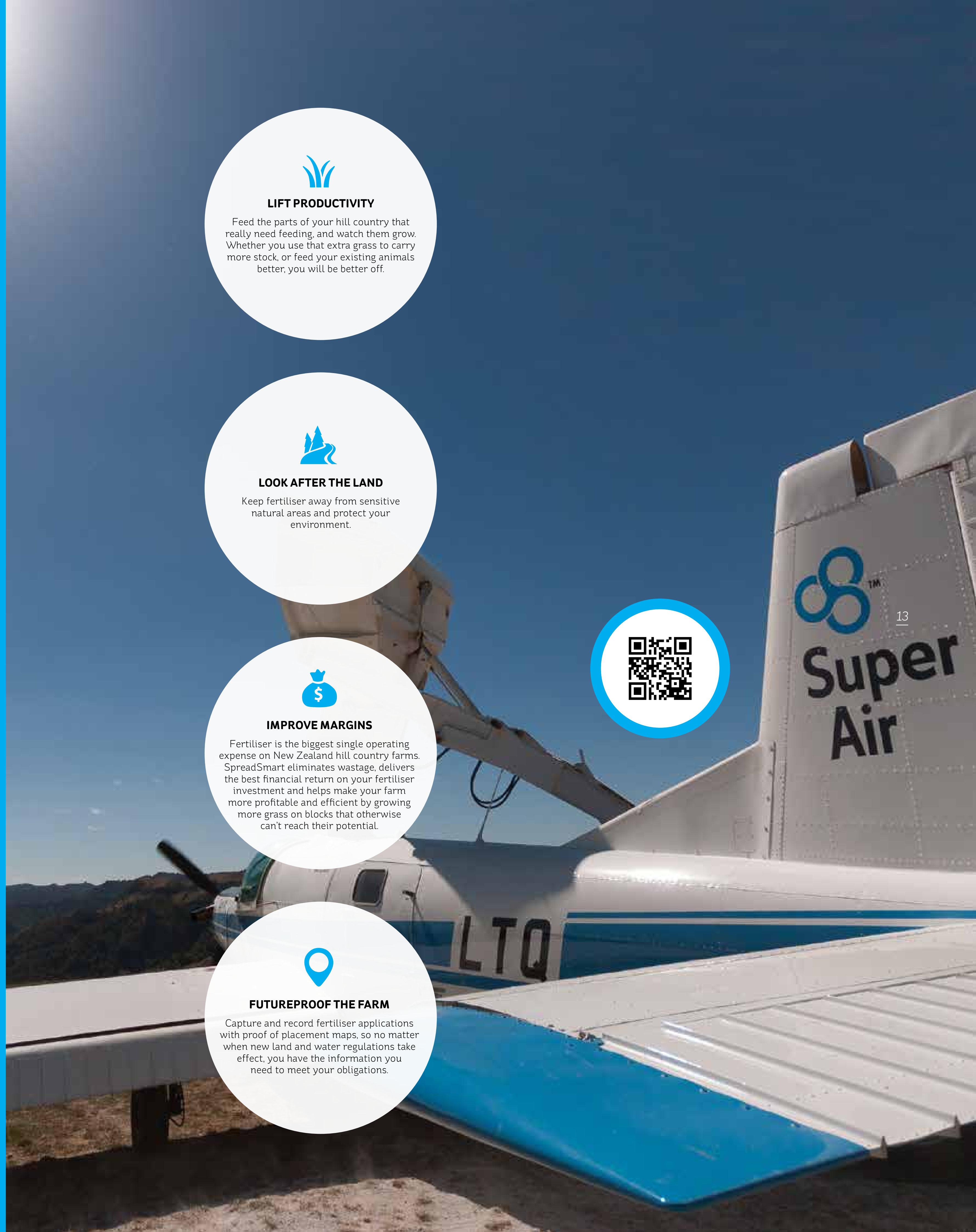
Precision fixed wing aerial fertiliser application on hill country is a reality, with the launch of our new SpreadSmart technology in top dressing planes.

Fertiliser requirements of hill country vary with slope, aspect, stocking rates, soil type and species composition. We now have the technology to apply more than one rate of fertiliser to better match the fertiliser rate with potential productivity, such as flat areas for finishing versus steep slopes.

Using GPS mapping, computer engineering and fixed wing aircraft, SpreadSmart allows you to topdress fertiliser exactly where it will do the most good, while keeping it off the parts of your farm where it is not wanted or needed. These can be large areas, like wetlands and streams; or small areas, like highly fertile stock camps.

That means you get all the benefits of fixed wing top dressing - like economics, efficiency and speed - with the accuracy and environmental protection of modern variable rate application precision agriculture systems.

SpreadSmart has been created here in New Zealand, for New Zealand farmers, so you can get more out of your hill country, and your fertiliser. It is part of our Clearview Innovations, Primary Growth Partnership programme with the Ministry for Primary Industries, which aims to improve nitrogen and phosphorus use efficiency and reduce losses to the environment through new products and services for farmers.



LIFT PRODUCTIVITY

Feed the parts of your hill country that really need feeding, and watch them grow. Whether you use that extra grass to carry more stock, or feed your existing animals better, you will be better off.

LOOK AFTER THE LAND

Keep fertiliser away from sensitive natural areas and protect your environment.

IMPROVE MARGINS

Fertiliser is the biggest single operating expense on New Zealand hill country farms. SpreadSmart eliminates wastage, delivers the best financial return on your fertiliser investment and helps make your farm more profitable and efficient by growing more grass on blocks that otherwise can't reach their potential.

FUTUREPROOF THE FARM

Capture and record fertiliser applications with proof of placement maps, so no matter when new land and water regulations take effect, you have the information you need to meet your obligations.

Right Time

REMOTE FARMING A REALITY.

Is it possible to keep a family farm in New Zealand whilst based in Australia? Definitely – with a bit of help from Ballance. Our Ag Hub technology has provided an additional set of tools which support Greg Falconer in the remote management of his parent's 600 cow dairy farm near Edendale.

"We are 50/50 sharemilking and Ag Hub now provides the sharemilker and me with a single point of truth from the data collected. The information supports effective business decision making which is a win for the environment, the sharemilker and the farm owner.

"Ag Hub modules track key indicators so I have visibility of weather conditions, effluent and water control, feed, fertiliser placement and soil moisture levels. Most importantly these triggers let me know if there is an effluent or water leak which will impact our compliance or an issue which may impact milk production," says Greg.

Greg says that modifying his behaviour, investing in technology and overcoming the perception of being in another country has enabled him to embrace remote farming and secure the farm for future generations.

"I've achieved a level of governance from where I'm now able to make day-to-day decisions. Ag Hub reduces the workload and supports making decisions which affect the bottom line. A residue benefit is automated trending of information for performance and compliance monitoring."

Ag Hub has undertaken a number of recent software improvements. A key update has been the Paddock Diary service. This gives farmers a visual representation of their farm and enables them to keep track of paddock events such as grazing rotations, fertiliser placement and hazard mapping.

AgInformation Manager, Hamish McKinlay says Paddock Diary is a good starting point from which to add modules such as feed planning or fertiliser programmes.

"Ag Hub is suitable for all pastoral farming. The technology allows farmers to start off with Paddock Diary and extend right through to the comprehensive example that Greg provides in remote farm management.

"Ag Hub will continue to be enhanced to meet the changing needs of farmers by evolving tools that achieve efficiency in farming practices, meet compliance needs and help make smarter on-farm decisions."

Right Advice

PROTECTING OUR PRESENT - AND OUR FUTURE.

New Zealand farmers have a reputation for producing safe, healthy food, and for doing this in a way that is environmentally sustainable. However, the benchmarks set by national and international customers continue to rise.

To maintain our position as food producers of quality and integrity, we need to continue to develop new, improved standards of practice, creating an even more sustainable future. The Sustainable Dairying: Water Accord is part of that journey.

Under the Accord, dairy farmers, dairy companies, industry advisors and related experts are working together to help reduce the impact of farming on our rivers, lakes and streams. It's about doing the right thing, as individuals, as a community and as an industry.

By working together, with a common goal, we can continue to be the best farming nation in the world.

In early 2015 we teamed up with the Dairy Women's Network, DairyNZ, Fonterra, Miraka, Synlait and Tatua to conduct a nationwide series of workshops aimed at helping farmers get to grips with their nitrogen reports.

We wanted to show farmers what factors influence the numbers in nitrogen reports, and leave them with practical ways to change their numbers for the better.

The events attracted a good response, with farmers saying they gained a more positive view of the Accord, a strong focus on improving their documentation and a desire to improve their knowledge even further.

Over the next year, we will be conducting even more of these events, all aimed at helping farmers take the information in their nitrogen reports and use it to inform their farm practices.

Economic and environmental wealth can go hand in hand, but it takes a collaborative effort to achieve this. We have a role to play and we are taking it seriously, working alongside our shareholders, customers and industry partners for the overall betterment of agriculture and New Zealand.

Together, we will make a difference...

PICTURED: Waikato dairy farmer and Dairy Women's Network member, Adrienne Wilcock

THE LOW-DOWN

It is possible to reduce nitrogen loss from farms. Here are a few practical tips to consider. For more information, download your free workbook from our website, or give your Ballance rep a call.

ANIMALS

On a dairy farm, the cow's urine is the greatest source of nitrogen.

Dairy farmers don't have much flexibility with the species and gender of stock carried! However, you can influence both the stocking rate and the way you manage stock.

Reducing stocking rates, using lower protein feeds and adopting low-impact winter grazing practices are all strategies you may want to consider to reduce nitrogen loss.

EFFLUENT

The way effluent is used impacts its contribution to nitrate leaching.

You will nearly always have some ability to control the use of effluent on your farm. It is not possible to control the production of effluent, but there are systems that allow you to control what is spread, where and when.

Think about increasing the effluent area, using low application rates, refining application timing or exporting your effluent to get your nitrogen number down.

FERTILISER

Nitrogen fertiliser only has a small direct impact on nitrate leaching.

The type of nitrogen fertiliser you use, the rate it is applied at and the timing of that application are all very much within the control of most farmers. There are some exceptions regarding timing, for example, with post-emergence nitrogen fertiliser use on crops, and to a lesser extent in pastoral settings, when nitrogen is being used to fill a feed gap.

Using good agricultural practice and optimising nitrogen fertiliser use by applying on a little-and-often basis are tried and true strategies to minimise the risk of nitrate leaching.

FEED

Feed is an easily overlooked source of nitrogen that can contribute to nitrate leaching.

Feed is one factor that you do have an ability to influence. It is relatively easy to select feeds that have lower protein content, although it may be wise to seek advice from an animal nutrition specialist to ensure that milk production and animal health remain optimised. It is also possible to develop systems for supplementary feed that allow you to control the fate of animal waste excreted while stock are feeding.

Increasing pasture utilisation and using lower protein feeds can assist with a reduction in nitrate leaching. The overall diet of the animal needs to be considered so get expert advice from an animal nutrition specialist.

DRAINAGE

Nitrogen is leached from soil when water moves below plant roots – in other words, there's a drainage event.

Ultimately, there is little you can do about rainfall patterns. However, you do have control over any irrigation on your farm (including effluent application). There is also little that you can do to change your soil type or the overall contour of your farm.

Right Start

PUTTING OUR MONEY WHERE THEIR MOUTHS ARE.

It's no secret that a good start on colostrum, spacious, dry, draught-free housing, and quality feed are the magic ingredients for well-grown, healthy calves.

Give them a good start and calves will thrive, and healthy calves are crucial to the future of any dairy herd. That's why we're putting our money where their mouths are to see if it's possible to make our already great calf feed products even better.

In autumn 2015 we began a large scale research trial with 150 Holstein Friesian calves to test a calf starter additive.

With help from the team at Massey University and well-respected calf researcher Dr Jean Margerison, as well as use of Massey's premium facilities, we set about monitoring the difference in growth rates and age at weaning to see if the starter additive would pass go.

What are we trying to prove? The research is comparing three different calf starter treatments on feed intake, calf growth, animal health and calf development rates during the milk feeding period and the three weeks after weaning.

Ultimately, we're trying to prove that our new calf starter additive will help grow strong, healthy calves with higher growth rates and therefore allow earlier weaning and cost savings.

The research finished up at the end of this winter, and, based on the results, we expect to progress development of this exciting product and to offer it to our customers in time for next calf season.

PICTURED: SealesWinslow Area Sales Representative Tracey Thomson takes a visit to Massey University to check out the calf pellet trials, which compare different calf starter treatments including our new calf starter additive

Right Stories

EVERY GOOD STORY NEEDS A HERO.

New Zealand farmers – our owners and customers - are at the forefront of productive, profitable, sustainable farming.

Our farmers feed 20 million people worldwide and counting. They produce more results per hectare than the All Blacks and Black Caps combined generating at least half of our export earnings and a quarter of Gross Domestic Product. But they are a modest bunch and we need to be celebrating great rural results in every city and town.

As for the future of farming - well it takes more than Country Calendar to convince today's up and comers that there's no business like agbusiness when it comes to new career possibilities - not just on farms but in agricultural science, supply chain logistics, marketing and product development.

That's where we come in. Ballance believes we need to tell better stories – to show all New Zealanders, especially those in cities, that farming drives our economic present and our future.

Every good story needs a hero and they are not hard to find in rural New Zealand. We know because Ballance has sponsored the Ballance Farm Environment Awards for more than 20 years – 12 as lead sponsor.

Award winners are all-rounders, consistently achieving good profits and production on their farms, without putting the environment at risk.

More than 20 years of finding farming's sustainability superheroes has meant Ballance has helped create a whole army of leaders, models and mentors. They are sharing their knowledge with other farmers, proving that farming is sustainable and that we can raise our production and exports.

If we could lift the performance of all our farms – bring the bottom 25% up to the median, take the median up to the top 25% - then the new possible is a doubling of primary sector exports by 2025.

But it takes more than one competition to celebrate our farming heroes and support their work. That's why we sponsor the Dairy Women's Network, the organisation which brings together the hundreds of women in that industry whose decisions, talents and sheer hard work are so crucial to dairy's success.

As we celebrate today's heroes, we're also on the lookout for tomorrow's – especially the smart brains who could well be behind breakthrough uses for wool, giant leaps in soil science, or advances in sustainable packaging for lamb exports. Our Ballance tertiary scholarships bring through the next generation, encouraging students studying agricultural or engineering degrees to imagine the new possibles of an agricultural career. We support students with seven scholarships in force right now and a total of 71 scholarships awarded since 2002.

Right People

BRINGING AN IDEA TO LIFE.

Making fertiliser wasn't exactly the career path Angela Newton thought she'd follow, but it turns out it was a pretty darn good choice.

As Product Formulation Specialist, Angela's job is to take an idea and bring it to life. So when one of the team says I want a product that can do x, y and z and contains a, b, c – Angela's your woman.

With a chemistry degree, a PHD, and a strong background in product development Angela knew she had the smarts for the role but thought she may need a few more years' experience up her sleeve to make the cut. But with an inquisitive mind and the ability to ask the right questions, she was just the person Ballance was looking for.

Angela plays a pivotal role in the product offerings Ballance brings to market. When an idea is thrown her way she takes it through the journey from conception to production.

"The diversity of the role is what makes it interesting. I'm not just working in a lab playing with formulations; I get to move an idea right through development and scale up, including working with the team in the factory.

Being involved through the whole process provides invaluable insights into what will and won't work on a large scale."

Other than being a big company that made fert, Angela knew little about Ballance when she first applied for the role. The opportunities and the variety in the job have been an unexpected and very welcome surprise.

"I get to work on a wide range of projects. The breadth of knowledge and experience in my team is amazing. It's a great environment to work in – it's innovative, challenging and questions are welcomed.

We're always looking at ways to improve our products, as well as taking new ideas on paper and seeing if we can make them work on farm. That's what I really love about my job – I get to make real products that are used by real people."

And for Ballance, it's people like Angela who make a real difference to the way we do things around here.

Right Opportunity

WORLD-CLASS MANUFACTURING.

The possibilities are endless when it comes to our Kapuni ammonia urea plant. From environmental gains to targets for world-class quality and safety, we are ambitious in our wish list for the potential redevelopment at the Taranaki site.

A year-long study and discussions with international specialists in converting gas to fertiliser have shown us what's possible. Now the tendering round will help put a price on getting a world-class facility.

What's possible is a plant which has one of the lowest carbon footprints of any gas-to-urea plant on the planet. Gains in technology make it possible to reduce greenhouse gas emissions, both to land and the atmosphere by at least 30 percent.

What's also possible is a manufacturing process where waste is captured and converted into a saleable product, where quality exceeds the already good results we achieve now and where production could meet up to 60 percent of market demand, compared to 30 percent today.

Not only possible but certain, is that a decision to proceed with redevelopment will cement Ballance's presence in urea manufacturing for the next 30 years in the Taranaki province. That includes jobs and other contributions to the local economy.

The current plant has been owned by Ballance for more than 20 years, and makes about 260,000 tonnes of agricultural urea each year. It's estimated that local production saves around NZ$150 million in foreign exchange annually in importation costs.

The plant is well maintained, runs efficiently and is achieving higher production following a $21 million investment in late 2013. But the plant was built in the 1960s and we need to take a long-term view on providing a reliable and sustainable supply which is globally competitive.

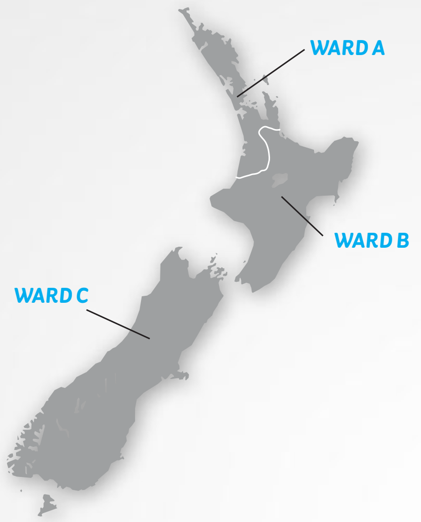
This is an exciting opportunity for us, but one that needs to be thoroughly considered before we make any decisions. A decision on whether to proceed with the project will likely be made at the end of the calendar year. The board will then seek shareholder approval. Under the Companies Act, shareholders need to approve any investment requiring more than half the total value of company assets.

Our strong balance sheet and early studies have given us confidence that this could be a real possibility for Ballance, our shareholders and New Zealand agriculture.

PICTURED: Principal Mechanical Engineer at Kapuni, Andrew Dawson

Right Governance

BOARD OF DIRECTORS.



Elected directors represent one of three wards – A, B, or C, which are determined by local authority district boundaries as outlined in the map opposite. From left to right: Oliver Saxton, Sarah von Dadelszen, John Harvey, David Peacocke, Kim Ellis, Murray Taggart, Gray Baldwin, Andrew Morrison and Albert Brantley.

DAVID PEACOCKE
Ward A director
BCom (Ag)

David understands farming in its many facets. He has interests in several large farming operations spanning beef, sheep, dairy, forestry and poultry, both in his Waikato hometown and the South Island. A previous Ballance Farm Environment Awards winner, David holds directorships with several companies in the rural sector, including Taupiri Holdings and Melrose Limited. David became chairman of Ballance in 2013.

OLIVER SAXTON
Ward A director
BCom (Ag)
Member, Institute of Directors

Oliver has commercial experience spanning the banking and property management and development sectors. Farming in North Waikato, Oliver also has dairy farming interests in the South Island. He is a past Ballance Farm Environment Awards winner and is a graduate of the Kellogg's Primary Industry Rural Leadership Programme. Oliver is also a director of Tuatahi Farming.

GRAY BALDWIN
Ward B director
MAgrSc (Hons)
DipBusAdmin

Gray milks 1200 cows on two dairy farms near Lichfield. He has a background in rural banking, fertiliser and corporate dairy farm supervision, including time as a senior manager at Ballance. He won the Waikato Ballance Farm Environment Award in 2009 and now chairs the Alumni Association for previous winners nationwide. Gray is a director of LIC and Trinity Lands, chairman of Longview Trust Board, and a trustee of the South Waikato Drive Trust.

SARAH VON DADELSZEN
Ward B director
BAg

Sarah has governance experience across the rural and energy sectors including AGMARDT, NZYF, NZ Beef Council, Fonterra Shareholders Council and the Central Hawke's Bay Consumer Power Trust. Along with husband Sam, she operates a 13,000 stock unit sheep and beef property and a dairy farm in Central Hawkes Bay. A former Richmond Hawke's Bay Farmer of the Year winner, Sarah was awarded a Food and Agribusiness Marketing Experience (FAME) scholarship to study markets in America, Europe, China and Japan. She has also completed the NZ Leaders Boot camp at Stanford University.

ANDREW MORRISON
Ward C director
BCom (Ag)

After retiring as Southland provincial junior vice president and Southland Meat and Fibre chairman with Federated Farmers, Andrew was appointed as a director of Beef and Lamb New Zealand. He is also a director of the New Zealand Meat Board, the Pastoral Greenhouse Gas Research Consortium and Ovis Management. Andrew farms a 150 ha intensive sheep farm the Waikaka Valley in Gore and an 880 ha sheep and beef operation in South Otago.

MURRAY TAGGART
Ward C director
BAgrSc

Murray farms a 666 ha irrigated sheep, beef and cropping property in North Canterbury. Currently serving as chairman of Alliance Group, Murray is a past director of CRT Society, past chairman of the National Meat and Fibre Council of Federated Farmers, and past member of the National Board of Federated Farmers. He has experience in the banking sector, holding roles in credit and corporate banking. Murray is a former recipient of the Nuffield Farming Scholarship and the Tasman Region FMG Rural Excellence Award.

KIM ELLIS
Appointed director
BE (Hons) Chemical, BCom (Hons) Commerce & Administration

Kim has senior leadership experience in a number of market sectors including manufacturing, logistics, property and agriculture. He has substantial experience in mergers and acquisitions and more recently he was chief executive of Waste Management New Zealand. A professional director, Kim currently has roles with EnviroWaste Services, Freightways, Port of Tauranga, FSF Management Company and is chairman of New Zealand Social Infrastructure Fund, and Metlifecare Limited.

JOHN HARVEY
Appointed director
BCom
Member, Institute of Directors & Institute of Chartered Accountants

John is a professional director with 35 years experience in accounting and professional services, including 23 years as a partner of PricewaterhouseCoopers. John has extensive experience in financial reporting, governance, information systems and processes, business evaluation, acquisition and merger and takeover reviews. He is currently a director of DNZ Property Fund, Heartland Bank, Kathmandu Holdings, Port Otago and New Zealand Opera.

ALBERT BRANTLEY
Appointed director
BSc, PGeol
Fellow of Australasian Institute of Mining & Metallurgy

Albert is chief executive of Genesis Energy. A highly qualified engineer he has worked on a number of engineering and commercial projects in the oil and gas, mining and power generation sectors across the globe. Albert is the former executive managing director of various CMS Power Company subsidiaries in the Middle East, and has considerable experience leading operationally complex businesses which require high levels of stakeholder, political, regulatory and environmental management. His previous roles include chief executive of L&M Mining, and chief operating officer at OceanaGold.

Right Leadership

LEAD TEAM.

We asked our Lead Team what they thought the future of farming will look like. To find out their thoughts watch the video online.

Right Structure

CORPORATE STRUCTURE.

Ballance is a New Zealand farmer owned co-operative that helps its customers to farm more productively, profitably and sustainably.

From our core business of fertiliser manufacturing, supply, sales and advice, we have grown to offer farmers a full range of science-backed nutrient products and services. This enables us to help farmers achieve soil and animal nutrition and productivity with a minimal environmental footprint.

Our agri-nutrient advice is complemented by award-winning web-based farm systems software, which enables farmers to capture and analyse a wealth of information, and so make the best management decisions for their business.

We cover the country, with one-on-one specialist advice on-farm backed up by a network of rural merchant supply partners, service centres, consignment stores, manufacturing sites and our own agricultural aviation services.

As well as supporting New Zealand farmers, Ballance also supplies products to a range of industrial businesses.

Ballance agri-nutrients

FERTILISER

INDUSTRIAL PRODUCTS

AERIAL TOPDRESSING

ANIMAL NUTRITION

FARM TECHNOLOGY

Super Air

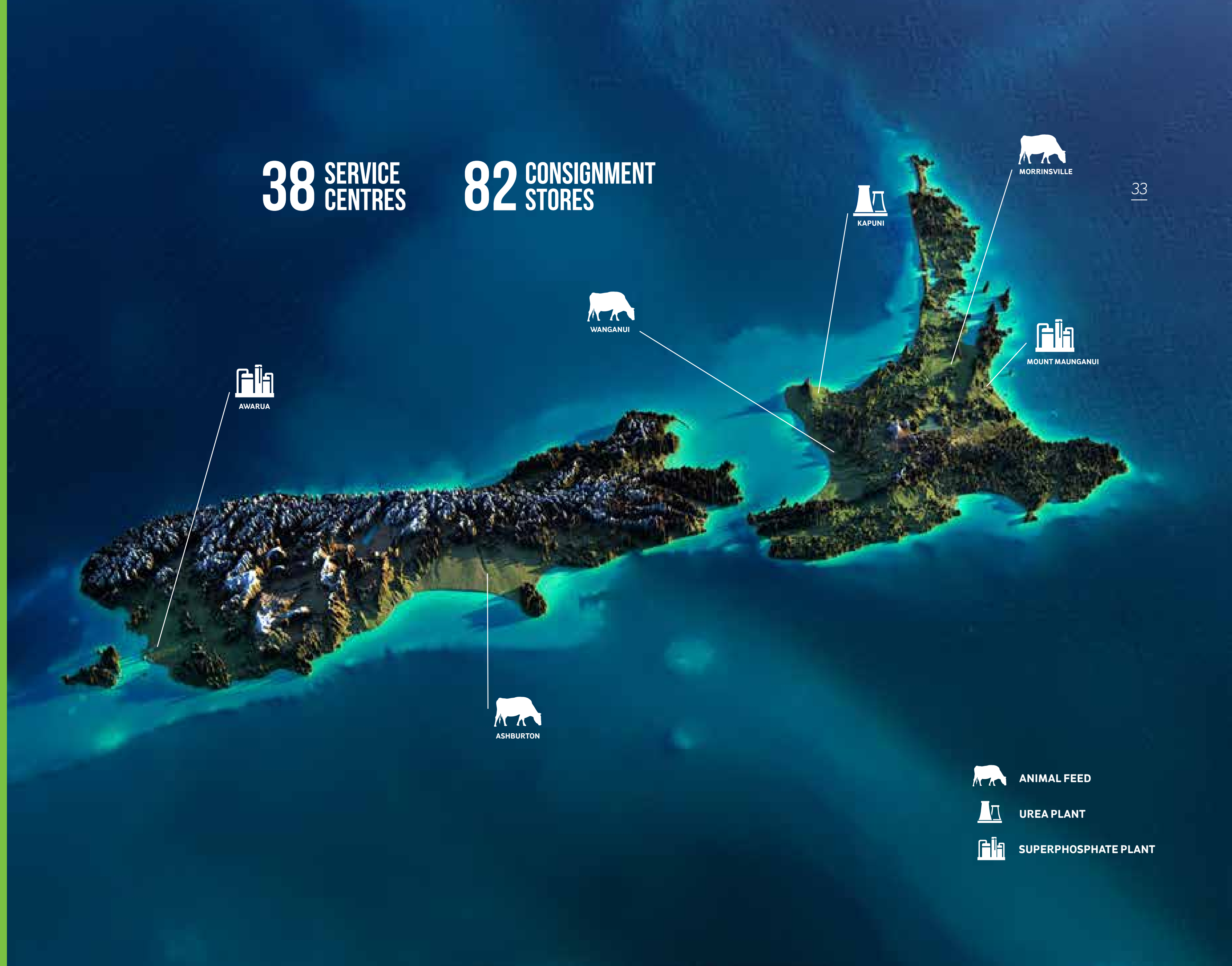
Super Air is one of New Zealand's leading agricultural aviation companies providing farmers in the North Island with aerial topdressing services.

Ag Hub

Ag Hub is an online farm management system, sold by Ballance, that enables farmers to capture, store and analyse information across farm management systems, by linking data to GPS maps of farm properties.

SealesWinslow

Operating nationally, SealesWinslow is a recognised leader in the production of high-performance compound animal feeds and feed additives.



Right Numbers

FINANCIAL STATEMENTS.

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Revenue					
Sale of products		878,246	908,407	835,703	852,354
Services provided		14,549	12,566	93	118
Total revenue		892,795	920,973	835,796	852,472
Cost of sales		(621,268)	(638,546)	(596,606)	(602,198)
Gross profit		271,527	282,427	239,190	250,274
Other operating income	3	3,460	3,227	18,335	2,701
Sales, marketing and distribution expenses		(138,028)	(128,769)	(120,604)	(114,325)
Administrative expenses		(51,738)	(52,214)	(41,978)	(39,922)
Other operating expenses	4	(4,255)	(6,644)	(19,358)	(8,997)
		(190,561)	(184,400)	(163,605)	(160,543)
Gross trading result		80,966	98,027	75,585	89,731
Financing income	5	1,642	836	3,964	2,548
Financing expenses	9	(6,075)	(5,353)	(6,680)	(5,579)
Impairment write down	7(a)	(18,688)	-	(18,688)	-
Restructure cost	7(b)	-	(3,996)	-	(3,996)
Profit before rebate, tax and equity accounted income		57,845	89,514	54,181	82,704
Rebates to shareholders	6	(72,407)	(75,358)	(72,407)	(75,358)
(Loss) profit before tax and equity accounted income		(14,562)	14,156	(18,226)	7,346
Share of profit (loss) from equity accounted investments	14(b)	21	16	-	-
(Loss) profit before tax		(14,541)	14,172	(18,226)	7,346
Income tax (expense) benefit	11	3,471	(4,507)	4,129	(2,441)
(Loss) profit for the year		(11,070)	9,665	(14,097)	4,905
Attributable to:					
Parent entity shareholders		(11,070)	9,450	(14,097)	4,905
Non-controlling interest		-	215	-	-
		(11,070)	9,665	(14,097)	4,905

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Other comprehensive income to be reclassified to profit and loss in subsequent periods:					
Effective portion of changes in the fair value of cash flow hedges		30,018	(15,903)	30,018	(15,903)
Amount removed from equity, in relation to cash flow hedges, and included in initial cost of inventory on hand during the period		(7,550)	7,776	(7,550)	7,776
Income tax on items recognised directly in other comprehensive income	11	(6,291)	2,276	(6,291)	2,276
Other comprehensive income, net of income tax		16,177	(5,851)	16,177	(5,851)
(Loss) profit after tax for the year		(11,070)	9,665	(14,097)	4,905
Total comprehensive income for the year		5,107	3,814	2,080	(946)
Attributable to:					
Parent entity shareholders		5,107	3,599	2,080	(946)
Non-controlling interest		-	215	-	-
Total comprehensive income for the year		5,107	3,814	2,080	(946)

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

GROUP	Note	Fully paid ordinary shares $000	Share allotment reserve $000	Hedging reserve $000	Retained earnings $000	Attributable to equity holders of the parent $000	Non-controlling interest $000	Total equity $000
	Note	26(a)	26(b)	26(b)				
Balance at 1 June 2013		130,626	21,300	751	250,680	403,357	966	404,323
Profit for the year		-	-	-	9,450	9,450	215	9,665
Net change in the fair value of cash flow hedges		-	-	(8,127)	-	(8,127)	-	(8,127)
Income tax relating to components of other comprehensive income		-	-	2,276	-	2,276	-	2,276
Other comprehensive income for the year, net of tax		-	-	(5,851)	-	(5,851)	-	(5,851)
Shares issued		466	-	-	-	466	-	466
Shares provided / issued in lieu of rebate		21,567	2,310	-	-	23,877	-	23,877
Shares repurchased		(6,652)	-	-	-	(6,652)	-	(6,652)
Dividends paid	6	-	-	-	(3,573)	(3,573)	-	(3,573)
Reversal of non-controlling interest on sale of investment		-	-	-	(464)	(464)	(1,181)	(1,645)
Total transactions with owners		15,381	2,310	-	(4,037)	13,654	(1,181)	12,473
Balance at 31 May 2014		146,007	23,610	(5,100)	256,093	420,610	-	420,610
Balance at 1 June 2014		146,007	23,610	(5,100)	256,093	420,610	-	420,610
Loss for the year		-	-	-	(11,070)	(11,070)	-	(11,070)
Net change in the fair value of cash flow hedges		-	-	22,469	-	22,469	-	22,469
Income tax relating to components of other comprehensive income		-	-	(6,291)	-	(6,291)	-	(6,291)
Other comprehensive income for the year, net of tax		-	-	16,178	-	16,178	-	16,178
Shares issued		388		-	-	388	-	388
Shares provided / issued in lieu of rebate		23,543	(1,315)	-	-	22,228	-	22,228
Shares repurchased		(9,135)	-	-	-	(9,135)	-	(9,135)
Dividends paid	6	-	-	-	(3,770)	(3,770)	-	(3,770)
Total transactions with owners		14,796	(1,315)	-	(3,770)	9,711	-	9,711
Balance at 31 May 2015		160,803	22,295	11,078	241,253	435,429	-	435,429

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

PARENT	Note	Fully paid ordinary shares $000	Share allotment reserve $000	Hedging reserve $000	Retained earnings $000	Total equity $000
	Note	26(a)	26(b)	26(b)		
Balance at 1 June 2013		130,626	21,303	751	203,282	355,962
Profit for the year		-	-	-	4,905	4,905
Net change in the fair value of cash flow hedges		-	-	(8,127)	-	(8,127)
Income tax relating to components of other comprehensive income		-	-	2,276	-	2,276
Other comprehensive income for the year, net of tax		-	-	(5,851)	-	(5,851)
Shares issued		466	-	-	-	466
Shares provided / issued in lieu of rebate		21,567	2,310	-	-	23,877
Shares repurchased		(6,652)	-	-	-	(6,652)
Dividends paid	6	-	-	-	(3,573)	(3,573)
Total transactions with owners		15,381	2,310	-	(3,573)	14,118
Balance at 31 May 2014		146,007	23,613	(5,100)	204,614	369,134
Balance at 1 June 2014		146,007	23,613	(5,100)	204,614	369,134
Loss for the year		-	-	-	(14,097)	(14,097)
Net change in the fair value of cash flow hedges		-	-	22,468	-	22,468
Income tax relating to components of other comprehensive income		-	-	(6,291)	-	(6,291)
Other comprehensive income for the year, net of tax		-	-	16,177	-	16,177
Shares issued		388	-	-	-	388
Shares provided / issued in lieu of rebate		23,543	(1,315)	-	-	22,228
Shares repurchased		(9,135)	-	-	-	(9,135)
Dividends paid	6	-	-	-	(3,770)	(3,770)
Total transactions with owners		14,796	(1,315)	-	(3,770)	9,711
Balance at 31 May 2015		160,803	22,298	11,077	186,747	380,925

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

BALANCE SHEET

AS AT 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Shareholders' equity					
Paid-in capital		160,803	146,007	160,803	146,007
Retained earnings and other reserves		274,626	274,603	220,122	223,127
Total equity		435,429	420,610	380,925	369,134
Current liabilities					
Trade and other payables	18	52,850	61,260	45,887	52,641
Derivative liabilities		-	8,002	-	8,002
Inter-company funding	25	-	-	11,530	16,392
Rebate payable	6	49,956	51,330	49,956	51,330
Provisions	20	-	8,487	-	8,487
Income tax payable		-	261	-	110
Total current liabilities		102,806	129,340	107,373	136,962
Non-current liabilities					
Loans and borrowings	19	-	40,000	-	40,000
Provisions	20	1,233	1,145	796	750
Deferred tax liabilities	15	2,406	2,078	7,386	2,601
Total non-current liabilities		3,639	43,223	8,182	43,351
Total liabilities		106,445	172,563	115,555	180,313
Total equity and liabilities		541,874	593,173	496,480	549,447
Current assets					
Cash and cash equivalents		18,679	68,337	17,962	67,970
Trade and other receivables	12	86,123	123,339	81,709	113,242
Inter-company funding	25	-	-	13,257	18,206
Inventories	13	165,518	135,721	152,987	128,783
Derivative assets		15,511	836	15,511	836
Income tax receivable		2,268	-	2,266	-
Total current assets		288,099	328,233	283,692	329,037
Non-current assets					
Investments in subsidiaries		-	-	31,603	48,084
Investments in equity accounted investees		153	131	35	35
Debt securities		-	540	-	1
Loans to subsidiaries	25	-	-	30,733	21,133
Property, plant and equipment	16	241,118	249,723	143,671	140,490
Intangible assets	17	12,504	14,546	6,746	10,667
Total non-current assets		253,775	264,940	212,788	220,410
Total assets		541,874	593,173	496,480	549,447

For and on behalf of Board of Directors:

29 July 2015
DE PEACOCKE
Director

29 July 2015
EJ HARVEY
Director

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Cash flows from operating activities					
Cash receipts from customers		932,678	903,986	872,955	836,033
Cash paid to suppliers and employees		(819,432)	(756,953)	(782,287)	(719,179)
Interest received		1,504	796	3,842	2,548
Dividends received		30	142	30	143
Insurance proceeds		1,415	-	1,415	-
Government grants		652	1,865	652	1,865
Rebate to shareholders		(75,097)	(61,918)	(75,097)	(61,918)
Less shares issued in lieu of rebate		23,544	21,567	23,544	21,567
Net rebate paid		(51,553)	(40,351)	(51,553)	(40,351)
Interest paid		(5,734)	(4,330)	(6,339)	(4,556)
Income tax refunded (paid)		(5,022)	(9,783)	(4,648)	(9,300)
Net cash flow from operating activities	24	54,538	95,372	34,067	67,203
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		765	520	435	285
Proceeds from the sale of investments		503	650	-	650
Acquisition of property, plant and equipment and intangibles		(45,787)	(50,879)	(18,483)	(16,360)
Net cash flow from investing activities		(44,519)	(49,709)	(18,048)	(15,425)
Cash flows from financing activities					
Proceeds from issue of co-operative shares		388	466	388	466
Acquisition of non-controlling interest		(7,100)	(1,500)	(7,100)	(1,500)
Repurchase of surrendered shares		(9,195)	(6,712)	(9,195)	(6,712)
Repayment of borrowings		(40,000)	(10,000)	(40,000)	(10,000)
Dividends paid		(3,770)	(3,571)	(3,770)	(3,571)
Net advances (to) from subsidiaries		-	-	(6,350)	(5,958)
Net cash flow from financing activities		(59,677)	(21,317)	(66,027)	(27,275)
Net movement in cash and cash equivalents		(49,658)	24,346	(50,008)	24,503
Cash and cash equivalents at 1 June		68,337	43,951	67,970	43,467
Effect of exchange rate fluctuations on cash held		-	40	-	-
Cash and cash equivalents at 31 May		18,679	68,337	17,962	67,970

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

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

The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

Financial statements for the Company and consolidated financial statements for the Group are presented. The consolidated financial statements of the Group as at and for the year ended 31 May 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

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

1 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by Group entities.

a) Statement of compliance and basis of preparation

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

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

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

The financial statements were approved by the Board of Directors on 29 July 2015.

b) Use of estimates and judgements

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

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

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

- Note 1(f) - Capital and reserves (treatment of puttable instruments)
- Notes 2 and 27 - Financial instruments
- Note 7 - Impairment
- Note 15 - Deferred tax
- Note 16 - The life of the Kapuni urea plant
- Note 17 - Intangible assets

c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to direct the activities that significantly affect investor returns. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements using the acquisition method from the date that control commences until the date that control ceases. Investments in subsidiaries are carried in the Company's financial statements at their cost of acquisition and are periodically assessed for any impairment of the carrying value.

(ii) Associates (equity accounted investees)

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

(iii) Transactions eliminated on consolidation

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

(iv) Non-controlling interests

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

d) Foreign currency

(i) Foreign currency transactions

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

e) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

Held to maturity investments

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

Instruments at fair value through profit or loss

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

Other

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

Investments in equity securities of subsidiaries, associates and joint ventures

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

Investments in debt securities

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

Trade and other receivables

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

Loans and borrowings

Loans and borrowings are classified as other amortised cost.

Trade and other payables

Trade and other payables are classified as other amortised cost.

(ii) Derivative financial instruments

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

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

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

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

f) Share capital

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

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

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

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

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

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

g) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

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

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

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

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

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

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

h) Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

i) Inventories

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

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

j) Impairment

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

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

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

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

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

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

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

(ii) Impairment of non-financial assets

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

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

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

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

k) Employee benefits

(i) Short-term employee benefits

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

(ii) Long-term employee benefits

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

(iii) Defined contribution plan

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

l) Provisions

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

m) Revenue

(i) Goods sold

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

(ii) Services

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

(iii) Insurance claim recoveries

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

n) Dividends received

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

o) Government grants

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

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

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

p) Lease payments

(i) Operating lease payments

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

(ii) Finance lease payments

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

q) Finance income and expenses

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

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

r) Income tax

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

s) Rebates to shareholders

Rebateable sales are eligible for sales volume and value rebates as declared by the Directors from the trading result. When the rebate is accrued it is either allocated to the share allotment reserve for those shareholders who are required to increase their share quota (note 26a) or accrued as a current liability (rebate payable) and will be paid out in cash.

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

t) New standards and interpretations

A number of new or revised standards are not yet effective for the year ended 31 May 2015, and have not been applied in preparing these financial statements. Those relevant to the Group are:

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

NZ IFRS 15 - Revenue from Contracts with Customers is effective on or after 1 January 2017. This standard impacts on how and when revenue is recognised. Additionally there will be changes in disclosure requirements.

Management has not assessed the impact of these standards on future financial statements but are not expected to have a material impact.

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993.

The FRA 2013 is effective for companies with financial periods beginning on or after 1 April 2014 unless they meet the definition of a FMC reporting entity under the Financial Markets Conduct Act ("FMC Act") and meet the transitional provision requirements of the FMC Act that require them to apply the Financial Reporting Act 1993. As the Group meets the requirements of an entity operating under the transitional provisions of the FMC Act, the Group will become an FMC reporting entity at the earlier of making an issue of securities under the FMC Act, opting into the FMC Act, becoming a recipient of funds from a conduit issuer or the Group's next balance date after 1 December 2016 i.e. 31 May 2017.

The change in legislation has no material impact on the entity's obligation to prepare general-purpose financial statements. Neither the FRA 2013 nor the FMC Act require the preparation of parent financial statements where group financial statements are prepared. Accordingly on adoption of the FMC Act and the FRA 2013 the Group will no longer be required to prepare separate financial statements for the Company.

The External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. Under the new XRB framework the entity has continued to apply NZ IFRS as applicable for Tier 1 for-profit entities. This has had no material impact on the preparation and disclosures included in the financial statements.

2 DETERMINATION OF FAIR VALUE

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

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

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

b) Trade and other receivables

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

c) Derivatives

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

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

d) Non-derivative financial liabilities

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

e) Property, plant and equipment

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

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

f) Intangible assets

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

g) Inventories

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

3 OTHER OPERATING INCOME

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Net gain on disposal of property, plant and equipment		-	-	-	19
Dividend from subsidiary		-	-	15,726	-
Other dividend income		30	142	30	143
Government grants including NZ ETS credits		1,667	2,235	652	1,865
Insurance claim		1,415	-	1,415	-
Other		348	850	512	674
		3,460	3,227	18,335	2,701

Government grants relating to technology development and emissions trading credits have been received during the year.

Insurance claim includes recoveries relating to the claim for a fire at the ammonia urea plant in August 2011.

4 OTHER OPERATING EXPENSES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Net loss on disposal of property, plant and equipment		189	402	52	-
Research and development expense		4,061	5,797	4,044	5,787
Donations		1	12	1	12
Other		4	433	10	252
Subvention payment to subsidiaries		-	-	15,251	2,946
		4,255	6,644	19,358	8,997

5 FINANCING INCOME

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Interest from subsidiaries		-	-	2,395	1,796
Interest from bank		1,504	796	1,447	752
Net change in fair value of derivatives designated at fair value through profit or loss		138	40	122	-
		1,642	836	3,964	2,548

6 REBATES AND DIVIDENDS

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Rebate provided for current year		72,250	74,940	72,250	74,940
Rebate for prior year under (over) provided recognised in the current year		157	418	157	418
		72,407	75,358	72,407	75,358
Dividend paid in the current year		3,770	3,573	3,770	3,573
Total distributions to Co-operative shareholders		76,177	78,931	76,177	78,931

Dividends paid in the current year at 10 cents per share (2014: 10 cents) with full tax imputation.

Balance Sheet:					
Rebate provided for current year		72,250	74,940	72,250	74,940
Less rebate allocated to share allotment		22,294	23,610	22,294	23,610
		49,956	51,330	49,956	51,330

7 IMPAIRMENT WRITE DOWN AND RESTRUCTURE COSTS

a) Impairment write down	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Impairment of Seales Winslow Ltd (i)	16	18,688	-	-	-
Impairment of investment in Seales Winslow Limited (ii)		-	-	18,688	-
		18,688	-	18,688	-

(i) The impairment of Seales Winslow Limited is based on discounted cashflow calculations indicating impairment. See Note 16.

(ii) The write down of investment in subsidiary at the Parent level relates to the Company's investment in Seales Winslow Limited, writing the carrying value of the investment of $16.5m down to nil and reducing the current account by $2.2m. This investment write down had no impact in the Group result.

b) Restructure costs	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Whangarei manufacturing closure		-	3,996	-	3,996

Last year the Whangarei manufacturing operations were restructured resulting in the closure of the acid and superphosphate manufacturing facilities.

The restructuring plan was announced to employees in August 2013 and partially completed in the 2014 year. A provision was recognised for the dismantling of the acid plant due for completion in the current financial year (Note 20) with the affected asset written down to nil.

8 PERSONNEL EXPENSES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Wages and salaries		72,601	68,698	47,502	44,445
Contributions to defined contribution superannuation plans		3,850	3,686	2,603	2,487
Increase (decrease) in liability for long-service leave	20	88	(175)	46	(127)
		76,539	72,209	50,151	46,805

9 FINANCING EXPENSES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Interest paid to subsidiaries		-	-	691	366
Interest paid to banks		4,334	4,330	4,248	4,190
Unwind of discount rate on deferred and contingent consideration	20	184	733	184	733
Loss from close out of interest rate SWAPs		1,400	-	1,400	-
Other financial expenses		157	290	157	290
		6,075	5,353	6,680	5,579

10 AUDITORS' REMUNERATION

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Audit services					
Audit of financial statements		133	139	133	130
Other services					
Taxation services - compliance		32	43	32	43
Taxation services - advice		41	9	41	9
		206	191	206	182

11 INCOME TAX EXPENSE

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
a) **Recognised in the income statement**					
Current tax (benefit) / expense					
Current year		2,733	7,256	(2,424)	5,243
Adjustments for prior years		(240)	24	(198)	83
		2,493	7,280	(2,622)	5,326
Deferred tax (benefit) / expense					
Origination and reversal of temporary differences		(5,964)	(2,773)	(1,507)	(2,885)
	15(b)	(5,964)	(2,773)	(1,507)	(2,885)
Total income tax (benefit) / expense in income statement		(3,471)	4,507	(4,129)	2,441

b) Reconciliation between tax expense and pre-tax net profit / (loss)

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
(Loss) / Profit before tax		(14,541)	14,172	(18,226)	7,346
Income tax using the domestic company tax rate - 28% (2014: 28%)		(4,071)	3,968	(5,103)	2,057
Increase / (decrease) in income tax expense due to:					
Non-deductible expenses		1,144	263	5,348	255
Tax exempt revenues		(8)	(67)	(4,412)	(9)
Tax losses not previously recognised		(594)	-	-	-
Other		298	320	237	55
		(3,231)	4,484	(3,930)	2,358
Under / (over) provided in prior years		(240)	23	(199)	83
Income tax expense (benefit) in income statement		(3,471)	4,507	(4,129)	2,441
Income tax recognised directly in other comprehensive income					
Derivatives		6,291	(2,276)	6,291	(2,276)
		6,291	(2,276)	6,291	(2,276)

Imputation credits	Note	GROUP 2015 $000	GROUP 2014 $000
The imputation credits are available to shareholders of the parent company:			
through the parent company		115,268	108,624
through subsidiaries		1,670	4,782
		116,938	113,406

12 TRADE AND OTHER RECEIVABLES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Current					
Trade receivables		82,573	116,358	79,425	110,148
Prepayments		3,550	6,981	2,284	3,094
		86,123	123,339	81,709	113,242

13 INVENTORIES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Manufactured and finished products		94,138	79,862	92,798	80,356
Raw materials		25,134	24,318	17,738	19,840
		119,272	104,180	110,536	100,196
Goods in transit		32,631	18,367	32,631	18,367
Packaging		4,952	4,791	4,393	4,792
Spares and stores		8,663	8,383	5,427	5,428
		165,518	135,721	152,987	128,783

In 2015 the write-down of inventories to net realisable value amounted to $1.3m (2014: $0.493m).

14 INVESTMENTS

a) The Company has the following investments:

	Principal activity	Note	2015 Balance date	2015 Interest	2014 Balance date	2014 Interest
Subsidiaries						
Ballance Agri-Nutrients (Kapuni) Limited	Urea manufacture		31 May	100%	31 May	100%
Super Air Limited	Agricultural aviation		31 May	100%	31 May	100%
Ballance Agri-Nutrients Insurance Limited	Insurance (i)		31 May	100%	31 May	100%
Ag Hub Limited	Farm technology		31 May	100%	31 May	100%
Seales Winslow Limited	Animal feed and nutrition		31 May	100%	31 May	100%
Equity accounted investees						
NZ Phosphate Company Limited	Research		30 June	50%	30 June	50%
EnCoate Holdings Limited	Research and development		30 June	50%	30 June	50%

(i) The Group ceased insuring through Ballance Agri-Nutrients Insurance Limited in December 2014.

Subsequent to balance date Ballance Agri-Nutrients Insurance Limited ceased to hold a full insurance licence and its name was changed to Ballance SP Four Limited.

b) Equity accounted investees

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

		Total assets $000	Total liabilities $000	Revenues $000	Profit (loss) $000	Total comprehensive income $000
Equity accounted investees	2015	342	37	98	43	43
	2014	301	39	83	33	33

15 DEFERRED TAX ASSETS AND (LIABILITIES)

a) Recognised deferred tax assets and (liabilities)

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

GROUP	Assets 2015 $000	2014 $000	Liabilities 2015 $000	2014 $000	Net 2015 $000	2014 $000
Property, plant and equipment	2,506	-	(5,773)	(10,234)	(3,267)	(10,234)
Intangibles	-	-	(662)	(1,179)	(662)	(1,179)
Inventories	1,803	1,841	(282)	(360)	1,521	1,481
Employee benefits	2,663	2,582	-	-	2,663	2,582
Derivatives at fair value	-	1,983	(4,308)	-	(4,308)	1,983
Other items	684	992	-	-	684	992
Tax value of loss carry-forwards recognised	963	2,297	-	-	963	2,297
Tax assets / (liabilities)	8,619	9,695	(11,025)	(11,773)	(2,406)	(2,078)
Set off of tax	(8,619)	(9,695)	8,619	9,695	-	-
Net tax assets / (liabilities)	-	-	(2,406)	(2,078)	(2,406)	(2,078)

PARENT	Assets 2015 $000	2014 $000	Liabilities 2015 $000	2014 $000	Net 2015 $000	2014 $000
Property, plant and equipment	-	-	(5,044)	(6,097)	(5,044)	(6,097)
Intangibles	-	-	-	(812)	-	(812)
Inventories	-	-	(282)	(359)	(282)	(359)
Employee benefits	1,771	1,754	-	-	1,771	1,754
Derivatives at fair value	-	1,983	(4,308)	-	(4,308)	1,983
Other items	477	930	-	-	477	930
Tax assets / (liabilities)	2,248	4,667	(9,634)	(7,268)	(7,386)	(2,601)
Set off of tax	(2,248)	(4,667)	2,248	4,667	-	-
Net tax assets / (liabilities)	-	-	(7,386)	(2,601)	(7,386)	(2,601)

b) Movement in temporary differences during the year

GROUP 2014	Note	Opening balance $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		(10,382)	148	-	(10,234)
Intangibles		(1,725)	546	-	(1,179)
Inventories		1,420	61	-	1,481
Employee benefits		2,529	53	-	2,582
Derivatives at fair value		(292)	-	2,275	1,983
Other items		168	824	-	992
Tax value of loss carry-forwards recognised		1,156	1,141	-	2,297
	11	(7,126)	2,773	2,275	(2,078)

GROUP 2015	Note	Opening balance $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		(10,234)	6,967	-	(3,267)
Intangibles		(1,179)	517	-	(662)
Inventories		1,481	40	-	1,521
Employee benefits		2,582	81	-	2,663
Derivatives at fair value		1,983	-	(6,292)	(4,309)
Other items		992	(308)	-	684
Tax value of loss carry-forwards recognised		2,297	(1,333)	-	964
	11	(2,078)	5,964	(6,292)	(2,406)

PARENT 2014	Note	Opening balance $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		(7,207)	1,110	-	(6,097)
Intangibles		(1,463)	651	-	(812)
Inventories		(595)	236	-	(359)
Employee benefits		1,670	84	-	1,754
Derivatives at fair value		(293)	-	2,276	1,983
Other items		126	804	-	930
	11	(7,762)	2,885	2,276	(2,601)

PARENT 2015	Note	Opening balance $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		(6,097)	1,053	-	(5,044)
Intangibles		(812)	812	-	-
Inventories		(359)	77	-	(282)
Employee benefits		1,754	17	-	1,771
Derivatives at fair value		1,983	-	(6,292)	(4,309)
Other items		930	(452)		478
	11	(2,601)	1,507	(6,292)	(7,386)

16 PROPERTY, PLANT AND EQUIPMENT

GROUP 2014	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Cost		47,539	96,251	284,468	11,635	439,893
Accumulated depreciation		(2,679)	(39,721)	(147,770)	-	(190,170)
Carrying value		44,860	56,530	136,698	11,635	249,723
2015						
Cost		51,524	101,501	296,078	24,152	473,255
Accumulated depreciation		(4,895)	(48,610)	(178,632)	-	(232,137)
Carrying value		46,629	52,891	117,446	24,152	241,118

PARENT 2014	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Cost		43,146	83,015	118,245	5,706	250,112
Accumulated depreciation		(2,672)	(36,701)	(70,249)	-	(109,622)
Carrying value		40,474	46,314	47,996	5,706	140,490
2015						
Cost		45,859	82,866	122,996	10,916	262,637
Accumulated depreciation		(3,021)	(39,537)	(76,408)	-	(118,966)
Carrying value		42,838	43,329	46,588	10,916	143,671

Reconciliation of property, plant and equipment carrying value

GROUP 2014	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Opening balance		43,040	57,674	125,858	15,270	241,842
Acquisitions / (transfers)		1,133	3,455	40,993	(3,635)	41,946
Depreciation expense		(343)	(4,597)	(28,217)	-	(33,157)
Reclassification to assets held for sale		1,186	686	138	-	2,010
Disposals		(156)	(688)	(2,074)	-	(2,918)
Closing balance		44,860	56,530	136,698	11,635	249,723
2015						
Opening balance		44,860	56,530	136,698	11,635	249,723
Acquisitions / (transfers)		3,297	7,786	16,895	12,517	40,495
Depreciation expense		(417)	(4,149)	(24,797)	-	(29,363)
Impairment	7	(1,644)	(5,644)	(11,400)	-	(18,688)
Disposals		533	(1,632)	50	-	(1,049)
Closing balance		46,629	52,891	117,446	24,152	241,118

PARENT 2014	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Opening balance		40,190	48,916	47,405	7,651	144,162
Acquisitions / (transfers)		631	1,020	10,289	(1,945)	9,995
Depreciation expense		(338)	(4,033)	(8,663)	-	(13,034)
Reclassification to assets held for sale		147	686	138	-	971
Disposals		(156)	(275)	(1,173)	-	(1,604)
Closing balance		40,474	46,314	47,996	5,706	140,490
2015						
Opening balance		40,474	46,314	47,996	5,706	140,490
Acquisitions / (transfers)		2,963	1,255	7,405	5,210	16,833
Depreciation expense		(356)	(3,573)	(9,141)	-	(13,070)
Disposals		(243)	(667)	328	-	(582)
Closing balance		42,838	43,329	46,588	10,916	143,671

The carrying value of the Kapuni urea plant is regularly reviewed in relation to the availability of economic gas supply. Contracted gas supply to 2020 (2014: 2020) held by the Company provides increased confidence and certainty in the future economic performance of the plant.

Impairment testing for cash-generating units (CGU)

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

Due to Seales Winslow Limited profitability being below budget the Directors have assessed the investment for impairment.

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

- Cash flows were projected on actual operating results and a 5 year forecast.
- A pre-tax discount rate of 12.0% was applied in determining the recoverable amount of the unit.
- Relevant terminal and EBIT growth rates have been applied.

The Group has impaired the assets in Seales Winslow Limited by $18.688m as the recoverable amount was less than the carrying amount of the CGU.

17 INTANGIBLE ASSETS

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

GROUP 2014	Note	Emissions trading scheme $000	Patents and trademarks $000	Software $000	Technology systems and licences $000	Total $000
Cost		1,635	-	35,022	4,046	40,703
Accumulated amortisation		-	-	(24,179)	(1,978)	(26,157)
Carrying value		1,635	-	10,843	2,068	14,546
2015						
Cost		3,146	36	36,722	4,820	44,724
Accumulated amortisation		-	-	(29,815)	(2,405)	(32,220)
Carrying value		3,146	36	6,907	2,415	12,504

	2015 $000	2014 $000
Amortisation is charged to the following line item in the income statement:		
Administration expenses	6,066	4,966

PARENT 2014	Note	Emissions trading scheme $000	Patents and trademarks $000	Software $000	Technology systems and licences $000	Total $000
Cost		-	-	33,680	-	33,680
Accumulated amortisation		-	-	(23,013)	-	(23,013)
Carrying value		-	-	10,667	-	10,667
2015						
Cost		-	-	35,329	-	35,329
Accumulated amortisation		-	-	(28,583)	-	(28,583)
Carrying value		-	-	6,746	-	6,746

	2015	2014
Amortisation is charged to the following line item in the income statement:	$000	$000
Administration expenses	5,570	4,500

Reconciliation of intangible asset carrying value

GROUP 2014	Note	Emissions trading scheme $000	Patents and trademarks $000	Software $000	Technology systems and licences $000	Total $000
Opening balance		1,079	-	8,934	2,207	12,220
Acquired separately		-	-	6,485	252	6,737
Grant - net allocation of emissions trading scheme credits		556	-	(1)	-	555
Amortisation		-	-	(4,575)	(391)	(4,966)
Carrying value		1,635	-	10,843	2,068	14,546
2015						
Opening balance		1,635	-	10,843	2,068	14,546
Acquired separately		-	36	1,700	776	2,512
Grant - net allocation of emissions trading scheme credits		1,512	-	-	-	1,512
Amortisation		-	-	(5,639)	(427)	(6,066)
Carrying value		3,147	36	6,904	2,417	12,504

Reconciliation of intangible asset carrying value

PARENT 2014	Note	Emissions trading scheme $000	Patents and trademarks $000	Software $000	Technology systems and licences $000	Total $000
Opening balance		-	-	8,802	-	8,802
Acquired separately		-	-	6,365	-	6,365
Amortisation		-	-	(4,500)	-	(4,500)
Carrying value		-	-	10,667	-	10,667
2015						
Opening balance		-	-	10,667	-	10,667
Acquired separately		-	-	1,649	-	1,649
Amortisation		-	-	(5,570)	-	(5,570)
Carrying value		-	-	6,746	-	6,746

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

18 TRADE AND OTHER PAYABLES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Current					
Trade payables due to subsidiaries		-	-	8,978	10,256
Trade payables and accrued expenses		37,385	48,223	26,693	32,740
Share repurchase instalments		4,252	3,822	4,252	3,822
Employee benefits	21	6,486	5,688	3,312	3,140
Emissions trading scheme - deferred income		795	299	-	-
Emissions trading scheme - liability		599	17	-	-
Non-trade payables and accrued expenses		3,333	3,211	2,652	2,683
		52,850	61,260	45,887	52,641

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

19 LOANS AND BORROWINGS

	Year of maturity	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Non-current liabilities					
Bank Revolving Cash Advance Facility - parent		-	40,000	-	40,000
Total		-	40,000	-	40,000

The Company has a Bank Revolving Cash Advance Facility. At 31 May 2015 the facility available was $250m, of which nil was drawn in the Group and Parent, (2014: facility $265m, actual drawn $40.0m Group, $40.0m Parent). The interest rate in 2014 was 4.19%. Deposits and the Bank Revolving Cash Advance Facility have different interest rates and the loan agreement provides for right of set off against deposits. The current portion of the facility is considered cash and cash equivalents.

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

20 PROVISIONS

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Employee benefits - long-service leave provision					
Opening balance		1,145	1,320	750	877
Movement in provision	8	88	(175)	46	(127)
Closing balance	21	1,233	1,145	796	750
Deferred consideration					
Opening balance		6,916	7,683	6,916	7,683
Cash payment		(7,100)	(1,500)	(7,100)	(1,500)
Unwind of discount	9	184	733	184	733
Closing balance		-	6,916	-	6,916
Restructuring					
Opening balance		1,571	1,571	1,571	1,571
Cash payment		(1,571)	-	(1,571)	-
Closing balance		-	1,571	-	1,571
Total provisions		1,233	9,632	796	9,237
Total provisions are reported in the balance sheet as:					
- current liabilities		-	8,487	-	8,487
- non-current liabilities		1,233	1,145	796	750
		1,233	9,632	796	9,237

21 EMPLOYEE BENEFITS

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Current					
Salaries and wages accrued		953	309	-	-
Liability for annual leave		5,533	5,379	3,312	3,140
	18	6,486	5,688	3,312	3,140
Non-current					
Liability for long-service leave	20	1,233	1,145	796	750

22 OPERATING LEASES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Leases as lessee					
Non-cancellable operating lease rentals are payable as follows:					
Less than one year		4,858	4,525	4,158	3,946
Between one and five years		15,728	15,466	14,937	14,949
After five years		13,786	11,821	13,781	11,794
		34,372	31,812	32,876	30,689
Operating lease expense recognised		5,966	5,412	5,121	4,614

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

23 CAPITAL AND OTHER COMMITMENTS

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Capital expenditure commitments					
Contracted for		769	5,577	85	647
Not yet contracted for		25,126	17,065	10,741	6,873

24 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
(Loss) / Profit for the year		(11,070)	9,665	(14,097)	4,905
Add non-cash and non-operating items:					
Inventory write-down to net present value		1,300	774	-	774
Depreciation		29,364	33,156	13,071	13,033
Amortisation		6,066	4,966	5,570	4,500
Emissions trading scheme - net cost of carbon		1,078	(839)	-	-
Impairment write down		18,688	-	18,688	-
Subvention write back		-	-	15,251	2,946
Derivative fair value		336	1,023	336	1,023
Gain (loss) on sale of property, plant and equipment		285	402	148	(19)
Provision for asset disposal		-	1,336	-	1,336
Employee benefits		88	(175)	46	(127)
Rebate transferred to Share Allotment Reserve		22,228	23,877	22,228	23,877
Equity accounted earnings of associates		(21)	(16)	-	-
Tax loss offset and intercompany dividend recorded against inter-company funding		-	-	(20,620)	(1,533)
Decrease in deferred tax		(5,964)	(2,773)	(1,507)	(2,885)
Add (deduct) movements in working capital:					
Movement in trade and other receivables		38,206	(20,315)	32,522	(19,707)
Movement in inventories		(30,877)	22,963	(25,285)	23,471
Movement in trade and other payables		(11,267)	12,704	(8,534)	6,921
Movement in rebate payable		(1,373)	11,127	(1,374)	11,129
Movement in tax receivable		(2,529)	(2,503)	(2,376)	(2,441)
Net cash from operating activities		54,538	95,372	34,067	67,203

25 RELATED PARTIES

Identity of related parties

The Company has a related party relationship with each of its subsidiary and associate companies outlined in Note 14(a).

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

	Note	PARENT 2015 $000	PARENT 2014 $000
Transactions with external related parties through common directorship, control or significant influence			
Revenue		3,652	4,537
Expenses		4,174	3,654
Rebate		280	209
Dividend		16	16
Balances with external related parties through common directorship, control or significant influence			
Amounts owing to the company		147	195
Amounts owed by the company		305	54
Transactions with subsidiaries and associates			
Purchases of inventory from subsidiaries		121,317	117,455
Dividends received by the Company from subsidiaries		(15,726)	-
Subvention (paid) received to/ from subsidiaries		(15,251)	(2,946)
Interest paid by the Company to subsidiaries		691	366
Interest received by the Company from subsidiaries		2,395	1,796
Balances with subsidiaries and associates			
Amounts owing to the Company by subsidiaries		13,257	18,206
Amounts owed by the Company to subsidiaries		(11,530)	(16,392)
		1,727	1,814
Term loans owing to the Company by subsidiaries		30,733	21,133

Trade receivables and trade payables balances at reporting date between the Parent and its subsidiaries are disclosed in Note 12 and 18 respectively.

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

Intercompany loans are repayable on demand and attract interest at between 3.0% and 4.5% per annum.

Intercompany term loans attract interest at between 4.0% and 5.5% per annum.

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

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Key management personnel and directors compensation					
Short term employee benefits, excluding directors		6,125	4,613	5,231	4,037
Directors' fees		585	592	585	592
Total		6,710	5,205	5,816	4,629

26 CAPITAL AND RESERVES

a) Share capital

(i) Reconciliation of movement in co-operative shares	Note	PARENT AND GROUP 2015 000	PARENT AND GROUP 2014 000
Opening balance		37,872	35,812
Co-operative shares issued		48	58
Co-operative shares issued in lieu of rebate		2,907	2,876
Co-operative shares repurchased		(1,200)	(874)
Closing balance		39,627	37,872

(ii) Ordinary shares
All issued shares are fully paid and have no par value. Each share has a nominal value of $8.10 (2014: $8.10). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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

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

(iv) Repurchase of shares
During the year 1,200,192 shares (2014: 873,844) were repurchased at an average price of $7.61 per share (2014: $7.61). From these repurchases 1,200,192 shares were cancelled (2014: 873,844).

(v) Treasury stock	Note	PARENT 2015 000	PARENT 2014 000
Number of shares repurchased, not reissued and held as treasury stock at reporting date.		-	-

(vi) Capital management
The Group's capital includes share capital, reserves, retained earnings and minority interests.

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

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

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

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

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

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

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

b) Other reserves

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

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

27 FINANCIAL INSTRUMENTS

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

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

Foreign currency risk

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

Interest rate risk

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

Credit risk

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

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

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

Liquidity risk

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

Quantitative disclosures

a) Foreign currency risk

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

Foreign currency risk USD	Note	GROUP 2015 $000 USD	GROUP 2014 $000 USD	PARENT 2015 $000 USD	PARENT 2014 $000 USD
Bank accounts		1,402	4,802	1,402	4,802
Trade payables		(2,019)	(761)	(2,019)	(761)
Net balance sheet exposure before hedging		(617)	4,041	(617)	4,041
Forward exchange contracts relating to exposures		617	-	617	-
Net unhedged exposure		-	-	-	-

(i) Sensitivity analysis

At 31 May 2015 it is estimated that a 10% movement either way in the value of the NZD against the USD would have increased (decreased) equity and profit or loss in both the Parent and Group by the amounts shown below.

		Equity 2015 $000	Profit or loss 2015 $000	Equity 2014 $000	Profit or loss 2014 $000
Forward exchange contracts	+10%	(17,627)	-	(22,773)	-
	-10%	21,592	-	27,912	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2015. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

b) Interest rate risk

Interest rate risk - repricing analysis

GROUP 2015		Total $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000
Variable rate instruments and related derivatives						
Cash and cash equivalents		18,679	18,679	-	-	-
Net variable rate instruments		18,679	18,679	-	-	-

GROUP 2014		Total $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000
Variable rate instruments and related derivatives						
Cash and cash equivalents		68,337	68,337	-	-	-
Bank loans		(40,000)	(40,000)	-	-	-
Net variable rate instruments		28,337	28,337	-	-	-
Effect of interest rate swaps		-	40,000	-	(10,000)	(30,000)
Repricing profile 2014		28,337	68,337	-	(10,000)	(30,000)

Parent interest rate risk is the same as the Group.

c) Credit risk

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

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

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

Trade receivables - Group	Gross receivable 2015 $000	Impairment 2015 $000	Gross receivable 2014 $000	Impairment 2014 $000
Not past due	79,312	-	109,378	-
past due 0 - 30 days	2,357	-	6,260	-
past due 31 - 120 days	690	-	448	-
past due > 120 days	214	-	272	-
Total	82,573	-	116,358	-

Trade receivables - Parent	Gross receivable 2015 $000	Impairment 2015 $000	Gross receivable 2014 $000	Impairment 2014 $000
Not past due	76,695	-	103,910	-
past due 0 - 30 days	2,115	-	5,841	-
past due 31 - 120 days	409	-	151	-
past due > 120 days	206	-	246	-
Total	79,425	-	110,148	-

d) Liquidity risk

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

GROUP 2015	Carrying value $000	Contractual cash flows $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	> 5 years $000
Trade and other payables	52,850	52,850	52,850	-	-	-	-
Net rebates payable	49,956	49,956	49,956	-	-	-	-
Total non-derivative liabilities	102,806	102,806	102,806	-	-	-	-

Gross settled foreign exchange derivatives used for hedging:

Cash inflow		192,254	137,324	54,930	-	-	-
Cash outflow		(178,710)	(126,533)	(52,177)	-	-	-
	15,511	13,544	10,791	2,753	-	-	-

GROUP 2014	Carrying value $000	Contractual cash flows $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	> 5 years $000
Unsecured bank loans	40,000	44,497	1,051	1,032	32,058	10,356	-
Trade and other payables	61,260	61,260	61,260	-	-	-	-
Net rebates payable	51,330	51,330	51,330	-	-	-	-
Total non-derivative liabilities	152,590	157,087	113,641	1,032	32,058	10,356	-

Gross settled foreign exchange derivatives used for hedging:

Cash inflow		247,734	142,403	105,331	-	-	-
Cash outflow		(257,152)	(148,502)	(108,650)	-	-	-
	5,962	(9,418)	(6,099)	(3,319)	-	-	-
Net settled cash flow hedge derivatives	(1,204)	(1,274)	(178)	(431)	(363)	(302)	-

e) Classification and fair values

GROUP - 2015	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Derivatives	-	-	15,511	-	15,511	15,511
Trade and other receivables	-	82,573	-	-	82,573	82,573
Cash and cash equivalents	-	18,679	-	-	18,679	18,679
Total assets	-	101,252	15,511	-	116,763	116,763
Liabilities						
Trade and other payables	-	-	-	52,849	52,849	52,849
Net rebates payable	-	-	-	49,956	49,956	49,956
Total liabilities	-	-	-	102,805	102,805	102,805

GROUP - 2014	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Debt securities	540	-	-	-	540	540
Total non-current assets	540	-	-	-	540	540
Derivatives	-	-	836	-	836	836
Trade and other receivables	-	116,358	-	-	116,358	116,358
Cash and cash equivalents	-	68,337	-	-	68,337	68,337
Total current assets	-	184,695	836	-	185,531	185,531
Total assets	540	184,695	836	-	186,071	186,071
Liabilities						
Loans and borrowings	-	-	-	40,000	40,000	40,000
Total non-current liabilities	-	-	-	40,000	40,000	40,000
Derivatives	-	-	8,002	-	8,002	8,002
Trade and other payables	-	-	-	61,260	61,260	61,260
Net rebates payable	-	-	-	51,330	51,330	51,330
Total current liabilities	-	-	8,002	112,590	120,592	120,592
Total liabilities	-	-	8,002	152,590	160,592	160,592

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

PARENT - 2015	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Term loan with subsidiary	-	30,733	-	-	30,733	30,733
Total non-current assets	-	30,733	-	-	30,733	30,733
Derivatives	-	-	15,511	-	15,511	15,511
Trade and other receivables	-	79,425	-	-	79,425	79,425
Inter-company funding	-	13,257	-	-	13,257	13,257
Cash and cash equivalents	-	17,962	-	-	17,962	17,962
Total current assets	-	110,644	15,511	-	126,155	126,155
Total assets	-	141,377	15,511	-	156,888	156,888
Liabilities						
Trade and other payables	-	-	-	45,887	45,887	45,887
Inter-company funding	-	-	-	11,530	11,530	11,530
Net rebates payable	-	-	-	49,956	49,956	49,956
Total liabilities	-	-	-	107,373	107,373	107,373

PARENT - 2014	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Debt securities	1	-	-	-	1	1
Term loan with subsidiary	-	21,133	-	-	21,133	21,133
Total non-current assets	1	21,133	-	-	21,134	21,134
Derivatives	-	-	836	-	836	836
Trade and other receivables	-	110,148	-	-	110,148	110,148
Inter-company funding	-	18,206	-	-	18,206	18,206
Cash and cash equivalents	-	67,970	-	-	67,970	67,970
Total current assets	-	196,324	836	-	197,160	197,160
Total assets	1	217,457	836	-	218,294	218,294
Liabilities						
Loans and borrowings	-	-	-	40,000	40,000	40,000
Total non-current liabilities	-	-	-	40,000	40,000	40,000
Derivatives	-	-	8,002	-	8,002	8,002
Trade and other payables	-	-	-	52,641	52,641	52,641
Inter-company funding	-	-	-	16,392	16,392	16,392
Net rebates payable	-	-	-	51,330	51,330	51,330
Total current liabilities	-	-	8,002	120,363	128,365	128,365
Total liabilities	-	-	8,002	160,363	168,365	168,365

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

(f) Fair value hierarchy

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

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

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

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

PARENT AND GROUP - 2015	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	-	15,511	-	15,511

PARENT AND GROUP - 2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	-	836	-	836
Derivative financial liabilities	-	(8,002)	-	(8,002)
	-	(7,166)	-	(7,166)

28 CONTINGENCIES

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

29 SUBSEQUENT EVENTS

(a) A final dividend of 10 cents per share, $4.0m, (2014: 10 cents per share, $3.8m) has been approved subsequent to the reporting date. The dividend will be fully imputed. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements.

Independent auditor's report

To the shareholders of Ballance Agri-Nutrients Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Ballance Agri-Nutrients Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 36 to 69. The financial statements comprise the balance sheets as at 31 May 2015, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion the financial statements on pages 36 to 69:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 May 2015 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

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

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

KPMG

29 July 2015
Tauranga

GENERAL DISCLOSURES

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

DIRECTOR	POSITION	COMPANY
GW Baldwin	Director	Livestock Improvement Corporation Limited
		Regen Limited (resigned 2014)
		Trinity Lands Limited
	Trustee	South Waikato Development (Drive) Trust
AG Brantley	Chief Executive	Genesis Energy Limited
	Director	Genesis Energy Insurance Pte. Limited
		Genesis Power Investments Limited
		GP No.2 Limited
		GP No.5 Limited
		Kupe Holdings Limited
	Chairman/Trustee	Genesis Oncology Trust
KR Ellis	Chairman	Metlife Care Limited (Appointed 2014)
		NZ Social Infrastructure Fund Limited
	Director	EnviroWaste Services Limited
		Freightways Limited
		FSF Management Company Limited
		Moa Group Limited (Resigned 2014)
		Port of Tauranga Limited
		The Tasman Tanning Company Limited (Resigned 2014)
EJ Harvey	Director	DNZ Property Fund Limited
		Heartland Building Society
		Kathmandu Holdings Limited
		NZ Opera Limited
		Port Otago Limited
AD Morrison	Director	Beef + Lamb New Zealand Limited
		NZ Meat Board
		Ovis Management Limited
DR Nikora (Resigned 2014)	Director	AsureQuality Limited
	Panel member	Ministry of Business, Innovation & Employment – Biological Assessment Panel
	Trustee	AGMARDT
		Taipahi A1 Maori Land Trust
DE Peacocke	Director	Melrose Limited
		New Zealand Phosphate Company Limited
		Taupiri Holdings Limited
DA Pilkington (Resigned 2014)	Director	Douglas Pharmaceuticals Limited (and subsidiaries)
		Excelsa Associates Limited
		PrimePort Timaru Limited
		Restaurant Brands Limited (and subsidiaries)
		Zespri International Limited (and subsidiaries)
	Deputy Chair	Rangatira Limited (and subsidiaries)
	Chairman	Heller Limited
		Port of Tauranga Limited
	Trustee	New Zealand Community Trust
OC Saxton	Chairman	Sakura Pastoral Limited Partnership
		Wairio Farm Limited Partnership
	Director	Mead Pastoral Limited Partnership
		Tuatahi Farming Limited
MJ Taggart	Chairman	Alliance Group Limited
S von Dadelszen (Elected 2014)	Trustee	AGMARDT
	Chairperson	Central Hawke's Bay Consumer Power Trust
	Shareholder	Hinerangi Station Limited
	Shareholder	Totara Dairy Farm Limited
	Board of Trustees	Takapau School (Resigned 2015)

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 2015.

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
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Ballance SP Four Limited (previously named Ballance Agri-Nutrients Insurance Limited)
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Ballance Agri-Nutrients (Kapuni) Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Bay of Plenty Fertiliser Company Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

BOP Fertiliser Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Ballance Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Altum Nutrition Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Seales Winslow Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Southfert Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Summit Quinphos Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

Super Air Limited
RK Hopkins (E), MD Wynne (E), LD Bilodeau (E,R)

DIRECTORS' REMUNERATION

Fees paid to Directors were:

	Parent	Group
GW Baldwin	58,367	58,367
AD Brantley	40,317	40,317
KR Ellis	58,367	58,367
EJ Harvey	68,367	68,367
AD Morrison	58,367	58,367
DR Nikora	18,050	18,050
DE Peacocke	121,733	121,733
DA Pilkington	14,250	14,250
OC Saxton	58,367	58,367
MJ Taggart	58,367	58,367
S von Dadelszen	30,483	30,483
Total paid to Company Directors	585,033	585,033

Insurance

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

Co-operative status

As required by section 10 of the Co-operative Companies Act 1996, the following resolution was passed by the Board on 29 July 2015. 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 2015 and since registration of the company under the Co-operative Companies Act 1996 ("the Act"), been a Co-operative Company within the meaning of that Act.

The grounds for holding this opinion are that:

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

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

EMPLOYEE REMUNERATION

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

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

REMUNERATION $NZ	# OF EMPLOYEES - GROUP	REMUNERATION $NZ	# OF EMPLOYEES - GROUP
100,000 - 110,000	52	220,001 - 230,000	6
110,001 - 120,000	34	230,001 - 240,000	2
120,001 - 130,000	35	250,001 - 260,000	1
130,001 - 140,000	21	270,001 - 280,000	2
140,001 - 150,000	15	320,001 - 330,000	1
150,001 - 160,000	18	330,001 - 340,000	3
160,001 - 170,000	12	350,001 - 360,000	1
170,001 - 180,000	5	380,001 - 390,000	1
180,001 - 190,000	7	420,001 - 430,000	1
190,001 - 200,000	4	480,001 - 490,000	1
200,001 - 210,000	4	930,001 – 940,000	1
210,001 - 220,000	2		

TREND STATEMENT

		2011	2012	2013	2014	2015
Group sales volumes	**tonnes**	1,560,000	1,611,000	1,490,000	1,724,000	1,754,000
Turnover	**$000**	760,148	915,213	877,796	920,973	892,795
	$/tonne	$487	$568	$589	$534	$509
Profits						
Gross trading result	**$000**	96,516	88,151	102,186	98,027	80,966
	$/tonne	$62	$55	$69	$57	$46
(Loss) profit for the year	**$000**	26,340	23,764	21,388	9,665	(11,070)
Cashflow						
From operations (prior to rebate payment)	**$000**	83,880	38,745	123,399	95,372	54,538
Capital and investment expenditure (net)	**$000**	20,972	72,750	21,903	49,709	44,519
Distributions to shareholders						
Rebates paid or proposed	**$000**	45,743	43,878	61,659	75,358	72,407
Dividends paid or proposed	**$000**	3,232	3,445	3,581	3,573	3,963
Dividend per share	**cps**	10.0	10.0	10.0	10.0	10.0
Rebate per tonne	**$/tonne**	$46.00	$40.00	$60.83	$60.83	$55.83
Dividend - gross per quota tonne	**$/tonne**	$4.29	$4.29	$4.17	$4.17	$4.17
Combined distribution - gross equivalent*	**$/tonne**	$50.29	$44.29	$65.00	$65.00	$60.00
* Rebate and gross dividend equivalent for a fully paid shareholder						
Analysis of shareholders' equity						
Number of shareholders		17,981	18,239	18,317	18,827	19,253
Shares on issue	**000**	32,421	34,500	35,812	37,872	39,627
Nominal share value	**$**	$7.00	$7.50	$7.50	$8.10	$8.10
Share quota per tonne		30	30	30	30	30
Investment per quota tonne	**$**	210.00	225.00	225.00	243.00	243.00
Group shareholders' equity	**$000**	331,150	375,403	404,323	420,610	435,429
Group equity ratio		62.8%	64.2%	71.2%	70.9%	80.4%
Net asset backing per share	**$**	$10.13	$10.52	$11.26	$11.11	$10.99
Assets						
Total assets	**$000**	527,424	584,666	567,603	593,173	541,874
Working capital	**$000**	190,446	196,636	214,175	198,893	185,293
Ratio of current assets to current liabilities		2.5	2.8	3.2	2.5	2.8
Stock turn		3.0	3.8	3.9	4.4	4.1

GOVERNANCE STATEMENT

INTRODUCTION

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

The Company is a farmer owned co-operative with approximately 19,250 shareholders who are also customers. The Board and management follow best practice corporate governance principles and processes suited to the requirements of a co-operative company and its shareholders.

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

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 and helping New Zealand farmers to farm more profitably and sustainably.

The Company will be a good employer and a responsible corporate citizen.

ROLE OF THE BOARD

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

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

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

RISK MANAGEMENT

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

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

BOARD MEMBERSHIP

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

The constitution provides for six elected Directors from three wards, plus a maximum of three additional Directors appointed by the Board.

Two Elected Directors retire by rotation each three years and if more than one 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.

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.

APPOINTED DIRECTORS

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

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

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

BOARD MEETINGS

The Chief Executive and the Chairman prepare a meeting agenda. Any member of the Board may request the addition of an item to the agenda. The Board met on ten occasions in the financial year ended 31 May 2015. The length of meetings is usually one day, extending to two days for meetings with special business, including, the annual strategic plan development and the annual shareholder meeting. Teleconference meetings are conducted in addition as required.

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

BOARD REVIEW

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee comprises four Directors and cannot be chaired by the Board Chairman. The current Chairman is Appointed Director John Harvey. 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 Committee is responsible for:

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

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

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

Remuneration Committee

The Remuneration Committee comprises three directors, and is currently chaired by the Board Chairman.

The Remuneration Committee is responsible for:

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

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

SHAREHOLDER COMMITTEE

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

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

SHAREHOLDER COMMUNICATION

Ballance places considerable importance on communicating with our shareholders.

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

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

CONTINUOUS DISCLOSURE

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

HEALTH AND SAFETY

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

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

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

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

ENVIRONMENT

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

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

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

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

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

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

COMPANY DIRECTORY

BALLANCE AGRI-NUTRIENTS LIMITED

BOARD OF DIRECTORS

David Peacocke - Chairman (Ward A Director)
Albert Brantley - Appointed Director
Kim Ellis - Appointed Director
John Harvey - Appointed Director
Oliver Saxton - Ward A Director
Gray Baldwin - Ward B Director
Sarah von Dadelszen - Ward B Director
Andrew Morrison - Ward C Director
Murray Taggart - Ward C Director

REGISTERED OFFICE

161 Hewletts Road, Mount Maunganui

SOLICITORS

Russell McVeagh
PO Box 8, Auckland

Sharp Tudhope
Private Bag, Tauranga

BANKERS

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

AUDITORS

KPMG
PO Box 110, Tauranga

LEADERSHIP TEAM

Mark Wynne - Chief Executive
Greg Delaney - GM Supply Chain
Richard Hopkins - Chief Financial Officer
John Maxwell - GM Operations
Andrew Sanders - GM Sales (Acting)
Edith Sykes - GM People and Capability
Jodi Tong - GM Customer Experience and Marketing

BALLANCE AGRI-NUTRIENTS LIMITED HEAD OFFICE

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