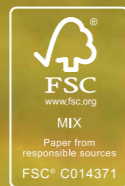



Ballance with Nature

2021 Annual Report



www.ballance.co.nz





Together, creating the best soil and food on earth.

Our purpose

This year, we took the opportunity to review our purpose and its alignment with our business strategy. The outcome is a small yet significant change – replacing ‘feed’ with ‘food’ – to better reflect our role in helping kiwi farmers and growers produce nutritious food for a global population.

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Governance & leadership



DUNCAN COULL
CHAIRMAN, DIRECTOR NORTH ISLAND



DACEY BALLE
DIRECTOR NORTH ISLAND



SIMON ROBERTSON
APPOINTED DIRECTOR



MARK WYNNE
CHIEF EXECUTIVE OFFICER



DANI DARKE
DIRECTOR NORTH ISLAND



SARAH VON DADELZEN
DIRECTOR NORTH ISLAND



MATT SKILTON
CHIEF FINANCIAL OFFICER



SHEENA HENDERSON
GM CUSTOMER EXPERIENCE
& MARKETING



KIM ELLIS
APPOINTED DIRECTOR



ANDREW MORRISON
DIRECTOR SOUTH ISLAND



SHANE DUFAUR
GM OPERATIONS & SUPPLY CHAIN



JASON MINKHORST
GM SALES



MURRAY TAGGART
DIRECTOR SOUTH ISLAND



ALBERT BRANTLEY
APPOINTED DIRECTOR



JACQUELINE RICH
GM PEOPLE & CAPABILITY



DAVID HEALY
CHIEF DIGITAL OFFICER

Chairman & CEO's report



Leading the way to a sustainable future

The world has changed significantly in the last 12 months, not only from the impact of the COVID-19 pandemic, but also evolving customer expectations and advances in climate change priorities. We have faced the challenges with resilience and a spirit of innovation, and we want to thank our staff, customers, and shareholders for their contribution during a tough, unparalleled year.

While the world looks different, the major challenge for food producers remains the same – to feed a growing global population while protecting our natural environment. At Ballance, we lead the way in science and innovation to enable our farmers and growers to produce quality food using sustainable practices.

Facing the challenge

Our 2021 BallanceEx Dinner Series provided our shareholders the opportunity to explore the challenges facing the primary industry. Our panel of experts discussed the pace of change, and the opportunities to innovate to sustain our global, national, and local communities. Throughout the series, we saw great engagement and robust discussion about what it means to thrive as a farmer in New Zealand.

Identifying what our customers need to respond to change and continue to farm and grow successfully requires us to stay ahead of regulations and develop science-based innovation to support them. We actively submitted on the recent government reforms and have provided our shareholders guidance on the Government's freshwater, biodiversity and climate change policy proposals and changes. A special edition of our GROW Magazine, to help farmers and growers adjust to this largely unfamiliar policy landscape, was so popular it was reprinted twice.

Leadership in innovation

Kiwi farmers and growers are key to food production and continue to excite and delight consumers around the world. Our role as a co-operative is to walk alongside our customers and help them operate profitably and sustainably. Our seat at the table with policy makers ensures we are across government decisions that impact on our shareholders' futures.

This is demonstrated by our five-year partnership with the Ministry of Primary Industries and our joint-funded \$25m Future Ready Farms programme. The Ballance-led programme features 12 projects and will develop products, tools, and technologies to help farmers and growers continue to build on their sustainable agricultural practices.

December saw the launch of Ballance with Nature, our promise on how we will support our customers to be future-ready. Based around seven key principles that contribute to a sustainable planet, Ballance with Nature is about working with nature, rather than in it. We operate under the values of Kaitiakitanga, ensuring we carry out our role as guardians of our precious resources, and safeguard them for the next generation.

The year saw continued growth in the number of customers using SurePhos®, a sustainable product to reduce phosphate loss. Created following ten years of research and development, SurePhos® is the only product of its kind in New Zealand and uptake has nearly doubled since launch.

Innovative technology solutions, such as the geo-spatial mapping used in our Super Air fleet, is helping farmers protect the environment through precision spreading and identifying exclusion zones. With our expansion into the South Island in December, our Super Air team are using aspect and slope mapping to support farmers to use the right product, in the right place, at the right rate.

'Greener' operations

Zero-carbon remains a high priority, with the Government focused on introducing policy to meet our obligations under the Paris Agreement. The agriculture sector contributes around half of New Zealand's total greenhouse gas emissions. Our focus is on making our operations 'greener', reducing our footprint, and helping farmers do the same.

We were excited to receive fast-track priority from the Ministry for the Environment for our joint venture with Hiringa Energy to produce 'green' hydrogen from renewable wind energy. This process speeds up projects aimed at stimulating the economy and we hope to be up and running by early 2023.

Investing in our co-op

Like all businesses, Ballance requires investment to enable it to thrive into the future. Our current investment programme is running at approximately twice our depreciation rate as we address end-of-life assets, statutory requirements, and future capabilities. With a strong balance sheet and cash flow, Ballance is in an excellent position to address these issues while maintaining a healthy return to shareholders. Our net borrowings have increased to fund the capital investment programme, but we maintain a relatively conservative balance sheet.

Similarly, our strong cash flow position has enabled us to return a healthy rebate to shareholders through this investment period.

We are pleased to report that our profit before rebate and tax is \$63.1 million and can confirm a farmer rebate of \$50 per tonne for the financial year ending 31 May 2021, returning a total of \$60.2 million to our 17,440 shareholders. Group sales increased to 1.553 million tonnes for the 2021 year.

Growing our people

To continue to be successful, we need to ensure our staff are equipped for an evolving landscape. Our staff engagement levels have remained strong at 72% after a unique year and we continue to offer our people the opportunity to grow their skills and capabilities to help drive our business, and therefore our customers' business, towards a sustainable tomorrow.

In 2020 we welcomed Chief Digital Officer, David Healy, to our leadership team. We are already reaping the benefits of his 20 years' experience in supporting businesses through technology and process management change projects.

Our Board's strong governance and commitment has resulted in another successful year. We were excited to have Dani Darke join us as a director after winning the North Ward election. Dani's experience in driving profitability and sustainability is proving to be an asset, alongside her strong networks in the rural sector and deep understanding of the supply chain.

Our AGM will mark the end of Murray Taggart's tenure after 12 years on the Board. Murray has been a strong advocate for the co-operative model, and we'd like to thank him for his immense contribution.

We are thrilled to introduce Will Grayling as our first associate board director. The 15-month role was open to shareholders aspiring to enter the world of governance and is a great opportunity to support the industry in building future governance capability.

We are proud to deliver another strong year for our co-operative. It is only with the support and hard work of all the parts of our business – that we can continue to create a strong co-operative and capitalise on opportunities in the future.

Thank you for being part of our success.


Mark Wynne
CHIEF EXECUTIVE


Duncan Coull
CHAIRMAN

Report card

Group Sales

1,553

MILLION TONNES



Profit
before rebate & tax

\$63.1

MILLION



Revenue
before rebate

\$897

MILLION

Our co-operative

As a proud co-operative, we are run by farmers and growers, for farmers and growers and serving them is always front-of-mind. Our promise to shareholders is simply to continue delivering a great customer experience and to invest for tomorrow. Creating value for our shareholders drives us and a key part of this is providing a rebate to our customers.

Shareholder
Rebate

\$50

PER TONNE

\$60.2m

returned to New Zealand farmers
and growers in rebate

150%

increase in customers using SurePhos® to reduce phosphate loss to waterways by up to 75%*

*Relative to superphosphate products.

16%

reduction in spreadable area through the use of Super Air's SpreadSmart® system, giving more sustainable topdressing options

\$53.8m

committed investment in infrastructure as part of our Northland strategy to improve service to farmers and growers in the region

\$1.06bn

projected benefits to kiwi farmers by 2030 from our government-supported Future Ready Farms programme

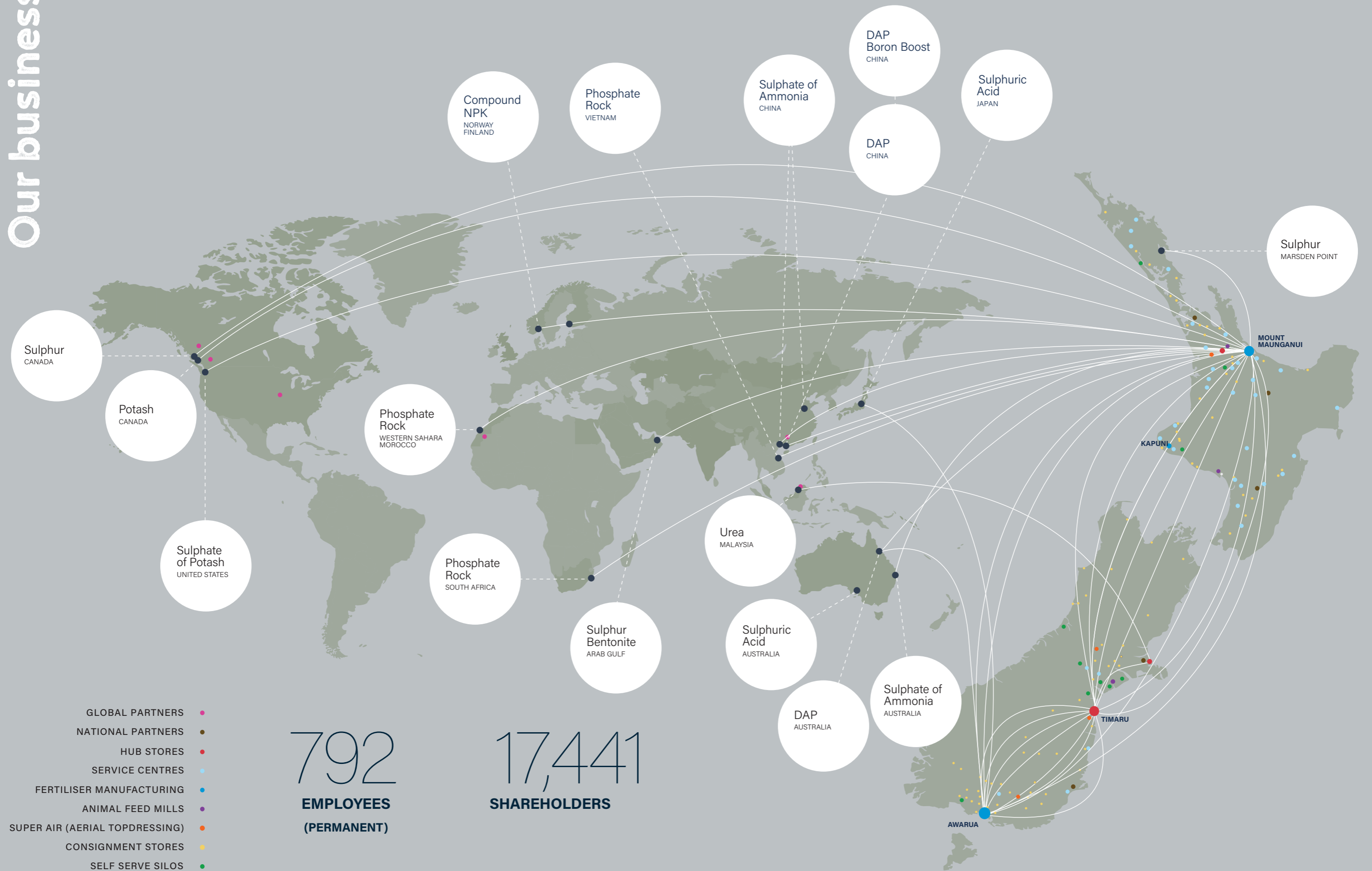
\$1.9m

spent developing our people through internal courses and support programmes

50+

Ballance staff participated in pest trap setting activities through partnership with Bay Conservation Alliance

Our business



Protecting our environment





.....

Like you, we have Kaitiakitanga front-of-mind, ensuring our natural resources are protected for generations to come.

.....

Care for our unique natural resources continues to be front-of-mind for most New Zealanders, particularly farmers and growers. As kiwis, we collectively share a deep sense of connection to our land, water, air, and people, however we are seeing varying ideologies and perspectives on how we best protect it. The last 12 months has seen significant regulatory change and discussion, which is vital to both ensuring New Zealand maintains its position on the world stage as a leading sustainable food and fibre producer and to ensuring our unique natural resources are protected for generations to come.

What it means to be a kiwi farmer or grower is changing. Influenced by an evolving consumer and social landscape, and shaped by the proof points of science, we are learning that how we farm and grow tomorrow needs to be as different to today as how different today is to when our grandparents farmed. The speed of this change is perhaps the biggest challenge. Dealing with biological systems that are seasonally based means adoption and adaption takes time. On top of this, climate change means that what and where we have farmed and grown is being impacted.

However, we know farmers and growers are problem solvers – we are too. While working on our own environmental footprint, we are working hard to support New Zealand farmers and growers to lower theirs, using sustainable products and services. Like you, we have Kaitiakitanga front-of-mind, ensuring our natural resources are protected for generations to come.

Our role as nutrient leader is to help farmers and growers achieve their sustainability goals, productively.

Science is teaching us about both the intended and unintended consequences of what we do and we are adapting accordingly to ensure we are both sustainable and relevant, today and tomorrow.

We work with experts locally and internationally and employ science experts, because science is key to our products and services, ensuring we have New Zealand relevant proof that what we claim is proven.

This year we launched Ballance with Nature. This is our promise of how we will, as a business, as your co-operative and as your business partner, work to ensure that we support you, across seven pillars, to be future ready. To help you care for your natural resources, working with nature, while remaining productive. It captures both “head” and “heart” and is underpinned by science.



**If the natural world is healthy,
so too are the people.**

Taiao ora, Tangata ora.

Introducing Ballance with Nature

Farming and growing is vital to New Zealand and our economy.
So too are our unique natural resources.

Our farming community are constantly adapting and evolving, to ensure we continue to thrive in the years ahead. And at Ballance, we see the potential to make a real difference to the future of farming and growing in New Zealand.

Ballance with Nature has seven key principles – and you might find you're doing many of them already.

As we learn and grow together, we'll be alongside you every step of the way, with the right products, tools and expert advice, so you can stay productive, sustainably.

Soil Health
Everything we grow and eat depends on healthy soil. Our *whenua*. So we're here to help you optimise your soil, with testing tools and expert advice.

Physical Chemical Biological

Cleaner Air
We all have a part to play in protecting air quality, and our products like PastureSure® and SustainN® can help reduce gaseous emissions lost to volatilisation.

SustainN PastureSure
Powered by AGROTAIN

Nutrient Efficiency
Nutrients are fundamental for productive farming and growing, and we've got the science and tools to help you use the right products, at the right time, in the right place, at the right rate.

N P
K S

My Ballance My PasturePlanner SPREADSMART

Healthy Water
Protecting our waterways is important, and we've invested in developing innovative products like SurePhos®. It gives you the pasture gains you're after, while reducing phosphate loss by up to 75%*.

*Relative to superphosphate products.

SurePhos

Native Biodiversity
This is all about helping preserve native flora and fauna within their natural environment on the appropriate type of land. Our Farm Sustainability Services team can help you understand the environmental risks and opportunities on your land.

Farm Sustainability Services

Animal Care
Just as we have a deep connection to caring for our environment, we also care deeply for animals. Our team of ruminant experts from SealesWinslow support you to ensure your animals are happy, healthy, and productive.

SealesWinslow NutriMax
Leaders in stockfeed micronutrients

Resource Utilisation
As we continue to supply the world with top quality food, we need to be mindful of how we use our natural resources. Our team can help create a plan to ensure you're using your natural resources for their best purpose.

MitAgator

Ballance with Nature: the seven key principles of care



Soil health

Growing quality food for animals and humans relies on good soil health and our team at Ballance has expertise to help farmers and growers achieve this. We know that New Zealand soils are unique – young and diverse but naturally deficient in nutrients such as phosphorus and sulphur. They also differ in soil type per region and can even vary throughout a single farm. Our soil health strategy is based around providing the best advice and support for customers by educating them about maintaining soil health for the future, beyond basic soil fertility. Because the healthier the soil, the less nutrients needed – just the right amount and no more.



Native biodiversity

Biodiversity is at a critical stage around the globe and New Zealand is no exception. It is vital for a functioning ecosystem and protecting it will ensure our native flora and fauna thrive. The agriculture industry has a role to play in restoring native species and science helps us better understand how we do this. Our Farm Sustainability Services team ensures that biodiversity is an integral part of any Farm Environment Plan. One of the projects in our government-supported Future Ready Farms project involves the development and large-scale production of a specific slow-release nitrogen compound, to support radiata pine growth and assist biodiversity, while reducing the potential environmental impact of leaching and water quality concerns.

Protecting our local ecology is one of the most important things we can do to preserve our native flora and fauna. Through our partnership with Bay Conservation Alliance, our Mount Maunganui-based staff have participated in Staff Conservation Days, a series of pest trap setting days to help eradicate pests and allow native species to thrive in the Oteora forest.



Cleaner air

We are committed to cleaner air, which means reducing our emissions and carbon footprint while also helping farmers and growers reduce theirs. For our farmers, we have specific products designed to help reduce gaseous emissions. This includes SustainN®, which reduces nitrogen volatilisation loss by up to 50%, helping to improve nitrogen utilisation under newly proposed Essential Freshwater restrictions and cleaner air policies. Tools like MitAgator® and Overseer allow farmers to calculate emissions and easily feed them digitally into their Farm Environment Plans.

As an organisation, we are taking steps to address emissions throughout our network, including the production of GoClear, an exhaust system additive and scrubbing agent that reduces nitric oxide (NOX) emissions in modern diesel engines, like those used in our network.

Our joint agreement with Hiringa Energy will produce 'green' hydrogen from renewable energy to supply zero-emission fuel for the transport sector. It will also enable our Kapuni site to use up to 75% renewable energy, on average, for its electricity needs.



Nutrient efficiency

The key to protecting our natural resources while maintaining productivity is ensuring that the right nutrients are applied at the right time, in the right place, at the right rate. We have developed, and continue to upgrade, a number of digital tools to help farmers achieve this.

With the increasing pressures and scrutiny of nitrogen use, our My Pasture Planner® tool helps farmers navigate regulations, including the recently imposed 190kg/ha nitrogen cap, and farm within limits.

SpreadSmart® will be fully installed in our Super Air fleet by Christmas 2021. By allowing for constant and variable rate applications depending on a farm's terrain and fertility, SpreadSmart's® Generation 3 technology applies nutrients precisely where they are needed, while avoiding sensitive areas such as waterways.

“My Pasture Planner® allows us to create an annual nitrogen plan customised to our farm”

Tom Buckley, Manager, Owl Farm Cambridge.



Healthy water

We all want our rivers and lakes to be swimmable for generations to come. To protect our precious waterways, we must make sure that what goes on the land, stays on the land. SurePhos® was developed here by Ballance, specifically for our unique pastoral farming system to significantly reduce phosphate losses to waterways in New Zealand.

After 10 years research and development, the result was a game-changer, helping farmers reduce phosphate loss by up to 75%*. The launch of SurePhos®, developed with the support of government under the Primary Growth Partnership (PGP), came at a good time with farmers coming under increasing pressure to manage their environmental footprint and 'farming within limits' a reality with regulatory limits on phosphate already in place in most regions.

*Relative to superphosphate products.

90,000+

TONNES OF SUREPHOS SOLD SINCE LAUNCH

SurePhos® was developed here in New Zealand, specifically for our unique, pastoral farming system to significantly reduce phosphate losses to waterways in New Zealand.

The demand for SurePhos® has well exceeded our expectations and on two occasions the demand has exceeded our stocks. Visit ballance.co.nz/surephos for more information.



Resource utilisation

The key to reducing our impact on the environment lies in identifying and addressing our touch on the land. Our Farm Sustainability Services team use tools like MitAgator®, the geo-spatial software we developed under our Primary Growth Partnership (PGP) with the Government in 2019, to help farmers achieve this. MitAgator® continues to be the most advanced tool for developing Farm Environment Plans and this year we improved efficiencies and processing time for our Farm Sustainability Services team. MitAgator® will soon be licensed so consultants can use it on a subscription basis.

“MitAgator® has helped us... prioritise our environmental plan and farming practice to target... at-risk areas. It is a great evidence-based tool... [ensuring] our time and resources are in the areas that need it the most!”

Norm and Lee-Anne Stewart, Dairy Farmers, Ashburton



Animal care

We know that as well as caring for the environment, our customers care for their animals, and because healthy animals are happy animals, we support the production of healthy soils to optimise animal health. SealesWinslow has worked alongside farmers to develop products that create lush pastures, rich in the nutrients that animals need to be healthy. This includes a range of products that deliver key nutrients to dairy cattle to meet their specific needs throughout seasonal changes.

Because healthy animals not only produce great protein but also less greenhouse gas emissions, two of our projects within the Future Ready Farms programme, supported by the Government's Sustainable Food Fibre Futures (SFFF) fund, are focused on animal care and greenhouse gas emissions.



Reducing our footprint

Like farmers and growers we continue to explore ways to further reduce our environmental footprint.

Our Kapuni urea manufacturing plant is run by a great team of local experts who ensure best practice operations well within consents and guidelines. This strategic asset not only ensures we manufacture in New Zealand and help the region prosper, but provides a great opportunity to explore, and begin the creation of 'green' hydrogen and 'greener' urea.

Our joint venture with Hiringa Energy will establish a world-first hydrogen ecosystem project in Taranaki using renewable energy from wind generation. It will also create a solution to reduce emissions in transport fuel for heavy and long-haul vehicles, reducing carbon emissions from urea production for the primary sector. Supported by a \$19.9 million investment from the Government's Provincial Growth Fund (PGF), the project reflects our commitment to create sustainable solutions to further reduce the

environmental footprint of farm inputs, ensuring we are prepared for the future and remain relevant to New Zealand. By installing four large wind turbines near our Kapuni site, we will provide on average 75% renewable power supply to our existing plant and generate enough surplus electricity to power a series of electrolyzers to produce high-purity 'green' hydrogen. The hydrogen will replace some of the natural gas required by the plant to produce 'greener' nitrogen fertilisers, which have a low emissions profile, as well as supplying zero-emission fuel for the transport sector. The project gained fast-track priority from the Ministry for the Environment following the COVID-19 pandemic and we hope to have it up and running by early 2023.

Since the mid-2000s, our Kapuni site has produced GoClear Diesel Exhaust Fluid (DEF), an exhaust system additive and scrubbing agent that reduces nitric oxide (NOX) emissions in modern diesel engines. Because GoClear is proudly made in New Zealand, we are able to avoid the

additional freight requirements and environmental footprint of imported products. Since 2018 we have been supplying GoClear to some of the largest fleets in New Zealand and have partnerships with many premium fuel distributors. In November we installed our first GoClear Direct dispensing systems, as part of the ClearSky project, which will see ten systems installed on Ballance and freight partner sites during FY22. While producing GoClear for the automotive industry, we also have been exploring opportunities in the marine industry and last year we successfully produced and supplied a marine-grade product to a major shipping company in the UK. Speed-to-market is imperative for success and with the commitment of our Kapuni team and our strategic partners IXOM, we were able to turn the product development around quickly while meeting our compliance requirements.



The energy to change. Together.



Transport efficiencies

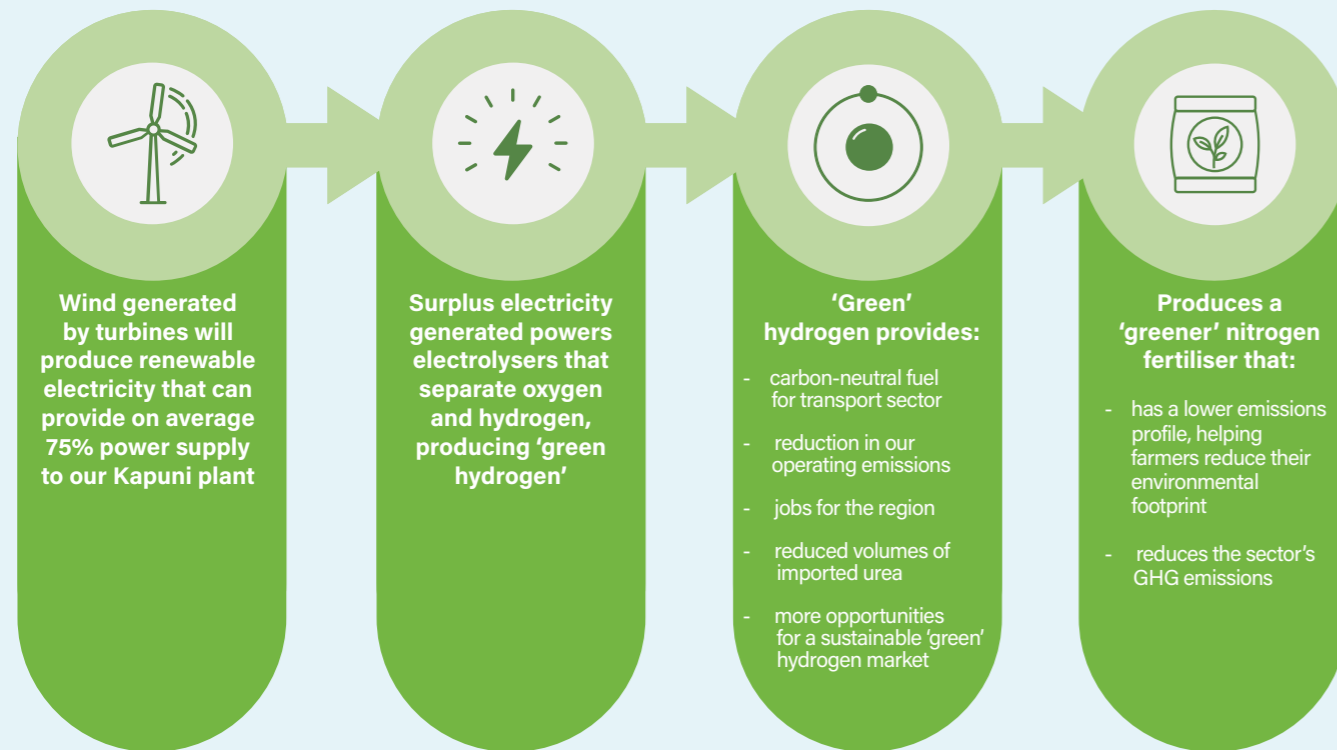
Sourcing internationally and manufacturing locally requires the use of heavy transport – rail, road and shipping. The impact of this on our footprint is significant and we work with our key partners to optimise routes and environmental efficiencies.

As an example, we have engaged the services of Market2X (M2X), a digital transport management system which digitally offers jobs to tier two and three carriers, improving efficiencies and ensuring trucks aren't on the roads empty. M2X allows us to not only have less trucks do the same amount of work but allows us to measure CO₂ emissions through its reporting functionality.

Measuring and reducing our waste is a focus for us and, where we can, we try to utilise our waste products, to reduce what is sent to landfill. We measure the volumes of waste at each of our sites and are developing a stepped reduction plan to be implemented against key targets.

Supported by a \$19.9m investment from the Government's Provincial Growth Fund (PGF), our hydrogen project reflects our commitment to create sustainable solutions to further reduce the environmental footprint of farm inputs.

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





Reducing our plastics

Our fertiliser bags are also recycled and re-purposed. We provide a recycling option for our customers, so they can return used fertiliser bags to their local service centre to then be forwarded to one of our recycling service providers. We use a number of recycling providers including AgRecovery and the Southland Disability Enterprises (SDE). We are proud to have a long-standing relationship with SDE, which aims to enrich the lives of people with disabilities by providing meaningful employment and opportunities.

Care for our waterways

Like farmers, we undertake initiatives throughout our network to protect waterways surrounding our sites. Our Reporoa Service Centre is currently undertaking a stream planting project to protect the surrounding Mangakara Stream. Overgrown with plants, the stream was providing limited water quality and ecological benefits and was blocking larger flows in the river, encouraging flooding and erosion. Ballance is helping to fund the project which will help remove weeds and willows, and then replant a 1.6km section of the stream with natives such as flax, trees, ribbonwood, and manuka. The native vegetation will help provide water shading and erosion protection of the banks, while also promoting biodiversity.

A number of sites in our network also have swales or rain gardens including our service centres in Te Kuiti, Hastings, Huntly, Reporoa, Edgecumbe and Ashburton. Our Marsden Point service centre opened last month and features a combination of perimeter swales and a large rain garden planted with natives to treat stormwater runoff before it leaves our site. Likewise, our Whangarei Hub, which is currently being developed, has a combination of swales and native rain gardens as an integral part of the site design. These two sites continue our use of natural treatment systems, combining stormwater treatment with increased biodiversity as well as improving the visual aspect of our sites.

Innovation

Our Whangarei Service Centre is carrying out a sediment pond processing project to treat and reduce effluents coming from the site prior to discharge. The technology involved has been trialled as part of our partly-government funded Future Ready Farms programme (see case study on pg 29), alongside partners Southwater and Plucks Engineering. It aims to develop natural products that both treat and reduce the volume of effluent, ensuring discharge limits are not exceeded and ensuring further contaminants are not released to the environment. The trial got off to a good start and has so far indicated that the technology will be able to remove nitrogen, which is a critical step in returning the water to acceptable levels before discharge can occur.



A member of our Laboratory team during a Mount Operations Open Day



Our Marsden Point service centre opened last month and features a combination of perimeter swales and a large rain garden planted with natives to treat stormwater runoff before it leaves our site.



Caring for our local resources

We have a proud history of being part of the vibrant New Zealand communities in which we operate our sites. Like our customers, we operate under a series of regulations and guidelines and take steps to not only protect the environment but also support the local community. Through our science, we have learnt to do this better, and, for example, have installed rain gardens at a number of our service centres to help protect the surrounding waterways.

Another example is our partnership with Bay Conservation Alliance (BCA) in Mount Maunganui, which aims to help grow the organisation's Environmental Education and Monitoring Programme. The programme tackles the growing need to provide hands-on, science-based education opportunities to teach students practical conservation skills that can make a positive difference in their communities. Aimed at primary school students across the Western Bay of Plenty, the programme has a strong focus on sustainable land management and biodiversity. In addition, our Mount-based staff were given the opportunity to contribute to the ecological enhancement of the area through a series of half-day, hands-on predator control sessions, run by BCA. These predator control sessions align with our Balance with Nature promise of protecting the land we love, as well as fulfilling our role as a 'good neighbour' in our local community.

In Kapuni, our team runs an extensive programme to give back to the surrounding community, and to protect its resources.

We continue to support the Taranaki Kiwi Trust to encourage community involvement in protecting the Western Brown Kiwi in the area. The Taranaki Kiwi Trust are heavily reliant on this non-specific funding as it can be challenging raising funds to pay for smaller costs such as hospitality, volunteer recognition, website hosting and insurance.








Our Southland Farm Sustainability Services team is currently working with the Awarua Operations team to carry out environmental improvements on the dairy farm that backs onto our Awarua site. Using MitAgator®, the team are providing evidence-based risk maps to inform a plan to reduce nutrient losses, as well as planting neighbouring wetlands with natives including cabbage trees, Toi Toi, flax and hebes, which will help prevent erosion and sediment discharges into nearby waterways. It will also improve the aesthetics from the Bluff Highway as the Te Araroa Trail continues to be built.

These predator control sessions align with our Balance with Nature promise of protecting the land we love, as well as fulfilling our role as a 'good neighbour' in our local community.





Future Ready Farms - investing in the future

Project Name	Impact					Sector				
	Greenhouse Gases			Water Quality	AgChem	Sheep & Beef	Hort & Arable	Dairy	Forestry	Manufacturing
	N ₂ O	CO ₂	CH ₄							
Project 1	▼			▲		●	●	●		
Project 2	▼	▼		▲		●	●	●		
Project 3	▼			▲				●		
Project 4	▼			▲	▼		●			
Project 5		▼		▲	▼				●	
Project 6		▼								●
Project 7		▼				●	●	●		●
Project 8	▼		▼	▲				●		
Project 9	▼		▼	▲	▼	●		●		
Project 10			▼		▼	●				
Project 11	▼	▼	▼	▲		●	●	●		
Project 12	▼	▼	▼	▲		●	●	●	●	

We continue to see consumer expectations change with a greater concern and expectation for animal well-being, food traceability and food quality. The focus is coming further up the food chain and onto the environmental and health impacts of food production. These expectations also encompass local communities who want swimmable rivers, clean air, a stable climate, safe drinking water, and fresh, healthy produce. This presents a large opportunity for New Zealand. If we can help farmers become future-ready by providing integrity behind the farm gate, we can enable them to create greater value in our country's largest export sector, which is currently valued at \$42 billion.

\$25m
FUTURE READY FARMS PROGRAMME INVESTMENT OVER FIVE YEARS

Like our customers, we want to protect our natural resources and aim to help them farm more sustainably. We are committed to finding better ways to do this using our clever science and innovation - because sustainability and productivity should go hand in hand.

In December 2020, the Government announced that it would invest more than \$10 million from the Ministry for Primary Industries' (MPI) Sustainable Food & Fibre Futures Fund to co-fund our \$25 million Future Ready Farms programme. This five-year partnership with the Government is a strong endorsement of our science and expertise, and our vision for the future of farming in New Zealand.

The Future Ready Farms programme is comprised of 12 highly targeted, complex projects to help farmers meet their national environmental targets for reducing greenhouse gas emissions, agrichemical use, and nutrient loss to waterways. One of the most exciting aspects of this programme is that it will help multiple industries within the food and fibres sector, including fertiliser manufacture, livestock

production, forestry, horticulture, and arable, with projected benefits of \$1.06bn to New Zealand farmers by 2030.

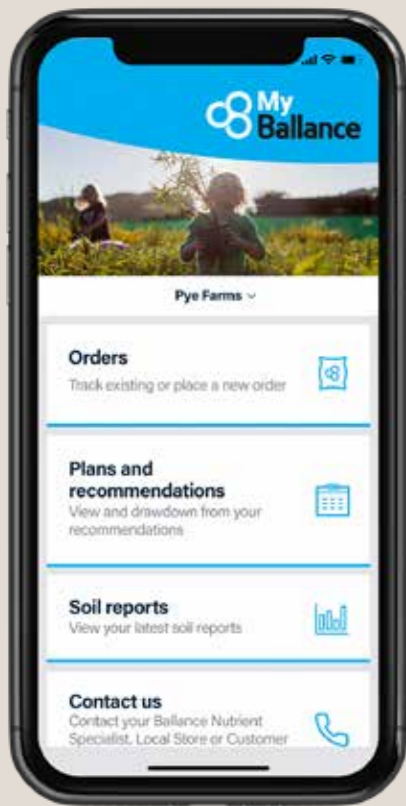
\$1.06bn
PROJECTED BENEFITS TO NEW ZEALAND FARMERS BY 2030

This project comes off the back of our successful joint research and development programme under the Primary Growth Partnership, which delivered our suite of environmentally focused digital tools including MitAgator®, SpreadSmart®, and My Pasture Planner®.

This project was developed after engagement with local farmers and growers to look at how we address the problems and challenges they face. Like them, we want a productive and sustainable primary industry and are proud to play a part in it.



Investing for our customers



MyBallance continues to evolve and grow to meet the changing needs of our customers.

Our customers' needs are shifting with the changing regulatory landscape, but one thing we know for sure is that they must be future-ready. We therefore must also evolve, staying ahead of the game to support our farmers. We invest significantly in our infrastructure, both digitally and physically, to ensure we meet their changing needs, and we will continue to do so into the future.

We are committed to providing a leading customer experience and we regularly assess this throughout our organisation. We provide a number of ways to make it easier for customers to run their business, like providing digital tools to allow them to manage their business better, helping them navigate regulations and using great partnerships to lead them. Because it isn't just about providing the right product at the right time, it's about working with customers to give them better ways to run their business.

This year we partnered with the New Zealand Farm Environment Trust to bring our customers and shareholders Round the Farm Table, an initiative to celebrate the visionary kiwis who farm and grow here in New Zealand and showcase the world-class food they produce with the most sustainable practices. We wanted to use third parties to tell stories of environmental stewardship in the context of food and the series has been very successful. Read the Round the Farm Table stories at nzfeatrust.org.nz/farm-table.



Network investments

To remain a relevant operating business in New Zealand that can look ahead and provide what our customers will need for the future, we are asked by our Board of Directors to regularly review our operations and ensure our many assets continue to deliver value for our customers. To future-proof our business and our customers' business, we invest in our capital assets to ensure we have the best facilities, infrastructure, technology and systems, to stay one step ahead.

We constantly work to improve our service offering and this year we invested heavily in our digital capability to ensure our technology continues to evolve with the requirements of our farmers and growers. We invested significantly to ultimately digitise our supply chain and further improve supply excellence for our customers.

This investment also ensures we are future-proofing our systems to enable us to develop further digital innovations in the future (refer Case Study on page 37).

Farming and growing at your fingertips

MyBallance continues to evolve and grow to meet the changing needs of our customers. This year we focused on greater accuracy of data to help farmers meet their compliance requirements, and the launch of the MyBallance app, which gives farmers and growers the ability to manage their business from their mobile device. (See case study on page 38).

Regionally-focused support

We understand that each region of New Zealand has a unique set of requirements to farm or grow the best way possible. We continue to provide regionally-focused, in-person sustainability resources to work with our customers across New Zealand and give them the best support. These resources include our Farm Sustainability Team, our Nutrient Specialists through our network and our Science Extension Services team.

Our infrastructure plans also recognise the nuances of each region, and this is carefully factored into our footprint. Our regional assets are specific to each market and it is important to us that the community is involved in their design. We identified Northland as a region that, despite having a strong presence in the region, presented a significant growth opportunity for Ballance. We have invested in three major infrastructure projects as part of our Northland strategy. See below for details.

Precision top dressing

We continue to invest in growing our Super Air business. This year we announced the expansion of Super Air into the South Island as part of a strategic and ambitious growth strategy. This provides South Island farmers with a more cost-effective and environmentally-friendly aerial fertiliser application option to increase their productivity and profitability, with a lower environmental footprint.

In March, the Ballance Board approved the establishment of three bases in North Canterbury, Timaru and Gore, providing Super Air with a national footprint. Last year, we acquired Phoenix Aviation, a well-established and respected topdressing company that operates out of Gore.

Phoenix Aviation recognised the significant benefits in joining our larger national team, while it provided us with an entry into the lower South Island with an existing client base to build from.

Our fleet of aircraft will be fully fitted with SpreadSmart® technology by Christmas 2021, and 11 new loader trucks will be built. The new loader trucks have been designed to lead the way in driver safety, loading efficiency, and value for money, each having the ability to carry 6000 litres of jet fuel, or three-tonne loads at a time. South Island customers have responded well to the Super Air value proposition with SpreadSmart's® state-of-the-art technology enabling the precise placement of nutrients, supported by geo-spatial mapping and delivered with modern high-capacity aircraft.



The expansion of Super Air... provides South Island farmers with a more cost-effective and environmentally-friendly aerial fertiliser application option to increase their productivity and profitability, with a lower environmental footprint.



Celebrating and sharing your inspirational sustainability efforts



Investing in Northland

We have invested in three major infrastructure projects as part of our Northland strategy, to grow our presence in the area and improve our service to farmers and growers.



A regional bagging hub in Whangarei to service Northland's growing agricultural sector, particularly the fast-evolving horticulture industry.



A central distribution hub in Marsden Point, which was officially opened in June 2021.



A self-service silo installed in Te Kopuru in March to deliver 24/7 access to nutrients.



This year, along with Te Kopuru, we also installed a further three self-serve silos in key areas around the country - Pendarves, Orari and Normanby - bringing the number of operational self-service silos in the country to ten. Volume through our silos has increased year on year with 21% of product being dispatch after hours, highlighting that this innovation is allowing customers to get the right product on, at the right time to best serve their business. Our silos are a tactical solution to improve service to customers, and has been a great investment for the business to date.

Navigating regulations

Through changing times, we walk alongside our customers, innovating to stay ahead of the curve so they can be prepared for the future. With changing regulations, we invest in and develop resources, to help them navigate these changes.

This includes a number of initiatives and in-person support, whether it be through our Science Extension team, Farm Sustainability Services, or our Nutrient Specialists throughout the country. Last year, Government proposed a number of new policies which we, along with other industry bodies, submitted on. To help our customers to navigate new regulations, our Science Extension team continue to break down the science and explain what this means for farmers and growers, providing resources and running workshops for rural professionals, consultants and our staff.

With the National Environmental Standards for Freshwater 2020 proposal announced late last year, our team developed a number of resources to support farmers during the transition period by reviewing science principles, product options and farm system changes.



This autumn, our Science Extension team released a special edition of GROW magazine that focused on environment policies, to explore the unfamiliar and complex policy landscape and explain the environmental policies. It was well received by councils, merchants, consultants and farming corporates, and was requested as a resource by a number of regional councils. The GROW Environmental Policies Special Edition is available to be downloaded from the Ballance website.

Sustainable sourcing

It has been a tumultuous year for procurement, which our team has navigated well. Amongst COVID-19-related impacts such as delays in freight timings, we have demonstrated agility and flexibility and have problem-solved to minimise impacts on our customers.

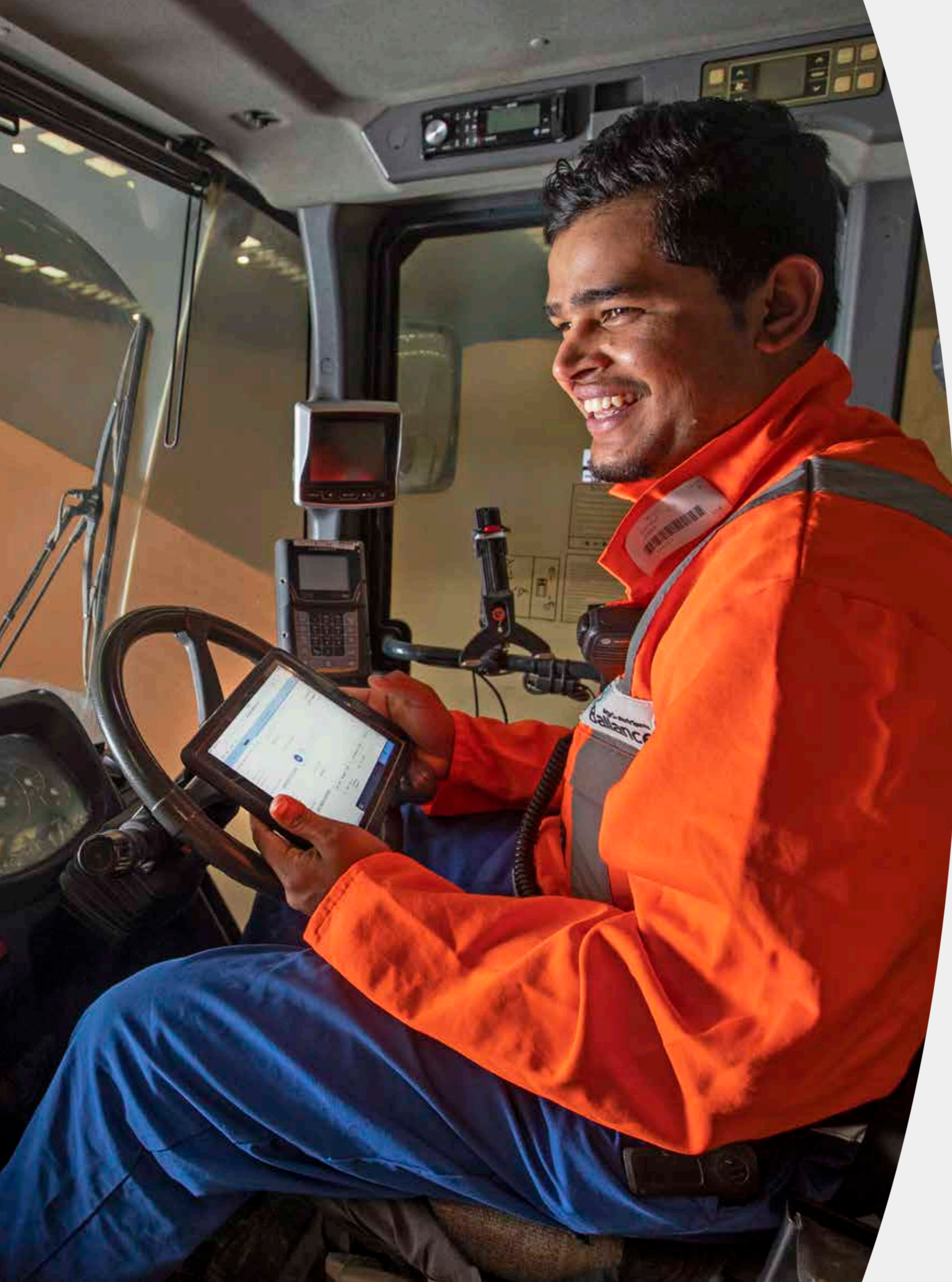
Globally we have seen an increased focus on an open supply chain, which we endorse. We continually seek to better understand our suppliers and engage with those who align with our values, to ensure trust and confidence in our business.



Following a competitive market test in late 2020, we renewed our AGROTAIN® supply contract with Koch Agronomic Services ("KAS") for a further three years. Koch delivers innovative, science-based plant nutrient solutions that boost yield potential, strengthen turf and reduce environmental impact. These values are aligned to ours and we are proud to continue our partnership.

SealesWinslow

Off-farm feed continues to be an important part of animal welfare, enriching pastoral diets of specific development needs, such as lactating cows. SealesWinslow remains No.1 in calf feed in New Zealand. One of our key focuses has been increasing the utilisation of our mills, so we were pleased to enter into an agreement with a merchant partner, which will see increased volume through our North Island mills.



Creating a digital future

We are committed to creating a leading customer experience and ensuring we make it simple and easy to do business with us. Key to this is truly understanding our customers and their business. In an industry effected by changing factors, such as fluctuating global commodity prices, digitising our supply chain helps us to be more responsive.

A key priority for us this year in has been developing our digital capability to enable us to help farmers do things better and faster. Programme Advance will ultimately see us digitise our supply chain to improve efficiencies. Programme Advance is an integral part of enabling our World Class Supply Chain strategy, to ensure we have the digital capability required to succeed and continue to meet our customers' expectations and service levels. It's all part of ensuring our customers have a great experience throughout our network, from service centres to our consignment stores. Programme Advance supports our supply chain promise to customers: to provide the right product, at the right time - every time.

We continue to evolve our MyBalance platform to provide the best possible customer experience. The focus this year has been on providing greater accuracy of data to help farmers to meet compliance requirements as well as enhancing the information to deliver real value and the best quality data.

After the successful launch of the MyBalance web platform, we launched a mobile companion, which allows farmers the same convenience of managing their farm at their fingertips. The first release of the MyBalance app allows customers to view fertiliser recommendations, order products on the go, view soil reports, link to MyFarmForecaster, and to contact a Balance Nutrient Specialist.

Our customers helped in the development of the app, by testing it and feeding back details of their user experience. As anticipated, it has been well received and when approached one customer at regional fielddays said he had "...already downloaded the app and placed a couple of orders. Too easy!

"... already downloaded the app and placed a couple orders. Too easy!"

Customer at regional fielddays

We further developed our geospatial abilities to enable customers to visualise their farm or crop in MyBalance. Using geospatial machine learning and analytics, farmers can identify exclusion zones on-farm, along with slope and aspect farm maps.

We have seen a lot of interest from customers in this area and our continual refinement and improvement of the geospatial experience in both the MyBalance and MitAgator® platforms has resulted in great progress being made.

We are privileged to hold a lot of data on behalf of customers and are committed to ensuring we have the right tools and innovation to protect it. We have increased awareness across the organisation through cyber training and ensure executive level sponsorship through a cyber steering committee, to enable a high level of personal ownership. We take a risk management approach to our investments in cyber-security, ensuring we determine high risk areas and apply heightened security measures to mitigate risks.

We use our customers' data in a secure way to gather insights, which are used by many parts of the business, to provide value. Effective customer service requires accurate and efficient master data and we have undertaken a project to simplify our management of customer data and ensure quick access to it. Our Master Data team achieved this by moving maintenance of the data into MyBalance and building multiple rules to allow users to update information themselves. The information then automatically flows into each system that requires it and becomes



immediately available when the data doesn't require validation by the Master Data team.

This enhances an old process and the new efficiencies are already being proven. Where a customer request for merchant details could have taken up to 48 hours, they now only wait one hour - and we are currently working to reduce this to minutes. In the first quarter of this year, with the new system installed, 81% of requests auto-validated and 77% of requests to Master Data were processed within four hours of being submitted. We call that success.



Download the free MyBalance app today



Focus on growth sectors

With six products designed specifically for kiwifruit, and five for avocados, we are leading the way with our specialist product range.

We continue to walk alongside the primary industry, to lead sustainably over the next 100 years and more. We are lucky to work with customers in all sectors and support their specific needs.

\$9bn *

NEW ZEALAND'S HORTICULTURAL INDUSTRY VALUE

While we have supported the New Zealand horticulture industry since our early days, we are responding to the sector's current growth by continuing to develop our knowledge and expertise in this area. New Zealand's horticultural industry is currently valued at \$9 billion* and the Government's continuing regulations for pastoral farming have driven an increase in mixed land use, with farmers combining pastoral land with orchards. Our specialist horticultural groups in both the North and South Islands can provide the best future-focused recommendations for horticultural crops. Our Science Extension team have developed a 'kiwifruit nutrient calculator' which calculates the nutrients required and recommends which of our specialist kiwifruit

products to use, when to use them, and the application rate. With six specifically designed products for kiwifruit, and five for avocados, we are leading the way with our specialist product range.

Our arable customers are some of the most knowledgeable when it comes to nutrient use. The opportunities in this sector lie in changing land use. As we move towards limiting nutrient application for pastoral farming, our farming businesses will need to find other uses for their land.

Māori agribusiness is fast-growing and is an integral part of the New Zealand economy. Our focus is to build and nurture long-term relationships and determine how we can add value for each other. We seek to truly understand the governance of Iwi and Māori trust groups, but we already know that their goals are aligned with Ballance – a love for the land and a strong desire to protect it in the long term. We want to support the farm systems of the future and we are committed to developing long-standing relationships to help get there. Our silver sponsorship of the Ahuwhenua Trophy allows us to further understand Māori farmers and growers better - the challenges they face, their aspirations, and how we can best support them.

The sheep & beef sector continues to provide significant opportunities to increase the profitability of our customers. Our sheep & beef group is focused on developing its knowledge of farm systems to deliver strong customer-centric solutions and value, and to build connections with both internal and external partners. This year, 22 Nutrient Specialists will graduate from our 12-month Sheep & Beef Programme, which covers key topics in line with seasonal activity. We expect another 14 Nutrient Specialists to graduate in the following 12 months.

*Plantandfood.co.nz



Caring for our people and communities





The benefit of operating as a co-operative is recognising the importance of community to a sustainable business.

The way we do business is unique. Our C.O.W.S (Care Ownership Well-being and Safety) programme ensures we take care of the whole person – from mental well-being to practical safety – and this applies to our communities as well as our people.

Our values underpin our C.O.W.S programme - honesty grounds us, bravery drives us, connections support us, and imagination fuels us.

Together, our values and our C.O.W.S culture enabled us to weather the COVID-19 pandemic well, with minimal impact to the business or supply to customers. The only factors to affect us were at a global level, such as commodity prices. We were privileged to be classified as an essential service during the lockdown period, which enabled us to fulfil our role in the food supply chain and enable our customers to do the same.

For us, engagement is a measure of how well we are living up to our aspirations as a team. Our employee engagement score remained high at 72% for the year, which shows that we are on track to where we want to be.

Investing in our people

We are focused on delivering a great service and experience for our customers, now and into the future. Internally, we recognise that the skills and capabilities that our team has today may not be what we need for tomorrow, so we provide a series of internal courses to develop our people, helping them become the best versions of themselves, for them, their families and their community. Our Learning for Life programme continues to address the individual needs of those joining Ballance to ensure they have the confidence and capabilities to achieve their potential in their journey with us.

We anticipated the potential impact the COVID-19 pandemic could have on our business and the personal repercussions for our team, so we provided three different online resilience training courses for our staff. Over the past year, more than 170 of our people have completed the courses.

Investing in our people also means celebrating them. Our Great People Awards recognise the stars among us and celebrate those who go the extra mile for their team or customers. As a peer nominated programme, we received a record 500 nominations last year, demonstrating that during a challenging year, our people stepped up to address our customers' needs and recognised each other's efforts.

We review our strategy periodically, to ensure we remain on track to achieve the strategic objectives of our co-operative. Because we believe that everyone at Ballance plays a role in our success, we engaged each member of our team to ensure they had ownership over this and had the opportunity to provide input into a refreshed strategy. A series of workshops were held for our staff around the country, and we were happy to receive over 5000 recommendations to consider for our three-year goals.

We run a Customer Insights Programme, which sees our customers help us trial then verify a number of our innovations, including our digital products. Our customers therefore inform our new ideas, and we can be sure we're adding value.

 <p>GROWING SKILLS</p> <p>Over 7800 hours spent on 14 bespoke internal courses, from leadership & development to presentation skills</p>	 <p>INVESTING IN OUR PEOPLE</p> <p>\$1.9m spent as part of our commitment to supporting the development of our people</p>
 <p>GAINING CONFIDENCE</p> <p>874 hours spent in our Learning for Life programme, ensuring those joining Ballance have the confidence to be the best they can be</p>	 <p>BUILDING RESILIENCE</p> <p>170 of our people undertook resilience courses to address issues, including any impact of the COVID-19 pandemic</p>

Strength in our partnerships

The essence of a co-operative is reflected in the relationships it has with its partners and we hugely value our partnerships, which ultimately allow us to serve our customers better. Collaborating with like-minded organisations is part of our commitment to truly understanding the needs of key groups within our industry, to obtain a better understanding of their challenges, goals and aspirations.

Proudly supporting innovative & sustainable practices through the Ballance Farm Environment Awards for over 20 years.

We are proud to have a 25-year history of sponsoring the Ballance Farm Environment Awards (BFEA) and continue to be inspired by the innovative, sustainable farm practices that the entrants are demonstrating.

As one of the two finalist judges this year, Ballance Science Strategist Warwick Catto noted a wider consideration of biodiversity in this year's competition, as well as a real focus on maximising nutrient efficiency. The National Sustainability Showcase in Wellington this year was attended by more ministers than previous years, signalling growing government support for sustainable farming practices and the problem-solvers behind them.

This year, we are running a 'Muster' campaign to drive wider participation in the Ballance Farm Environment Awards. Our insights show that many farmers and growers are deterred from entering as they feel they're not prepared enough or that their practices aren't as advanced as previous winners. But we know from past entrants that the key benefit of entering lies not in the accolades but in connecting with their peers, sharing their stories, and gaining further insights into the best and most innovative, sustainable farming practices. Encouraging more farmers and growers to enter will better represent the current landscape of New Zealand farmers and growers who have sustainability front-of-mind.

If you'd like to be involved in next year's Ballance Farm Environment Awards, please visit nzfeawards.org.nz for more information or speak with your Nutrient Specialist about how you can enter.

The Dairy Women's Network (DWN) provides leadership and inspiration to women in the dairy industry, providing opportunities for them to further their development and make connections. The leadership of this organisation has a powerful impact, driving real change on-farm and is vitally important to the local community. With the organisations' key events cancelled last year due to COVID-19, it was great to see their annual conference back on the rural calendar. This year DWN held three one-day conferences in Taupo, Ashburton and Queenstown, which we were proud to once again support.



Our national BallanceEx Dinner Series always attracts a wide range of representatives from rural New Zealand, keen to hear the Ballance science team, along with local farmers and growers, discuss future environmental trends, challenges, and opportunities for rural New Zealand. Keeping the subject matter local and relevant, this year's dinner series explored the pace of change in New Zealand's agriculture industry, and some of the disruptive forces we are facing, encouraging attendees to think about what the opportunities are in our fast-changing world. If you weren't able to attend this event, you can view the content that was shared on our website.

BallanceEx also demonstrates that we are more than a nutrient provider - we are looking towards the future and international trends, and our experts are researching and developing solutions to support a sustainable and productive future.

Where possible, we leverage the content shared at these events and this year we ran a two-part thought-leadership series in BusinessDesk, to provide future-focused commentary across the primary sector and

BallanceEx has become the industry's thought-leadership brand, helping farmers solve issues while sharing our clever science and the knowledge of our pre-eminent thinkers and creators.

influence conversation around land use and soil health. The first article considered the possible changes in land use in the future, and the second article explored potential solutions to the questions posed.

Our attendance at regional and national fielddays is a chance for customers to see our brand in action. We recognise that each region is different, and we adapt our presence at each of these fielddays accordingly. Recent insights into regional fielddays have shown that our customers value these events as an informal opportunity to



'see what's out there without obligation' and for social interaction, rather than seeking to buy a product or to problem-solve. We appreciate this and run our presence at regional fielddays with this in mind, providing hospitality and nurturing opportunities for attendees to interact with one another, with Ballance staff on hand if needed.

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





Ballance in the community

It is a privilege to be part of the vibrant, local communities that we operate in and we value the opportunity to demonstrate our commitment to them. We have partnered with a number of community organisations throughout the country to support initiatives that hold importance to each community.

This year we partnered with Bay Conservation Alliance (BCA) to help grow its Nature Education and Monitoring Programme, to help school students across the Western Bay of Plenty understand the importance of protecting our natural resources for future generations. We have also supported a number of community infrastructure investments and services locally, and we continue to work with Iwi, the Community Advisory Panel and the Mount Industrial Network to build long-lasting, meaningful relationships.

Our Kapuni plant has an extensive community programme, which supports a number of local groups and activities surrounding the site and demonstrates our commitment to the community. One of the most meaningful projects this year was the Wonder Project, an Engineering New Zealand initiative encouraging children in years five to eight to explore STEM

(Science Technology Engineering and Maths) subjects. Our team has a history of supporting this project, and working closely with local schools to nurture a love of STEM subjects and illustrate how they can be used to help grow New Zealand's primary sector.

Our Awarua team have provided Southland Regional Council with access to a section of our land for the Invercargill to Bluff cycle and walkway.

One of the most meaningful projects this year was the Wonder Project, an Engineering New Zealand initiative encouraging children in years five to eight to explore STEM (Science Technology Engineering and Maths) subjects.



The cycle and walkway forms part of the national Te Araroa cycleway, and the access will allow cyclists and walkers to safely continue their journey to or from Bluff, without having to travel on the main highway. The team also has plans to extensively plant the area with native plants to improve the aesthetics of the area.



Health, safety & well-being differently

Our culture of care programme continues to shine a spotlight on the health and safety of our people. It is a unique way to lead our team, by encouraging them to take responsibility for their own health and safety, whether they be permanent staff or one of our many contractors. C.O.W.S continues to be recognised within the industry and was this year awarded the People & Culture Award at the 2020 Tauranga Business Awards.

Our Safety Cross initiative, which sees a green cross declared if certain site-specific health and safety targets are met, continues to drive safety practices at each of our sites. Local communities benefit from a monthly donation if a green cross is awarded. Over \$20,000 was donated to local charities this year as part of our Safety Cross initiative.

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We trialled an extendable bulk bag cutting knife, developed by Yara, which allows the user to stand a safe distance from the bag.

Our focus on keeping our people safe runs deep in our organisation, from our manufacturing sites to our corporate office. An example of this was recently implemented throughout our service centres where we identified a potential risk to our people when releasing product from bulk bags. We trialled an extendable bulk bag cutting knife, developed by Yara, which allows the user to stand a safe distance from the bag. These knives have since been circulated within the network, and some of our sales teams have provided them to our customers, passing on our health and safety focus from our people through to our customers.





Addressing mental health in our community

Our culture of care runs into the community, as well as for our people. New Zealand has enduring challenges with mental health and our rural communities are no exception, so it remains a focus for Ballance. We continue to support initiatives that provide support for our communities, our staff and their families, without asking questions.

During the COVID-19 restrictions, and at a time when many farmers were already suffering the impact of a major drought, the Ballance East Coast team organised a free virtual comedy night, called the Online Drought Shout, to raise the spirits of those affected. The event, featuring a line-up of kiwi comedians, aimed to raise awareness of the drought as well as providing some light relief to farmers doing it tough.

\$20,000

GIFTED TO HAWKES BAY RURAL SUPPORT TRUST

Funds raised sent two farmers to a resilience workshop and nearly \$20,000 was gifted to Hawkes Bay Rural Support Trust, for the continued support of farmers and growers who face mental health challenges daily.

We continue our support for Surfing for Farmers, a programme offering farmers the opportunity to swap the paddock for the beach to enjoy a break with a laid-back surf lesson. The relaxed nature of surfing helps farmers relax and enjoy time with their peers, sharing their experiences. The programme has now been expanded to 16 locations nationwide, with over 2400 farmers taking part and the number of locations likely to increase to 20 in 2022.

Internally, our C.O.W.S programme features initiatives to support our staff's mental health. Our Employee Assistance Programme (EAP) helps our employees deal with personal and work issues and is also available to employees' immediate family members. At Ballance we appreciate the contribution our people make and acknowledge that on occasion they can benefit from professional guidance. Our people hugely value this programme, with the number of staff and family members making use of the service rising each year since it started.

Our Kapuni team support the Taranaki Retreat, a charity that offers guidance and support for a range of mental health and well-being needs. Whether it's depression, anxiety, grief or if someone is simply having a tough time, the Taranaki Retreat offers both residential stays, including workshops

that provide tools to find a way forward, and an outreach programme for longer term or ongoing support. To help keep their operating costs low, our Ballance Kapuni team provide regular support in the form of labour to maintain the grounds as well as helping with building projects and initiatives to provide a safe and comfortable environment for guests. The Kapuni team also provide financial support through our Safety Cross programme and have built a long-lasting and meaningful connection with the retreat.



“Volunteer teams from Ballance have supported the retreat for over two years. We are so grateful to everyone who gives up their precious free time to help out. The people who come work incredibly hard and it is amazing what they can achieve in a day!”

Suzy Allen, CEO, Taranaki Retreat



Bay of Plenty students closely examine a stuffed possum as part of the Bay Conservation Alliance's Nature Education and Monitoring.

Putting the spotlight on youth

"We were delighted to form a partnership with Balance this year. Their support has contributed to the delivery of our nature education programme... We were so happy to host 1500 enthusiastic, happy school children over the last year and really appreciate the support Balance has provided to enable that."

Michelle Elborn, Chief Executive, Bay Conservation Alliance

In Mount Maunganui, our operations team facilitates a number of initiatives to encourage youth into our industry, regularly hosting local school careers advisors, and participating in Gateway programmes, to help the future decision-making of young people in the region. Last year, one of our electrical apprentices, Phillip Peters, was awarded the national Stuart Tolhurst Memorial Award, an initiative run by Competenz.

Our sponsorship of the Bay Conservation Alliance helps to grow its Nature Education and Monitoring Programme for school students across the Western Bay of Plenty, with nearly 1500 students completing the programme.

We were delighted to form a partnership with Balance this year," said Michelle Elborn, Bay Conservation Alliance Chief Executive. "Their support has contributed to the delivery of our nature education programme over the last year, in three special forest locations Otanewainuku, Aongatete and Oteora. In times of uncertainty with COVID-19, the emergence of this new partnership was even more meaningful for us as a charitable organisation. We were so happy to host 1500 enthusiastic, happy school children over the last year and really appreciate the support Balance has provided to enable that.



Support for young people must respond to the specific needs of the youth in each region. Our Awarua team focus heavily on supporting youth through the Southland Youth Futures (SYF) programme, which aims to improve outcomes for Southland youth by reducing the numbers who are not in education, employment or training. It works to establish connections between students and local employers, and Balance has been an Employer Excellence Partner since the beginning of the programme, helping Southland develop a future workforce. Josh McRae from our Awarua Maintenance team was elected as a youth representative of the SYF Advisory Committee after completing his mechanical apprenticeship, purchasing his first home in the region and playing local rugby.

We are proud to have someone like Josh input into such an important initiative for the region.

The Awarua team also supports the Southland Regional Skills Leadership programme, one of 15 set up by the New Zealand Government to identify and support better ways of meeting future skills and workforce needs in the regions. Our Awarua Production Manager Chris Kennett was appointed to the Southland Group, which aims specifically to prepare for the region's changing labour market.

Every year, we take on a number of sales internships, and we are committed to investing the time and resources into growing their skills. This six-month programme provides an accelerated learning environment to upskill our interns and prepare them to be part of our passionate team in the future. Following an eight week stint in our corporate office, our interns head out into their allocated region where we provide them with exposure to practical on-farm learning by shadowing their mentor and other team members.

This programme helps us identify talented and driven young people and an example of this is our Geospatial Analyst, Ruby Sealey-Lawson. Ruby joined Balance in December 2019 as an intern after graduating from Auckland University with a degree in Geography and Environmental Sciences. "I knew that the primary industry, especially the agriculture industry, would be a secure option for employment over the next few years given the vast opportunities presented by changing regulations and environmental aspirations of farmers," said Ruby. "Balance offered me the chance to follow my passion and gave me the stepping stones I needed to create a meaningful career. I've already had a lot of development opportunities and am excited about being part of the vibrant future of New Zealand's primary industry."



Sustainability

Ballance sustainability measures: How are we tracking?

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

Our outcomes	Our activities/ contribution	Rationale	Progress so far
<p>Green energy:</p> <p>Leading in sustainable energy with Kaitiakitanga front-of-mind.</p>	<p>'Green' hydrogen</p>	<p>Lower emissions nutrient manufacture.</p>	<p>Our 'green' hydrogen project with Hiringa Energy, will produce greener nitrogen fertilisers with a low emissions profile. We will be the first and largest producer of 'green' hydrogen in Australasia.</p>
	<p>Carbon footprint</p>	<p>Carbon efficiencies and opportunities for heavy transport.</p>	<p>Our 'green' hydrogen project will reduce carbon emissions in the transport sector, offsetting up to 12,000 tonnes of emissions and eliminating the equivalent amount of CO₂ as taking 2600 cars off the road.</p>
	<p>Energy efficiency</p>	<p>Renewable energy.</p>	<p>Sufficient renewable energy, produced as part of our hydrogen project, will supply our Kapuni site.</p>
<p>Greener operations:</p> <p>Reducing the environmental footprint of our sites and operations.</p>	<p>Reducing our footprint</p>	<p>Meaningful action towards addressing climate change.</p>	<p>Focus on reduction in operational Scope 1, 2 and 3 GHG emissions.</p> <p>Monitoring data at our sites continues ahead of compliance.</p> <p>We gather monthly waste and recycling volumes and monitor the environmental benefits equivalent such as carbon emissions saved. A waste reduction plan will be developed.</p> <p>All sites monitor water discharges against consent limits with service centres operating a range of stormwater protection and treatment systems.</p> <p>Our Northland footprint is reducing its CO₂ emissions with the Marsden Point hub taking product directly off ships, eliminating the need for trucks from Mt Maunganui.</p> <p>Nutrient runoff at sites is managed via raingardens which capture and optimise the nutrients in native plantings.</p>
	<p>Sustainable sourcing</p>	<p>Open and transparent supply chain.</p>	<p>Developing a supplier code of conduct which establishes clear expectations of all our suppliers, not just best partners, regarding their ethical, social, and environmental business responsibilities.</p> <p>Regular review and audit of sourcing to ensure compliance.</p>

Ballance sustainability measures: How are we tracking?

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

Our outcomes	Our activities/ contribution	Rationale	Progress so far
		<p>Health, safety & well-being.</p>	<p>Continue to lead our award-winning Care, Ownership, Well-being & Safety (C.O.W.S) programme.</p> <p>Over \$20k donated to the community through our Safety Cross programme, which puts the spotlight on our safety culture.</p> <p>170 of our people undertook resilience courses in FY21 to address work and/or personal issues, including any impact of the COVID-19 pandemic.</p> <p>2400 farmers participating in Surfing for Farmers to address mental well-being in the rural community; the number of events has grown to 16 nationally.</p>
<p>Care for our people and communities</p> <p><i>Manaakitanga</i></p>	<p>Thriving in a rapidly changing world</p>	<p>Unleashing potential</p>	<p>Our engagement score this year was 72% and a participation rate of 88%. Our target is to be in the top quartile for Australasia.</p> <p>Over 7800 hours and \$1.9m spent last year alone on developing our people through bespoke internal courses.</p> <p>874 hours spent in our Learning for Life literacy programme to ensure those joining Ballance have the confidence and capability to be the best they can be.</p> <p>We are a living wage employer and encourage those we work with, including suppliers, to do the same.</p> <p>Over 500 peer nominations in our 2021 Great People Awards.</p>
		<p>Inclusivity & diversity - reflecting a changing New Zealand.</p>	<p>Females make up 29% of our senior lead team and 51% of our sales team.</p> <p>Continued partnership with the Dairy Women' Network, providing opportunities, connections and development for women in the dairy industry.</p> <p>1500 students took part in a Nature Education and Monitoring Programme as part of our partnership with the Bay Conservation Alliance. We are developing our understanding of Māori agribusiness and Manaakitanga to better serve our customers in this sector.</p>



Ballance sustainability measures: How are we tracking?

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

Our outcomes	Our activities/ contribution	Rationale	Progress so far
	 Healthy soil	Healthy soil is key to productive, sustainable growth.	Our healthy soil programme helps farmers and growers look after the physical, chemical and biological health of their soil. We are currently developing a test to measure more indicators of soil health simply and efficiently, which will launch in autumn 2022.
	 Nutrient efficiency	Optimising nutrient use whilst avoiding nutrient loss.	Programmes driving right products, at the right time, in the right place, and the right rate. My Pasture Planner® helps farmers navigate recent policies, including the 190kg/h N cap. MyBallance mobile app allows customers to help manage their farm's nutrients at their fingertips, 24/7. Super Air fleet with SpreadSmart® technology ensure 'right place' aerial application, protecting sensitive areas.
	 Native biodiversity	Help preserve and restore native flora and fauna.	Biodiversity is an integral part of Farm Environment Plans developed by our Farm Sustainability Services team, to enable farmers to understand risks and opportunities on their land.
	 Resource utilisation	Mindful use of our natural resources.	Support of on-farm practices from nutrient cycling to waste reduction, to reduce emissions and loss. Developing an optimal plan using tools such as MitAgator® risk maps and farm environment plans.
	 Cleaner air	Understanding and reducing emissions.	Sustain and PastureSure® enable farmers & growers to reduce gaseous emissions from volatilisation. Our Kapuni plant produces GoClear to reduce emissions from diesel engines in the motor and marine industries. We aim to have ten more GoClear installations on our sites by end of FY22.
	 Healthy water	Protecting our precious waterways.	SurePhos® reduces phosphate loss to waterways by up to 75%*. My Pasture Planner® and SustainN® nitrogen tools. Farm Sustainability Services and Science Extension resources for farmers to navigate Essential Freshwater Policy. SpreadSmart® and geospatial mapping identify exclusion zones for Super Air customers. *Relative to superphosphate products.
	 Animal care	Optimal animal care.	Our customers care for their animals as well as the environment. Because happy animals are healthy animals, SealesWinslow has worked alongside farmers to develop products that create pastures that are rich in the nutrients that animals need to be healthy, including products that deliver key nutrients to dairy cattle to meet their specific needs through seasonal changes.
	Innovating to create sustainable solutions	We use clever science and innovation to lead the way to a sustainable future.	<p>12 projects are underway to help farmers reduce emissions and greenhouse gases as part of our Future Ready Farms project, partly funded by Government. Projected benefits are \$1.63 billion to New Zealand farmers by 2030.</p> <p>Our production of superphosphate not only employs more New Zealanders but has a better environmental footprint than other products such as DAP. We invest in our MyBallance technology to ensure farmers have</p> <p>24/7 tools to make better choices.</p> <p>BallanceEx delivers thought-leadership that helps farmers address environmental issues while sharing our clever science and knowledge of our pre-eminent thinkers and creators.</p> <p>Our Science Extension team reviews the science and applies it in a grounded way to help farmers and growers adapt into their systems.</p>

Ballance with Nature:

Helping farmers reduce their environmental footprint.

Kaitiakitanga



Crunching the numbers

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Consolidated Income Statement

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	GROUP 2021 \$000	GROUP 2020 \$000
Revenue before rebate	2	897,040	891,274
Rebates to shareholders	8	(60,228)	(54,107)
Revenue after rebate		836,812	837,167
Cost of sales		(683,572)	(667,751)
Gross profit		153,240	169,416
Other operating income	2	13,032	12,113
Sales, marketing and distribution expenses		(87,586)	(87,610)
Administrative expenses		(67,755)	(61,003)
Other operating expenses	3	(3,285)	(2,516)
		(145,594)	(139,016)
Net financing costs	6	(4,728)	(5,951)
Impairment	7	-	(9,708)
Share of profit from equity accounted investments		1	2
Profit before tax		2,919	14,743
Income tax (expense)/benefit	9	4,868	(5,802)
Profit for the year		7,787	8,941
Non GAAP supplementary note:	1c		
Profit before tax		2,919	14,743
Add back:			
Rebates to shareholders	8	60,228	54,107
Adjusted profit before rebate and tax		63,147	68,850

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2021 \$000	2020 \$000
Profit for the year		7,787	8,941
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		(38,088)	14,212
Amount removed from equity, in relation to cash flow hedges, and included in initial cost of inventory on hand during the period		27,053	(19,392)
Income tax on items recognised directly in other comprehensive income	9	3,090	1,450
Other comprehensive income, net of income tax		(7,945)	(3,730)
Total comprehensive income for the year		(158)	5,211

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	FULLY PAID ORDINARY SHARES \$000	SHARE ALLOTMENT RESERVE \$000	HEDGING RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
Balance at 1 June 2019		194,103	16,630	7,311	241,500	459,544
Profit for the year		-	-	-	8,941	8,941
Net change in the fair value of cash flow hedges		-	-	(5,180)	-	(5,180)
Income tax relating to components of other comprehensive income		-	-	1,450	-	1,450
Other comprehensive income for the year, net of tax		-	-	(3,730)	-	(3,730)
Shares issued	23(a)(ii)	115	-	-	-	115
Shares provided / issued in lieu of rebate	23(a)(iv)	16,592	(630)	-	-	15,962
Shares repurchased		(10,877)	-	-	-	(10,877)
Total transactions with owners		5,830	(630)	-	-	5,200
Balance at 31 May 2020		199,933	16,000	3,581	250,441	469,955
Balance at 1 June 2020		199,933	16,000	3,581	250,441	469,955
Profit for the year		-	-	-	7,787	7,787
Net change in the fair value of cash flow hedges		-	-	(11,035)	-	(11,035)
Income tax relating to components of other comprehensive income		-	-	3,090	-	3,090
Other comprehensive income for the year, net of tax		-	-	(7,945)	-	(7,945)
Shares issued	23(a)(ii)	206	-	-	-	206
Shares provided / issued in lieu of rebate	23(a)(iv)	16,032	917	-	-	16,949
Shares repurchased		(10,937)	-	-	-	(10,937)
Total transactions with owners		5,301	917	-	-	6,218
Balance at 31 May 2021		205,234	16,917	(4,364)	258,228	476,015

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

Consolidated Balance Sheet

AS AT 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2021 \$000	2020 \$000
Shareholders' equity			
Paid-in capital		205,234	199,933
Retained earnings and other reserves		270,781	270,022
Total equity		476,015	469,955
Current liabilities			
Bank revolving cash advance facility	19	74,009	29,500
Trade and other payables	18	109,800	101,802
Derivative liabilities	24e	8,349	2,291
Rebate payable	8	43,393	38,180
Provisions	20	2,554	2,676
Lease liabilities	16	9,245	8,875
Income tax payable		-	5,585
Total current liabilities		247,350	188,909
Non-current liabilities			
Provisions	20	8,104	7,015
Lease liabilities	16	30,136	30,174
Total non-current liabilities		38,240	37,189
Total liabilities		285,590	226,098
Total equity and liabilities		761,605	696,053
Current assets			
Cash and cash equivalents		21,668	16,024
Trade and other receivables	11	109,410	105,195
Inventories	12	168,710	159,780
Derivative assets	24e	461	9,258
Intangible assets	17	9,135	9,900
Assets held for sale	13	8,777	1,039
Income tax receivable		1,800	-
Total current assets		319,961	301,196
Non-current assets			
Investments in equity accounted investees		126	124
Loan to equity accounted investees		287	575
Deferred tax assets	10	10,135	2,587
Property, plant and equipment	15	343,966	310,624
Lease assets	16	38,424	38,461
Intangible assets	17	48,706	42,486
Total non-current assets		441,644	394,857
Total assets		761,605	696,053

For and on behalf of Board of Directors:



DJB Coull
Chairman of Directors
28 July 2021



SD Robertson
Director
28 July 2021

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2021 \$000	2020 \$000
Cash flows from operating activities			
Cash receipts from customers		887,645	890,146
Cash paid to suppliers and employees		(786,302)	(744,993)
Interest received		171	185
Dividends received		20	24
Insurance proceeds		3,704	-
Government grants		1,196	14
Rebate to shareholders		(54,098)	(56,962)
Less shares issued in lieu of rebate		16,032	16,592
Net rebate paid		(38,066)	(40,370)
Interest paid		(3,055)	(4,362)
Income tax (paid) / received		(6,974)	(175)
Net cash flow from operating activities	21	58,338	100,469
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		2,223	1,083
Proceeds from the settlement of derivatives		7	-
Acquisition of property, plant and equipment and intangibles		(79,737)	(81,307)
Net cash flow from investing activities		(77,506)	(80,224)
Cash flows from financing activities			
Proceeds from issue of co-operative shares		206	115
Repurchase of surrendered shares		(10,323)	(10,109)
Net drawdown of borrowings		44,509	6,500
Payment of lease liabilities		(9,580)	(9,183)
Net cash flow from financing activities		24,811	(12,677)
Net movement in cash and cash equivalents		5,644	7,568
Cash and cash equivalents at 1 June		16,024	8,456
Cash and cash equivalents at 31 May		21,668	16,024

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

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

Consolidated financial statements for the Group are presented. The consolidated financial statements of the Group as at and for the year ended 31 May 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group's principal activities are the manufacture, marketing and supply of nutrient-related products in New Zealand.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate to profit-oriented entities. They also comply with International Financial Reporting Statements.

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

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The financial statements were approved by the Board of Directors on 28 July 2021.

b) Use of estimates and judgements

The preparation of the financial statements requires the use of judgements, estimates and applying assumptions that affect the amounts reported in the financial statements. These have been based on historical experience and other factors believed to be reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- Note 7 and 15 - Impairment - specifically relating to judgements relating to the impairment or carrying value of Seales Winslow
- Notes 15 & 16 - The useful life of property, plant and equipment and intangible assets such as software
- Note 16 - Leases - relating to lease terms and whether the Group is reasonably certain to exercise options to extend
- Note 20 - Provisions - Quantification and estimation of site restoration costs

c) General Note:

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control and rewards of the asset.

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

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

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

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

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

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

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

d) New standards and interpretations

There are no new standards or interpretations for the year ending 31 May 2021.

NZ IFRS 16 Leases

The Group initially adopted NZ IFRS 16 Leases from 1 June 2019. As a result, the Group has its accounting policy for lease contracts as detailed in Note 16. The Group has elected to adopt the modified retrospective approach. Comparative information and opening equity are therefore not restated.

2. REVENUE AND OTHER OPERATING INCOME

	2021 \$000	2020 \$000
Sale of goods	880,074	876,671
Services provided	16,966	14,603
Total revenue from contracts with customers	897,040	891,274
Other operating income		
Net gain on disposal of property, plant and equipment	254	-
Other dividend income	20	24
Government grants including NZ ETS credits	11,695	9,490
Insurance claims (i)	-	1,748
Other	1,063	851
	13,032	12,113

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

2. REVENUE AND OTHER OPERATING INCOME (CONTINUED)

(i) Insurance claims included recoveries relating to the claim for damage to a catalyst vessel at the Kapuni ammonia urea plant in 2016. In the year ending 31 May 2021 no additional insurance recovery was recorded in relation to the claim (2020: \$1,748m). For this claim, nil is outstanding at balance date (2020: \$2,748m). This was recorded within Trade and other receivables (note 11).

Policy

The Group generates revenue primarily from the sale of fertiliser to its customers. Fertiliser sales of the group are primarily made through merchants, where revenue is recognised at the point of delivery of goods to the customer. Consideration includes both fixed and variable consideration, refer to note 8 regarding variable consideration. Standard credit terms are month following invoice with the rebate variable component determined at financial year end.

Services provided

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

Insurance claim recoveries are recognised when received or when receipt is virtually certain. Recovery is considered to be virtually certain when there is a loss event which can be claimed under an insurance contract held and the amount which will be recovered can be estimated reliably and is not disputed

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

3. OTHER OPERATING EXPENSES

	2021 \$000	2020 \$000
Net loss on disposal of property, plant and equipment	-	119
Research and development expense	3,252	2,338
Donations	37	50
Other	(4)	9
	3,285	2,516

4. PERSONNEL EXPENSES

	Note	2021 \$000	2020 \$000
Wages and salaries		82,866	82,712
Contributions to defined contribution superannuation plans		4,612	4,821
Increase / (decrease) in liability for long-service leave	20	145	35
		87,623	87,568

5. AUDITORS' REMUNERATION

	2021 \$000	2020 \$000
Audit services		
Audit of financial statements	199	180
Other audit related fees - share register fee	3	2
Other services		
Taxation services - compliance	37	35
Taxation services - advisory	9	23
	248	240

6. FINANCING INCOME AND EXPENSE

	Note	2021 \$000	2020 \$000
Financing income			
Interest from bank		171	185
Financing expense			
Interest paid to banks		1,537	2,919
Unwind of discount rate on deferred and contingent consideration	20	23	3
Interest on lease liabilities	16	1,495	1,439
Other financial expenses		1,844	1,775
		4,899	6,136
Financing costs (net)		4,728	5,951

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

Policy

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

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

7. IMPAIRMENT

a) Impairment write down

	Note	2021 \$000	2020 \$000
Impairment of Seales Winslow	15	-	9,708
		-	9,708

During the year ending 31 May 2020, the Group recognised a \$9.7m impairment charge relating to Seales Winslow where the carrying amount exceeded the recoverable amount (refer Note 15). This principally related to the carrying values of the plant and equipment of the business. There was no further impairment in the year ending 31 May 2021.

Policy

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.

8. REBATE

	2021 \$000	2020 \$000
Rebate provided for current year	60,310	54,180
Rebate for the prior year (over) / under provided and recognised in the current year	(82)	(73)
	60,228	54,107
Balance Sheet:		
Rebate provided for the current year	60,310	54,180
Less rebate allocated to the share allotment reserve	(16,917)	(16,000)
	43,393	38,180

Policy

Rebateable sales are eligible for sales volume and value rebates as declared by the Directors from the trading result. When the rebate is accrued it is either allocated to the share allotment reserve for those shareholders who are required to increase their shareholding to meet their share quota (note 23a) or accrued as a current liability (rebate payable) and will be paid out in cash. For financial reporting purposes rebates are treated as a deduction in profit or loss. The cash rebate payment is shown as a cash outflow from operating activities in the statement of cash flows.

9. INCOME TAX EXPENSE / (BENEFIT)

	2021 \$000	2020 \$000
Reconciliation of income tax expense / (benefit)		
Profit before tax	2,919	14,743
Income tax using the domestic company tax rate - 28%	817	4,128
Increase / (decrease) in income tax expense due to:		
Non-deductible expenses	210	3,075
Tax exempt revenues	(3,137)	(701)
Tax losses de-recognised	-	698
Adjustments for prior years	(3)	(800)
Buildings re-classified as deductible	-	(1,399)
Temporary differences recognised	(2,755)	-
Other	-	802
Income tax expense / (benefit) in income statement	(4,868)	5,802
Comprising:		
Current tax	(410)	8,001

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

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

	2021 \$000	2020 \$000
Deferred tax	(4,458)	(2,198)
	(4,868)	5,802
Income tax recognised directly in other comprehensive income		
Derivatives	(3,090)	(1,450)
	2021 \$000	2020 \$000
Imputation credits		
The imputation credits are available to shareholders of the parent company:		
through the parent company	129,537	122,186
through subsidiaries	1,743	1,743
	131,280	123,929

Policy

Income tax expense / (benefit) comprises current and deferred tax. The Group calculates income tax expense / (benefit) using tax rates enacted or substantively enacted at balance date. Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

10. DEFERRED TAX ASSET / (LIABILITY)

	PPE AND INTANGIBLES \$000	PROVISIONS AND ACCRUALS \$000	HEDGE RESERVE \$000	OTHER \$000	TOTAL \$000
Balance at 1 June 2019	(7,001)	4,854	(2,844)	3,930	(1,061)
Recognised in profit or loss	2,798	702	-	(1,302)	2,198
Recognised in other comprehensive income	-	-	1,450	-	1,450
Balance at 31 May 2020	(4,203)	5,556	(1,394)	2,628	2,587
Recognised in profit or loss	4,246	278	-	(66)	4,458
Recognised in other comprehensive income	-	-	3,090	-	3,090
Balance at 31 May 2021	43	5,834	1,696	2,562	10,135

As at the 31 May 2021 there were unused tax losses of \$0.698m (2020: \$0.698m) not recognised as a deferred tax asset. These arose prior to the 100% owned acquisition of Seales Winslow Ltd.

Policy

Deferred tax is:

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

11. TRADE AND OTHER RECEIVABLES

	2021 \$000	2020 \$000
Current		
Trade and other receivables	96,029	96,179
Prepayments	13,381	9,016
	109,410	105,195
Trade and other receivables status		
Not past due	93,050	90,666
past due 0 – 30 days	2,531	4,099
past due 31 – 120 days	354	1,233
past due > 120 days	94	181
Total	96,029	96,179

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

Policy

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

Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with trade receivables. Included in trade receivables are debtors which are past due at balance date and for which no allowance for impairment has been made (2020: nil). The Group monitors the credit quality of its receivables and does not anticipate non-performance.

12. INVENTORIES

	2021 \$000	2020 \$000
Manufactured and finished products	120,768	108,937
Raw materials	12,832	15,577
	133,600	124,514
Goods in transit	26,423	26,959
Packaging	3,977	4,146
Consumables and spares	4,710	4,161
	168,710	159,780

The write-down of inventories to net realisable value was nil (2020: \$0.4m).

Policy

Inventories are measured at the lower of cost and net realisable value (NRV). NRV is the estimated selling price, less estimated costs of completion and selling costs. The cost of inventory is based on weighted average and includes expenditure incurred in bringing them to their existing location.

13. ASSETS HELD FOR SALE

Items of property, plant and equipment or intangible assets surplus to our requirements are presented as a disposal group held for sale. Items held for sale are highly probable for disposal within the next 12 months. The Emissions Trading Scheme units held for sale are counted at the lower of cost or net realisable value. The market value at 31 May 2021 was \$13.3m.

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

	NOTE	2021 \$000	2020 \$000
Land	15	-	1,039
Emissions Trading Scheme units	17	8,777	-
		8,777	1,039

14. INVESTMENTS

The Company has the following material investments:

a) Subsidiaries

	PRINCIPAL ACTIVITY	2021 BALANCE DATE	INTEREST	2020 BALANCE DATE	INTEREST
Ballance Agri-Nutrients (Kapuni) Limited	Urea manufacture	31 May	100%	31 May	100%
Super Air Limited	Agricultural aviation	31 May	100%	31 May	100%
Seales Winslow Limited	Animal feed and nutrition	31 May	100%	31 May	100%

Policy

Subsidiaries are entities controlled directly or indirectly by the parent. The parent holds and controls 100% of the voting rights in all entities reported as subsidiaries. The financial statements of subsidiaries are reported in the consolidated financial statements using the acquisition method of consolidation. Intra-group balances and transactions between group companies are eliminated on consolidation. All subsidiaries are incorporated in New Zealand.

b) Equity accounted investee

	PRINCIPAL ACTIVITY	2021 BALANCE DATE	INTEREST	2020 BALANCE DATE	INTEREST
NZ Phosphate Company Limited	Research	30 June	50%	30 June	50%

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

14. INVESTMENTS (CONTINUED)

Policy

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

15. PROPERTY, PLANT AND EQUIPMENT (PPE)

	NOTE	LAND AND IMPROVEMENTS \$000	BUILDINGS \$000	PLANT, EQUIPMENT AND AIRCRAFT \$000	UNDER CONSTRUCTION \$000	TOTAL \$000
Carrying value 1 June 2019		47,354	51,262	152,191	40,420	291,227
Cost		53,985	114,135	384,530	40,420	593,070
Accumulated depreciation		(6,631)	(62,873)	(232,338)	-	(301,842)
Acquisitions / (transfers)		7,601	19,833	36,536	2,303	66,273
Depreciation expense		(548)	(4,694)	(29,685)	-	(34,927)
Impairment	7	-	-	(9,708)	-	(9,708)
Disposals - cost		-	(8)	(7,912)	-	(7,920)
Disposals - accumulated depreciation		-	8	6,710	-	6,718
Reclassification from (to) assets held for sale	13	(1,039)	-	-	-	(1,039)
Carrying value 31 May 2020		53,368	66,401	148,132	42,723	310,624
Cost		60,548	133,959	413,154	42,723	650,384
Accumulated depreciation		(7,180)	(67,558)	(265,022)	-	(339,760)
Acquisitions / (transfers)		1,115	3,244	39,826	25,670	69,855
Depreciation expense		(558)	(5,182)	(29,836)	-	(35,576)
Disposals - cost		(192)	(1,456)	(5,032)	-	(6,680)
Disposals - accumulated depreciation		1	1,053	4,689	-	5,743
Carrying value 31 May 2021		53,734	64,060	157,779	68,393	343,966
Cost		61,471	135,747	447,947	68,393	713,558
Accumulated depreciation		(7,737)	(71,687)	(290,168)	-	(369,592)

Policy

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

Estimated useful lives are as follows:

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

Kapuni ammonia urea plant is depreciated in line with economic life which is currently February 2030. The economic life has been based on a number of factors including judgements on gas availability, international urea price forecasts and the capital expenditure required on the current plant. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

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 policies. 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.

Capital expenditure commitments

The estimated capital expenditure for PPE contracted for at balance date but not provided is \$15.3m for the Group (2020: \$6.1m).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

16. LEASES

Leases as lessee

Right-of-use asset (ROU)	PROPERTY \$000	VEHICLES \$000	OTHER \$000	TOTAL \$000
Carrying value 1 June 2019	-	-	-	-
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Movement on transition	34,685	4,348	266	39,299
Additions	7,382	931	620	8,933
Completed leases - cost	(13)	(318)	(15)	(346)
Completed leases - accumulated depreciation	13	318	15	346
Depreciation expense	(7,651)	(1,796)	(324)	(9,771)
Carrying value 1 June 2020	34,416	3,483	562	38,461
Cost	42,054	4,961	870	47,885
Accumulated depreciation	(7,638)	(1,478)	(308)	(9,424)
Additions	7,827	1,791	295	9,913
Completed leases - cost	(252)	(603)	(537)	(1,392)
Completed leases - accumulated depreciation	252	603	535	1,390
Depreciation expense	(7,777)	(1,755)	(416)	(9,948)
Carrying value 31 May 2021	34,466	3,519	439	38,424
Cost	49,629	6,149	629	56,407
Accumulated depreciation	(15,163)	(2,630)	(190)	(17,983)

	MINIMUM LEASE PAYMENT \$000	INTEREST \$000	PRESENT VALUE \$000
Lease liability 2020			
Within one year	10,264	1,389	8,875
Two to three years	8,030	1,018	7,012
Four to five years	14,940	1,731	13,209
Greater than five years	11,010	1,057	9,953
	44,244	5,195	39,049

Leases reported in the Balance Sheet as:

- current liabilities	8,875
- non-current liabilities	30,174
	39,049

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

Leases reported in the Balance Sheet as:

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

16. LEASES (CONTINUED)

Policy

Lease liabilities are measured at the present value of future lease payments, discounted at the rate implicit in the lease or at the Group's incremental borrowing rate which ranges between 2% and 7%. Right-of-use assets are initially accounted for at cost, comprising the initial amount of the lease liability. Right-of-use assets are subsequently depreciated using the straight-line method over the term of the lease. When considering the lease term, the Group applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

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

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

17. INTANGIBLE ASSETS

	GOODWILL \$000	EMISSIONS TRADING SCHEME \$000	SOFTWARE \$000	TOTAL \$000
Carrying value 1 June 2019	-	19,010	25,497	44,507
Cost	-	19,010	69,405	88,415
Accumulated amortisation	-	-	(43,908)	(43,908)
Acquisitions	737	-	12,092	12,829
Movement in development costs	-	-	2,205	2,205
Grant - net allocation of emissions trading scheme credits	-	(257)	-	(257)
Amortisation	-	-	(6,898)	(6,898)
Disposals - cost	-	-	(114)	(114)
Disposals - accumulated amortisation	-	-	114	114
Carrying value 31 May 2020	737	18,753	32,896	52,386
Cost	737	18,753	83,588	103,078
Accumulated amortisation	-	-	(50,692)	(50,692)
Acquisitions	-	-	4,246	4,246
Movement in development costs	-	-	5,532	5,532
Grant - net allocation of emissions trading scheme credits	-	12,754	-	12,754
Amortisation	-	-	(8,300)	(8,300)
Transfers Out	-	-	-	-
Transfer held for sale units	-	(8,777)	-	(8,777)
Carrying value 31 May 2021	737	22,730	34,374	57,841
Cost	737	22,730	93,367	116,834
Accumulated amortisation	-	-	(58,993)	(58,993)
Intangible assets are reported in the Balance Sheet as:				
31 May 2020				
Current assets	-	9,900	-	9,900
Non-current assets	737	8,853	32,896	42,486
	737	18,753	32,896	52,386
31 May 2021				
Current assets	-	9,135	-	9,135
Non-current assets	737	13,595	34,374	48,706
	737	22,730	34,374	57,841

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FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

Policy

Intangible assets are initially measured at cost, and subsequently stated at cost less any accumulated amortisation and impairment losses. This excludes Emissions Trading Scheme credits which are initially valued at fair value.

Subsequent expenditure that increases the economic benefits derived from the asset is capitalised. All other expenditure is expensed as incurred.

Software, technology systems and licences have been assessed as having a finite life greater than 12 months, and are amortised from the date the asset is ready for use on a straight line basis over its estimated useful life.

Estimated useful lives are as follows:

Software.	2 - 10 years
Technology systems and licences.	3 - 7 years

Amortisation is recognised within administration expense.

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

NZ ETS

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.

The allocation is recognised as deferred income and recognised in profit or loss on a systematic basis over the period to which the grant relates. Units expected to be utilised within twelve months of balance date are presented within current assets.

Goodwill

Goodwill is associated with Super Air Limited purchasing the assets of an aerial topdressing business during the year 31 May 2020.

18. TRADE AND OTHER PAYABLES

	2021 \$000	2020 \$000
Current		
Trade payables and accrued expenses	76,859	73,299
Share repurchase instalments	6,458	5,844
Employee benefits	8,948	8,857
Emissions trading scheme - deferred income	6,570	4,491
Emissions trading scheme - liability	4,096	3,518
Non-trade payables and accrued expenses	6,869	5,793
	109,800	101,802

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

19. LOANS AND BORROWINGS

At 31 May 2021 the committed and uncommitted bank facilities available were \$320m, of which \$74.0m was drawn in the Group (2020: facility \$332m, actual drawn \$29.5m). These facilities range in tenor from 1 to 5 years.

The average interest rate in 2021 was 1.70%. Deposits and the Bank Revolving Cash Advance Facility have different interest rates and the loan agreement provides for right of set off against deposits.

Borrowings are unsecured and subject to various lending covenants. These have all been met for the years ended 31 May 2021 and 31 May 2020.

20. PROVISIONS

	NOTE	2021 \$000	2020 \$000
Employee benefits - long-service leave provision			
Opening balance		1,454	1,419
Movement in provision	4	145	35
Closing balance		1,599	1,454
Contingent consideration			
Opening balance		740	-
Movement in provision		466	737

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

20. PROVISIONS (CONTINUED)

	NOTE	2021 \$000	2020 \$000
Cash payment		(357)	-
Unwind of discount	6	23	3
Closing balance		872	740
Holidays Act remediation			
Opening balance		1,897	2,600
Movement in provision		114	52
Cash payment		(203)	(755)
Closing balance		1,808	1,897
Site Restoration			
Opening balance		5,600	8,449
Movement in provision		1,229	456
Cash payment		(450)	(3,305)
Closing balance		6,379	5,600
Total provisions		10,658	9,691
Total provisions are reported in the Balance Sheet as:			
Current liabilities		2,554	2,676
Non-current liabilities		8,104	7,015
		10,658	9,691

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

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

Policy

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

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

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2021 \$000	2020 \$000
Profit for the year	7,787	8941
Add non-cash and non-operating items:		
Inventory write-down to net realisable value	-	416
Depreciation on Assets and Leases	45,526	44,698
Amortisation	8,300	6,898
Emissions trading scheme - net cost of carbon	(10,098)	(1,098)
Impairment write down	-	9,708
Derivative fair value movement	1,844	1,772
Loss / (gain) on sale of property, plant and equipment	(254)	119
Employee benefits	145	35

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	2021 \$000	2020 \$000
Rebate transferred to Share Allotment Reserve	16,949	15,962
Equity accounted earnings of associates	(1)	(2)
Increase / (decrease) in deferred tax	(4,458)	(2,198)
Add (deduct) movements in working capital:		
Movement in trade and other receivables	(7,206)	(3,216)
Movement in inventories	(8,093)	978
Movement in trade and other payables	10,066	11,855
Movement in rebate payable	5,213	(2,225)
Movement in tax receivable	(7,384)	7,826
Net cash from operating activities	58,338	100,469

22. RELATED PARTIES

Identity of related parties

Related parties of the Group include the subsidiaries and associates disclosed in note 14, and key management personnel which includes directors and the executive team.

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

	2021 \$000	2020 \$000
Transactions with external related parties through common directorship, control or significant influence		
Revenue	7,556	7,216
Expenses	8,470	9,797
Rebate	502	476
Balances with external related parties through common directorship, control or significant influence		
Amounts owing to the company	1,336	1,481
Amounts owed by the company	57	171
Key management personnel and directors compensation		
Short term employee benefits, excluding directors (measured on an accrual basis)	4,554	5,419
Directors' fees	775	775
Total	5,329	6,194

23. CAPITAL AND RESERVES

a) Share capital

(i) Reconciliation of movement in co-operative shares

	2021 000's	2020 000's
Opening balance	44,117	43,473
Co-operative shares issued	25	14
Co-operative shares issued in lieu of rebate	1,979	2,048
Co-operative shares repurchased	(1,417)	(1,419)
Closing balance	44,704	44,117

(ii) Co-operative shares

All shares are fully paid and have no par value. Each share has a nominal value of \$810 (2020: \$810). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company subject to any restricted holding determined for shares exceeding 100,000 and any other restrictions in the constitution. All shares rank equally with regard to the Company's residual assets.

Policy

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

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

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FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

(iii) Share redemption features

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

The estimated annual cash outflow for repurchased shares is \$9m to \$12m. This estimate is primarily based on the historical level of cash outflow to pay repurchases that have met the repurchase criteria and have been approved by directors for payment. Any surrender is subject to Ballance being able to comply with any legal restrictions on surrender, including being able to meet the solvency test under the Companies Act.

(iv) Repurchase of shares

During the year 1,416,696 shares (2020: 1,418,582) were repurchased at an average price of \$7.72 per share (2020: \$7.67) and subsequently cancelled.

b) Other reserves

Other reserves comprise:

- A shares allotment reserve is an estimate of the portion of accrued rebate for the current year that will be applied to the issuance of shares in the Company where shareholders hold less than their quota shareholding requirement.
- The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

24. FINANCIAL INSTRUMENTS

Financial risk management policy

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

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

For each risk type, any position outside the policy limits requires the prior approval of the board of directors.

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

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

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

Derivative and hedge accounting policy

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

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

At inception each transaction is documented, detailing:

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

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

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

Cash flow hedges

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

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

The following are recognised in profit or loss:

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

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

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

a) Foreign currency risk

Quantitative disclosures

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

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FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

Foreign currency risk	MATURITY	
	1-6 MONTHS	6-12 MONTHS
Forward exchange contracts		
Net exposure (in thousands of New Zealand Dollars)	183,229	72,907
Average New Zealand Dollars:USD forward contract rate	0.693	0.725
Average New Zealand Dollars:EUR forward contract rate		0.589

Interest rate risk

As at 31 May 2021 and 2020 there were no hedges in place for interest rates given the low levels of core debt held.

Foreign currency risk USD	2021	2020
	\$000	\$000
	USD	USD
Bank accounts	1,093	324
Trade payables	(19,460)	(15,334)
Net balance sheet exposure before hedging	(18,367)	(15,010)
Forward exchange contracts relating to exposures	18,367	15,010
Net unhedged exposure	-	-

Sensitivity analysis

At 31 May 2021 it is estimated that a 10% movement either way in the value of the NZD against the USD would have increased (decreased) equity and profit or loss in the Group by the amounts shown below.

		EQUITY	PROFIT	EQUITY	PROFIT
		2021	OR LOSS	2020	OR LOSS
		\$000	\$000	\$000	\$000
Forward exchange contracts	+10%	(22,326)	-	(23,798)	-
	-10%	27,287	-	29,087	-

Policy

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

Policy is to hedge up to 100% of trade payables and bank balances denominated in a foreign currency. At any point in time the Group also hedges between 20% and 100% of its estimated foreign currency exposure in respect of forecasted purchases over the following 12 months. The Group uses forward exchange contracts to hedge the currency risks. Derivative contract and options have maturities of less than one year at the reporting date. These contracts are generally designated as cash flow hedges.

Determination of fair value

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

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

b) Interest rate risk

The Group has no interest rate swaps in place at balance date.

Policy

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

Interest rate exposures are managed primarily by entering into derivative contracts to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The Group does not currently have a significant interest rate risk exposure due to the current level of debt.

Determination of fair value

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

c) Credit risk

The Group is exposed to credit risk, in the normal course of business, from financial institutions and customers.

The main objective is to minimise financial loss as a result of counterparty default.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

24. FINANCIAL INSTRUMENTS (CONTINUED)

Our credit policies to manage this exposure include:

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

d) Liquidity risk

	CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0 - 12 MONTHS \$000
2021			
Unsecured bank loans	74,009	74,009	74,009
Trade and other payables	109,800	109,800	109,800
Net rebates payable	43,393	43,393	43,393
Total non-derivative liabilities	227,202	227,202	227,202
Net settled foreign exchange derivatives used for hedging:	(7,888)	(8,043)	(8,043)
	CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0 - 12 MONTHS \$000
2020			
Unsecured bank loans	29,500	29,500	29,500
Trade and other payables	101,802	101,802	101,802
Net rebates payable	38,180	38,180	38,180
Total non-derivative liabilities	169,482	169,482	169,482
Net settled foreign exchange derivatives used for hedging:	6,967	6,783	6,783

The above table shows the timing of non-discounted cash flows for all financial instrument liabilities and derivatives.

Policy

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

The objective is to ensure the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

e) Classification and fair values

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

	NOTIONAL AMOUNT \$000	FAIR VALUE HELD FOR TRADING \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
2021				
Assets	50,625			
Derivatives		461	-	51,086
Trade and other receivables		-	96,029	96,029
Cash and cash equivalents		-	21,668	21,668
Total assets	50,625	461	117,697	168,783
	NOTIONAL AMOUNT \$000	FAIR VALUE - HEDGING INSTRUMENTS \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
2021				
Liabilities				
Derivatives	205,511	8,349	-	213,860
Trade and other payables	-	-	109,800	109,800

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTIONAL AMOUNT \$000	FAIR VALUE HELD FOR TRADING \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
2021				
Net rebates payable	-	-	43,393	43,393
Bank loans	-	-	74,009	74,009
Total liabilities	205,511	8,349	227,202	441,062
	NOTIONAL AMOUNT \$000	FAIR VALUE - HEDGING INSTRUMENTS \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
2020				
Assets				
Derivatives	168,906	9,258	-	178,164
Trade and other receivables	-	-	96,179	96,179
Cash and cash equivalents	-	-	16,024	16,024
Total assets	168,906	9,258	112,203	290,367
Liabilities				
Derivatives	86,176	2,291	-	88,467
Trade and other payables	-	-	101,802	101,802
Net rebates payable	-	-	38,180	38,180
Bank loan	-	-	29,500	29,500
Total liabilities	86,176	2,291	169,482	257,949

f) Fair value hierarchy

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

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

25. CONTINGENCIES

Contingent liabilities - There were no material contingent liabilities at balance date.

26. SUBSEQUENT EVENTS

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

27. COVID-19

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being impacted in terms of their ability to operate, secure supplies, transport these or meet fluctuations in demand. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in economic supply challenges. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

As a designated essential industry servicing the rural sector the Company continued to operate through level 3 and level 4 lockdowns. Up until balance date and the date of signing these financial statements there was no material impact from COVID-19 on the financial position or performance.

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

Independent Auditor's Report

To the shareholders of Ballance Agri-Nutrients Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Ballance Agri-Nutrients Limited (the 'Company') and its subsidiaries (the 'Group') on pages 63 to 82:

- i. Present fairly in all material respects the Group's financial position as at 31 May 2021 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- The consolidated balance sheet as at 31 May 2021;
- The consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$6.6 million determined with reference to a benchmark of Group expenses. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

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

The key audit matter

How the matter was addressed in our audit

Lease site exit provision (\$6.4 million)

As disclosed in Note 20 of the financial statements, the Group has recorded provisions of \$10.7 million (2020: \$9.7 million).

Included in the total provisions balance of \$10.7 million is \$6.4 million for restoration of leased sites (2020: \$5.6 million).

Determining the value of the site exit provision requires significant judgement including assessing the obligations within relevant lease agreements, the current condition of the impacted sites and the cost and timing of remediation work.

Our audit procedures included:

- Determining whether an obligation exists based on the lease agreements, including the review of legal advice obtained in respect of the matter;
- Challenging management's assessment of the work still to be completed and expected costs by reviewing lease agreements, engineers' reports, internal assessments and quotes to complete remedial work;
- Considering the competence, objectivity and independence of the third parties used by management, including the assessment of their professional qualifications and experience;
- Assessing and challenging the method(s) used in calculating the provision to be recognised; and
- Comparing actual costs incurred in any site exit work completed to date with amounts provided for in previous years to determine whether or not the remaining costs may be over or under provided for.

We did not identify any material exceptions from procedures performed and found the judgements and assumptions to be balanced and consistent with our understanding of the nature and obligations of the lease agreements to remediate relevant sites.

Valuation and accuracy of inventory (\$168.7 million)

As disclosed in Note 12 of the financial statements, the Group has inventory of \$168.7 million (2020: \$159.8 million).

Key components of inventory include manufactured and finished goods (\$120.8 million) and raw materials (\$12.8 million).

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

Our audit procedures included the following, amongst others:

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

Judgement is also required in determining the value of inventory in

The key audit matter

cases where it may be difficult to use or sell inventory profitably.

How the matter was addressed in our audit

— Examining management’s inventory provision assessments, challenging key assumptions including alternative uses for products and considering alternatives.

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

Impairment of Assets (\$0 million)

As disclosed in Notes 7 and 15 of the financial statements, the Group has recorded no impairment (2020: \$9.7 million) in relation to Seales Winslow’s property, plant and equipment. The Group has a policy that the carrying amounts of the Group’s assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

Based on historic financial performance of Seales Winslow’s, impairment of assets is considered to be a key audit matter due to the judgement involved in the assessment of net realisable value of the carrying amount of the cash generating units assets, primarily Property, Plant & Equipment.

Our audit procedures focused on the appropriateness of the Group’s assessment as to whether the carrying values of Property, Plant & Equipment materially represent their net realisable values, and if an impairment is required, that the impaired assets have been accurately reflected in the financial statements. These procedures included the following, amongst others:

- For land, buildings, improvements and plant:
 - For valuation expert(s) utilised, considering the competence, objectivity and independence of the valuers, including the assessment of their professional qualifications and experience;
 - Assessing whether the valuation methodologies used to value the assets were appropriate;
 - Assessing whether the evidence used by the valuer is based on appropriate comparable properties and or benchmarks;
 - Assessing the highest and best use of the assets including assessing potential market participants;
 - Comparing the fair value derived by the valuer against the carrying value recorded by management to assess whether any impairment is required.

We did not identify material exceptions from procedures performed, and found the judgements and assumptions used to calculate the fair value of the assets to be balanced and consistent with our understanding.

Other information

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

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have received the Directors’ Interests section and have nothing to report in regard to it. The full Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report and we will report the matters identified, if any, to the Directors.



Use of this independent auditor’s report

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



Responsibilities of the Directors for the consolidated financial statements

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

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



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

Our objective is:

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

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

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

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

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

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

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

For and on behalf of

KPMG
Tauranga

28 July 2021

Directors' Interests

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

GENERAL DISCLOSURES

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

DIRECTOR	POSITION	COMPANY
DV Balle	Director	Balle Bros Group Onions New Zealand Incorporated Open Country Dairy Limited (resigned March 2021) Potatoes New Zealand Limited
	Director	Independent Assessment Board, Local Government of New Zealand Excellence Programme POU Limited
	Chairman	FarmRight Limited H.W. Richardson Group Limited
AG Brantley	Chairman	Naki Construction Limited (appointed July 2020) Otorohanga District Development Board (appointed July 2020) Westfield Farms Limited (appointed July 2020) Westyle Developments Limited (appointed July 2020) Coull Farms Limited
	Director	NZ Phosphate Company Limited (appointed October 2020) RBS 2015 Limited
	Board member Panel member Shareholder	Fertiliser Association of New Zealand (appointed October 2020) OSPRI director assessment panel Harakeke Dairies Limited Waipa Pastoral Limited
AC Darke (elected September 2020)	Director	Mt View Limited Ridgeway Farms Limited
KR Ellis	Chairman	NZ Social Infrastructure Fund Limited Green Cross Health Limited Metlifecare Limited (resigned November 2020) Ultimate Care Group (appointed February 2021)
	Advisor Consultant Director	Envirowaste Services Limited Freightways Limited FSF Management Company Limited Port of Tauranga Limited
	Chairman	Beef + Lamb New Zealand Limited NZ Meat Board Glenroy Morrison Limited Ovis Management Limited Pastoral Greenhouse Gas Research Consortium Wool Research Organisation of New Zealand Agricultural Leaders Health and Safety Action Group incorporated (resigned July 2020)
	Member	Food and Fibre Leaders' Forum (appointed Oct 2020) Food and Fibres Partnership Group (appointed Oct 2020) Strong Wool Action Group (appointed Oct 2020) AD Morrison Farms Partnership
DE Peacocke (retired September 2020)	Partner	AD Morrison Farms Partnership
	Director	Melrose Limited New Zealand Phosphate Company Limited Taupiri Holdings Limited The Adare Company Limited Pulham & Begbie Limited Raglan Cattle Company Limited
	Director	Apata Group Limited Apata Suppliers Limited Independent Timber Merchants Co-Operative Limited Synlait Milk Limited (appointed November 2020) Synlait Milk Finance Limited (appointed November 2020)
MJ Taggart	Chairman	Alliance Group Limited Taumata Plantations Limited
	Director	FMG Insurance Limited Oxford Health Charity Limited
	Partner Trustee	MJ, RM & GE Taggart t/a Taggart Farms North Canterbury Farmers' Charitable Trust (resigned June 2021) Oxford Health Charitable Trust
	Shareholder	Centralines Limited (appointed November 2020) FMG Insurance Limited (appointed August 2020) Hinerangi Station Limited Totara Dairy Farm Limited
SJ von Dadelszen	Member	Maharakeke and Porangahau streams catchment group (appointed March 2021) Tukituki Water Security Limited (appointed February 2021)
	Treasurer	Dannevirke Hunt

Directors' Interests

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

SPECIFIC DISCLOSURES

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

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

COMPANY INFORMATION

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

SHARE DEALINGS

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

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors and particulars of entries in the interests registers made during the year ended 31 May 2021.

Subsidiary company directors' disclosures:

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

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

Ag Hub Limited MD Wynne (E), MW Skilton (E).	Altum Nutrition Limited MD Wynne (E), MW Skilton (E).
Ballance Agri-Nutrients (Kapuni) Limited MD Wynne (E), MW Skilton (E).	Seales Winslow Limited MD Wynne (E), MW Skilton (E).
Bay of Plenty Fertiliser Company Limited MD Wynne (E), MW Skilton (E).	Southfert Limited MD Wynne (E), MW Skilton (E).
BOP Fertiliser Limited MD Wynne (E), MW Skilton (E).	Summit Quinphos Limited MD Wynne (E), MW Skilton (E).
Ballance Limited MD Wynne (E), MW Skilton (E).	Super Air Limited MD Wynne (E), MW Skilton (E).

Directors' Remuneration

Fees paid to Directors were:

	PARENT AND GROUP
DVG Balle	75,000
AG Brantley	75,000
DJB Coull	131,667
AC Darke	50,000
KR Ellis	77,500
AD Morrison	75,000
DE Peacocke	53,333
SD Robertson	85,000
MJ Taggart	75,000
SJ von Dadelszen	77,500
Total paid to Company Directors	775,000

Directors' Interests

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

INSURANCE

The Company has arranged a Directors' and Officers' liability insurance policy to insure the directors and employees of the Company and its subsidiaries in respect of those matters permitted to be insured against by S162 of the Companies Act 1993 and the constitution of the Company.

CO-OPERATIVE STATUS

As required by section 10 of the Co-operative Companies Act 1996, the following resolution was approved by the Board on 28 July 2021. 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 2021 and since registration of the company under the Co-operative Companies Act 1996 ("the Act"), been a Co-operative Company within the meaning of that Act.

The grounds for holding this opinion are that:

- The principal activity of the Company is, and is stated in its constitution to be, "a co-operative activity" (as defined in the Act), that is supplying shareholders of the company with fertiliser and related products and other goods and services;
- Not less than 60% of the voting rights attaching to shares in the Company are held by "transacting shareholders" (as defined in the Act).

EMPLOYEE REMUNERATION

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

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

Remuneration \$NZ	No. of Employees — Group	Remuneration \$NZ	No. of Employees — Group
100,000 - 110,000	49	220,001 - 230,000	5
110,001 - 120,000	41	230,001 - 240,000	6
120,001 - 130,000	43	240,001 - 250,000	2
130,001 - 140,000	37	250,001 - 260,000	1
140,001 - 150,000	28	260,001 - 270,000	2
150,001 - 160,000	14	300,001 - 310,000	3
160,001 - 170,000	24	320,001 - 330,000	1
170,001 - 180,000	16	580,001 - 590,000	3
180,001 - 190,000	11	1,880,001 - 1,890,000	1
190,001 - 200,000	5		
200,001 - 210,000	5		
210,001 - 220,000	6		

AUDITOR

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

For and on behalf of the Directors



DJB Coull
Chairman of Directors
28 July 2021



SD Robertson
Director
28 July 2021

Trend Statement

FOR THE YEAR ENDED AND AS AT 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

		2017	2018	2019	2020	2021
Group Sales Volumes	tonnes	1,616,000	1,639,000	1,647,000	1,551,000	1,553,000
Revenue before rebate	\$000	804,560	825,809	910,472	891,274	897,040
	\$/tonne	\$498	\$504	\$553	\$575	\$578
Profits						
Profit before rebate and tax	\$000	50,907	69,463	72,457	68,850	63,147
	\$/tonne	\$31.50	\$42.38	\$43.99	\$44.39	\$40.66
Group profit retained	\$000	(2,792)	9,189	11,943	8,941	7,787
After distributions, impairment provision, inventory write down and including minority interest retentions in subsidiary companies						
Cash Flow						
From operations (prior to rebate payment)	\$000	102,840	73,668	103,063	140,839	96,404
Capital and investment expenditure (net)	\$000	35,375	38,436	83,674	80,224	77,506
Distributions to Shareholders						
Rebates accrued	\$000	54,161	56,819	57,045	54,107	60,228
Rebate per tonne	\$/tonne	\$45.00	\$45.00	\$45.00	\$45.00	\$50.00
Analysis of Shareholders' Equity						
Number of shareholders		18,978	18,957	18,637	17,950	17,441
Shares on issue	000's	41,450	42,653	43,473	44,116	44,704
Nominal share value	\$	\$8.10	\$8.10	\$8.10	\$8.10	\$8.10
Share quota per tonne		30	30	30	30	30
Investment per quota tonne	\$	243.00	243.00	243.00	243.00	243.00
Co-op shareholders' equity	\$000	414,610	437,103	459,544	469,955	476,015
Group shareholders' equity		414,610	437,103	459,544	469,955	476,015
Group equity ratio		77.9%	76.1%	73.7%	67.5%	62.5%
Net asset backing per share	\$	\$10.00	\$10.25	\$10.57	\$10.65	\$10.65
Assets						
Total Assets	\$000	532,258	574,670	623,629	696,053	761,605
Working Capital	\$000	140,440	155,636	138,572	112,287	72,611
Ratio of Current Assets to Current Liabilities		2.2	2.2	1.9	1.6	1.3
Stock Turn		4.1	4.0	4.1	4.1	4.2

Corporate Governance

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

INTRODUCTION

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

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

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

ROLE OF THE BOARD

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

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

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

RISK MANAGEMENT

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

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

BOARD MEMBERSHIP

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

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

Two elected directors retire by rotation each three years and if more than one valid nomination is received for a vacancy an election is conducted with results confirmed at the shareholder Annual Meeting. Eligible retiring directors can seek re-election. All shareholders are able to vote in directors' elections.

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

There are no executive directors.

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 2021. The length of meetings is usually one day, extending to two days for meetings with special business, including, the annual strategic plan development, the annual shareholder meeting, operating site visits and field trips to meet with farmers and staff. Teleconference and video meetings are conducted in addition as required.

Directors also represent the Company at 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 AND RISK COMMITTEE

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

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

The Audit and Risk Committee is responsible for:

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

At least once a year, the Chair and directors on this committee meet with the external auditors privately without the presence of Company executives.

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

Corporate Governance

FOR THE YEAR ENDED 31 MAY 2021. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

REMUNERATION COMMITTEE

The Remuneration Committee comprises at least three directors and is currently chaired by elected director Sarah von Dadelszen.

The Remuneration Committee is responsible for reviewing and recommending to the full board:

- The Chief Executive's performance annually and his remuneration.
- The remuneration of the Chief Executive's direct reports and any annual incentive payment targets.
- The overall salary review level for the company.
- Ensuring succession plans are in place for the Chief Executive and the position's direct reports.
- The fees payable to directors, subject to shareholder approval.

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 COMMUNICATION

Ballance places considerable importance on communicating with our shareholders.

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

An annual review with highlights of the financial performance is distributed to shareholders, and the full annual report is posted on the company website, with hard copies available on request.

Shareholders may raise matters for discussion at Annual Meetings and have the ultimate control in corporate governance by voting directors on or off the Board.

CONTINUOUS DISCLOSURE

Ballance is not a listed company and is not governed by the NZX continuous disclosure rules. Ballance is a continuous issuer under a registered Product Disclosure Statement ("PDS"). The PDS is held on the Disclose Register, available at <https://disclose-register.companiesoffice.govt.nz>. Any material matters that would impact on a decision to subscribe for shares in the Company would be updated in that register.

HEALTH AND SAFETY

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

We take health and safety seriously and demonstrate this through our Zero Harm approach. We believe that no business activity should take priority over health and safety and that all incidents are preventable. While directors and management have ultimate accountability, every employee of the Company has a responsibility for health and safety and we reinforce this in our induction programmes 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 random audits. The audits ensure recommendations and nutrient advice is of the highest standard and that employees receive appropriate training and support. Audit outcomes are reported to the Board.

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

Directory

BALLANCE AGRI-NUTRIENTS LIMITED

Board of Directors

Duncan Coull – Chairman and Director (North Island)
 Dacey Balle – Director (North Island)
 Albert Brantley – Appointed Director
 Dani Darke – Director (North Island)
 Kim Ellis – Appointed Director
 Andrew Morrison – Director (South Island)
 Simon Robertson – Appointed Director
 Murray Taggart – Director (South Island)
 Sarah von Dadelzen – Director (North Island)

REGISTERED OFFICE

161 Hewletts Road, Mount Maunganui

SOLICITORS

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

BANKERS

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

AUDITOR

KPMG
 PO Box 110, Tauranga

LEADERSHIP TEAM

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

BALLANCE AGRI-NUTRIENTS LIMITED – HEAD OFFICE

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 Email receptionm@ballance.co.nz
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BALLANCE AGRI-NUTRIENTS (KAPUNI) LIMITED

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

SUPER AIR LIMITED

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