Eyes on the horizon

Annual Report 2024

Our farmers and growers are the lifeblood of our nation. As a co-operative here to support them, we thank them for all they do.

We recognise our farmers' dedication to the custodianship and stewardship of the land and the crucial role they play in supporting New Zealand's economic prosperity.

There is a lot to balance. Managing the complexities of compliance alongside productivity; navigating the ongoing challenges of delivering quality, sustainable produce; all while growing profit and efficiency isn't easy.

As our farmers' and growers' co-operative, our commitment to them remains the same as always. Providing a reliable supply of nutrients at the right price, investing in research and development, challenging the science and embracing innovative solutions, we are working hard to deliver on-farm solutions so that they can do more with less.

We appreciate the trust they place in us, and we'll continue to strive to earn it by delivering quality product, value for their investment and providing them with the best advice and support.

Together we are safeguarding the prosperity of the primary sector community and of New Zealand.

We're here for them, and they can count on us.

Contents

About this report

Ballance Agri-Nutrients is proud to present our Annual Report for the financial year ended 31 May 2024. This report includes our full financial statements as well as our non-financial highlights for the year. It is publicly available on our website.

We have included our approach to environmental, social and governance (ESG) principles and where we have focused our efforts this year. You will find more on this on Page 8.

This year, we have prepared a separate Greenhouse Gas (GHG) Inventory Report, which discloses the co-operative's GHG emissions and outlines how they are quantified. This report is also publicly available on our website.

Building strength and continued relevance

Chair's report

Reflecting on the past year, my letter to you in last year's annual report mirrors much of the same. Volatility, challenges and continued uncertainty in our operating environment across the primary sector, our economy and the wider global economy. Ballance continues to focus on the key aspects of our business that we can control, whilst ensuring we are ready to respond to positive movements when economic conditions change.

I'm a firm believer that it's how we respond rather than the challenge itself that defines our success. It is my view that we need to start thinking of change as an opportunity to adapt, evolve, and be future fit as we become more comfortable in an increasingly changing world.

This is the mantra I subscribe to and support Ballance in pursuing. Ballance is here to be a key enabler in supporting you all to adapt and evolve. We have spent considerable time reshaping our strategy to ensure we are future fit and able to do this, as your trusted co-operative partner.

There are parts of our sector that are facing significant headwinds, particularly sheep and beef farmers around the country. While beef is showing positive signs of recovery, sheep meat is still proving problematic. We feel your pain and are focused on supporting you to remain productive through a challenging cycle.

Building resilience

As you will recall, last year we made the decision to write down $51m of inventory holdings as we were left with higher volumes at a time when global commodity prices were easing. Through FY24 the business has had a strong focus on inventory management to ensure we weren't exposed to the same issues and to ensure that if and when commodity prices adjusted, we were in a strong position to pass these on to you as customers. As reported, inventory levels for FY24 finished at 281kt, which was 165kt lower than closing at FY23.

This has had a positive effect on working capital, and together with a strong focus on cost control has enabled net debt to be reduced by $69m year end.

Year-end profit before tax of $17m from continuing operations has meant the board has made the necessary decision not to pay a rebate for the FY24 financial year.

The board decided to divest Seales Winslow to focus on our core purpose of nutrient delivery with the transaction completed by year end. I want to thank the team at Seales Winslow for their dedication to the business over many years and their focus over the past twelve months as we went through this unsettling process for the team.

Kelvin Wickham joined Ballance as the incoming CEO at the conclusion of last year's AGM. Kelvin has settled in well as the business continues its transition, adapting to a focus on evolving as a future fit cooperative.

Evolving for our shareholders

I'm a great believer in the co-operative model relying on collective strength to create opportunities through challenges that we could not achieve alone. Collective strength only remains if we maintain relevance to the members we serve, produce sustainable returns and take great care of the capital they have entrusted in us. We must continue to evolve and invest in innovation to solve impacts to the environment, climate change and increasing consumer demands, to ensure our primary sector maximises the opportunity for value in international markets.

It is encouraging to see growing collaboration amongst co-operatives around data sharing to enable our farmers and growers to have a more consolidated view of data on farm, which is an important part of both compliance for regulation and also providing a more enriching experience to aid better decision making on farm. This will be key to enabling productivity growth for the wider sector being driven by the co-operative for its members.

Continued investment into research and innovation is an important strategic pillar for the co-operative to ensure we continue to provide tools and products which allows us and our customers to adapt and evolve as our awareness to and requirements towards sustainability grow.

You will read throughout this report our efforts towards continuous improvement with respect to sustainability through an ESG lens. We are committed to this and want to ensure we are transparent, authentic and provide updates on progress. One of our greatest challenges is the decarbonisation of our Kapuni ammonia urea plant. Whilst our commitment to decarbonisation hasn't wavered, we have pushed pause on this project as we work our way through exploring new technological pathways, funding options and a clearer picture of the regulatory environment.

Our people

I'm immensely proud of the entire team at Ballance as they have lent into the opportunity to face the challenges throughout the last year. Whether this is procurement, supply chain, manufacture, customer facing or corporate support functions. They have all played their part in meeting our key objectives around health and safety, inventory levels and operating performance. Thank you.

I want to acknowledge the passing of one of our valued employees at our Mount Maunganui site. This tragic incident challenged us all to reflect on the impact of what happened, what we could learn and changes that could be made to our environment and culture to ensure this doesn't happen again. I am proud of how the team at Ballance have and continue to respond to our culture of care and ownership, when it comes to health and safety.

Simon Robertson retires as independent director at the conclusion of the AGM after serving seven years on the Ballance board. Simon has also fulfilled the role as chair of the Audit and Risk Committee. Simon has made a significant contribution to the board table bringing strong commercial experience coupled with empathy for who we are and who we serve as a co-operative. On behalf of the board, I would like to thank Simon for his contribution and wish him well as he embarks on some well-earned time away with family.

Olivia Buckley, our associate director, also leaves us at the conclusion of the AGM. Olivia has grown significantly over her time with the board, and I have confidence she will make a significant contribution to the primary sector in whatever roles she commits to.

There is always plenty to do in any business. Our world is fast changing, and we will all be challenged as to how we achieve more with less. What a wonderful opportunity for us all to embrace to ensure we are future fit, and we present a world that will benefit future generations.

Kind Regards

Duncan Coull
Chair

"Collective strength only remains if we maintain relevance to the members we serve, produce sustainable returns and take great care of the capital they have entrusted in us."

Leaning in

CEO's report

In this, my first annual report, I want to start by thanking you for welcoming me into your co-operative and for your support during my first nine months. I am grateful for the trust of our shareholders and the dedication of our team, and I'm encouraged by the strength of the Ballance co-operative as we embrace the challenges and opportunities that lie ahead.

My initial focus has been on performance of our core functions: maintaining a focus on safer operations, offering meaningful support to our customers, building our capability to ensure a strong team to move us forward, and looking forward with optimism to make sure we are future fit.

I joined Ballance Agri-Nutrients in the second half of 2023, when the impacts of the 2022 fertiliser price peak were still in play. We were unable to pay a rebate to shareholders for the first time since 2009, produce prices were down, and we were sitting on overpriced inventory. A cyclone had also devastated farmers and growers in several regions across the country. The co-operative was being squeezed, and we had to make some tough decisions.

In this industry, cycles come and go. For most farmers and growers, this situation is not new – you have seen peaks and troughs before. Some cycles are weather-related, others are driven by offshore politics or economic winds. Some impact the entire sector; others are crop or animal specific. Maybe the rate of change has been higher than previously and there is more regulatory impact, but you know how to adapt and weather a storm.

As a co-operative, Ballance has inherent strength in being here for the long term, for the benefit of our shareholders. We are here to provide consistency and stability through market turmoil.

Over the past 12 months, we endeavoured to provide transparency on pricing to the extent we could stabilise, so our customers would not be exposed to volatile fertiliser costs at a time when other costs were inflated. We refinanced our debt with our syndicate of banks and ground our way through a tough first half of the financial year.

As a co-operative, Ballance has inherent strength in being here for the long term, for the benefit of our shareholders. We are here to provide consistency and stability through market turmoil.

From an inventory position, the co-op returned to a better state in the second half of the year. Sales volumes for the year were similar to the 2023 financial year though continue to be down on the peaks of 2021/22.

As a result, the co-operative is now in a stronger position than a year ago. However, this combination of debt reduction and maintaining lower prices does mean there will be no rebate for shareholders in this financial year.

Delivering meaningful support

Support for customers is a cornerstone of our business – encompassing affordability, product mix and technology. We are here to make it easier for you to manage your way through the complexities of modern agriculture.

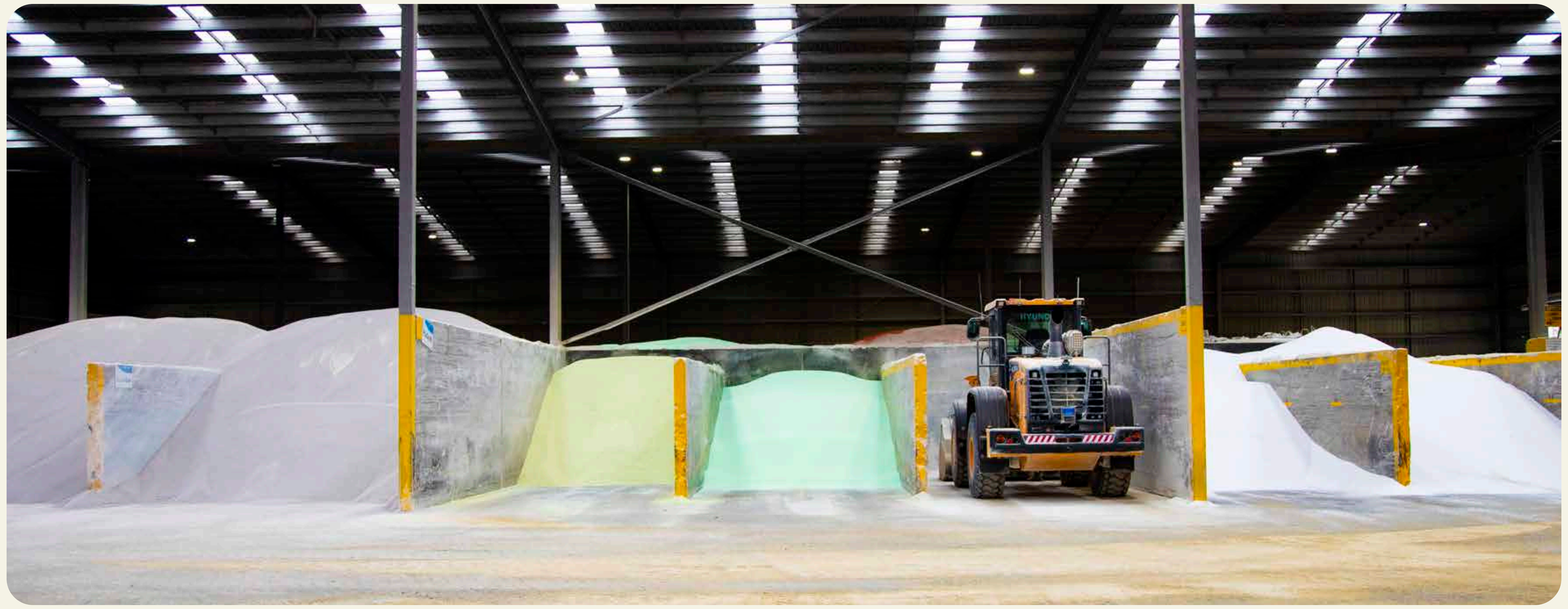
We know that most sectors are facing increased costs, and this means finding ways to do more with less, often necessitating a rethink of fertiliser plans. We encourage you to maintain your nutrient programme in some form. It is important to not cut back entirely. As always, our nutrient specialists are on hand to help you with these decisions.

During the year we have made significant progress with tools. For example, sharing data with Fonterra to make it easier for our dairy farmers who are also members of that co-op to manage and report their fertiliser use and nitrogen data.

With MyBallance, we have made enhancements to improve ease of use, data integration, and reduce the compliance workload. Our Farm Sustainability Services team is supporting farmers to navigate regulations, including the complexity of N190 caps and freshwater plans. There has been much progress, and we know there is more to do, and this remains a focus.

From a technology perspective, SpreadSmart® is paving the way for the future with precision fertiliser spreading from the air. We believe SpreadSmart® is 'best in class' and is making a real difference to the farmers and land where it is being used.

That said, the market in which Super Air operates in is challenging and this has impacted our bottom line this year. We have improved its market share, but the total market for air-based nutrient delivery has shrunk.



We are thankful and proud of our regional employees and the lengths they go to look after their customers and communities, and care for the environment.

Focus on our people

We acknowledge the loss this year of one of our team members who we did not send home safely on 27th July 2023. His death was devastating and had a profound impact on his family, our people and the co-operative. We have fully co-operated with WorkSafe during their ensuing investigation, which is ongoing, and we are committed to learning from this tragedy. We have put a number of measures and training programmes in place to ensure an incident like this does not happen again.

We have instigated a critical hazards training initiative and have invested further in new health and safety capability. 140 managers and team leaders have attended new safety workshops, and our company-wide health, safety and wellbeing programme has been updated and refocused.

I want to acknowledge the Ballance team and thank them for their hard work and dedication in FY24. It has been a demanding year which has required commitment and at times, perseverance. Collectively, the team showed a commitment to getting the job done, and that determination sets us in good stead as we enter FY25.

While, during the year, we took steps to reduce our permanent employee numbers, we continued to invest in our people with leadership and development programmes.

Our regional service centres are part of the local community. Our teams know their customers well and have a strong sense of pride and ownership of their sites. We are thankful and proud of our regional employees and the lengths they go to look after their customers and communities, and care for the environment.

I want to thank the Seales Winslow team for their contribution to the Ballance family over the past 13 years. We wish you well in your future with Farmlands, who will take your capability and broaden it, delivering even more value to New Zealand farmers.

This year, we welcomed Joanne Mahon as General Manager of External Relations. In a newly created role, Jo will oversee our interactions with stakeholders and lead our focus on ESG. Jo has strong experience in the primary sector and expertise operating in a co-operative environment, which we will reap the benefits of.

Building optimism

The country experienced a relatively good spring with good rainfall and warmth across most of the country in 2023. We continued to support farmers during this period with webinars in collaboration with groups such as the Dairy Women's Network and Metservice.

With more competition in the market, our national distribution network and close relationship with our customers position us well as we make sure affordable nutrients are at farmers' doorsteps when they need them. We continue to manage global supply chain challenges with some built-in resilience from onshore domestic manufacture as well as imports.

Our focus for the coming year is on supporting value growth on-farm, helping customers do more with less and using precision tools to enable more effective use of nutrients.

At the end of the day, our business is about nutrients in, food out. I see this as the cycle of prosperity; we are here to help you, our farmers and growers, and to help the next generation prosper and be stronger.

To achieve this, we need to be adaptive, innovative and use science to support doing more with less, and deliver value on the land for farmers and growers, while ensuring we are your preferred, future-fit nutrient provider.

As a co-operative, with farmer and grower shareholders' interests at the core, we are fronting up to our challenges with a positive mindset, supporting the nutrient cycle and enabling our customers to thrive.

I thank you all for your continued support and wish you well for the year ahead.

Kelvin Wickham
Chief Executive Officer

Our business

Contents

Our highlights

Key measures of our performance for the 2024 financial year.

37%
DECREASE IN INVENTORY LEVELS FROM FY23

140
OF OUR PEOPLE TRAINED ON IDENTIFYING OUR CRITICAL HAZARDOUS ACTIVITIES

$69m
REDUCTION IN NET DEBT AND LOWER WORKING CAPITAL

Over 10,000 tonnes
DISPATCHED THROUGH OUR SELF-SERVE SILOS IN A YEAR FOR THE FIRST TIME

$17m Profit before tax
FROM CONTINUING OPERATIONS

GROUP SALES OF
1.23m tonnes

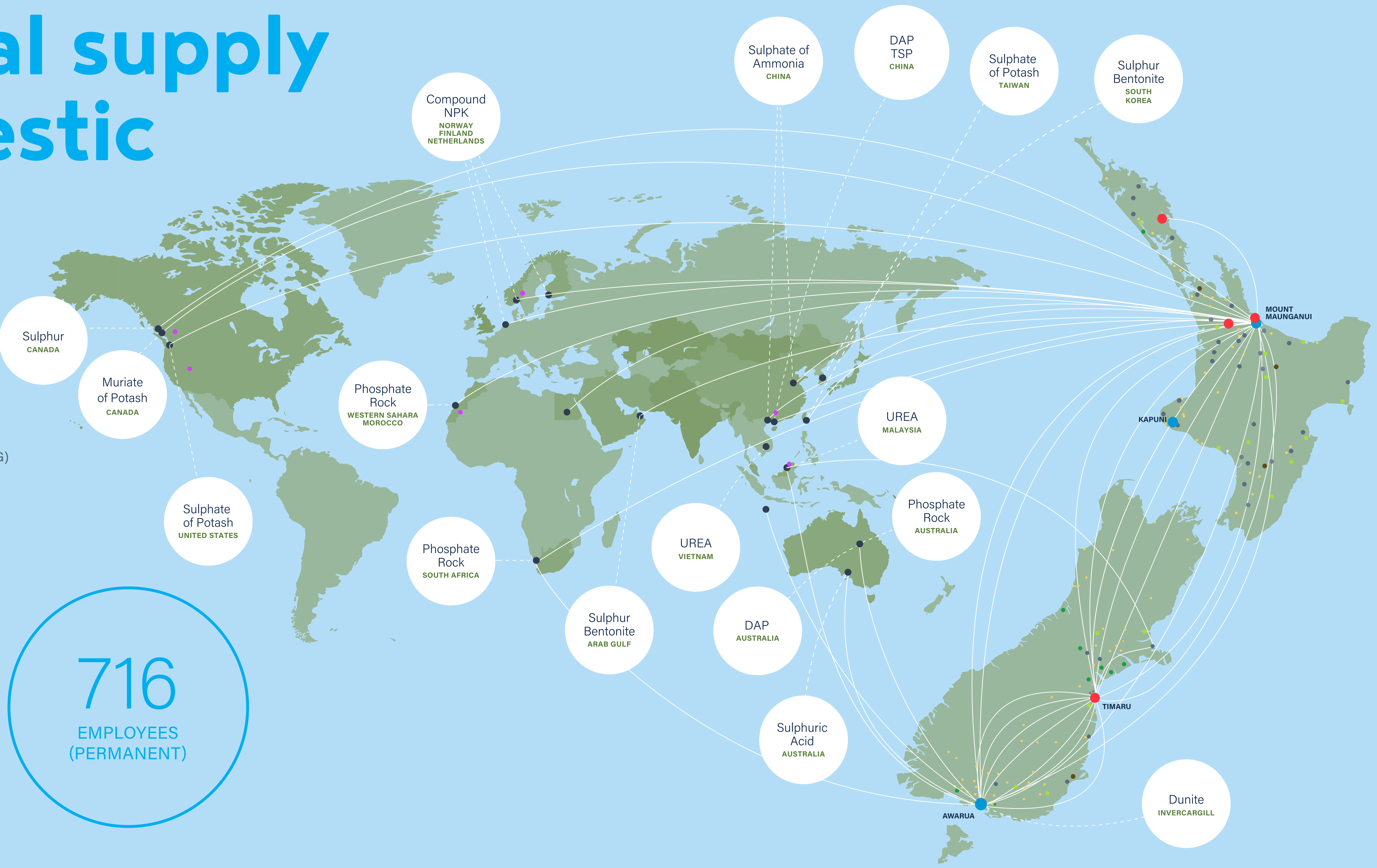
CONTINUED REINVESTMENT WITH
$69m
OF CAPITAL EXPENDITURE

$9.6m
INVESTMENT IN RESEARCH AND DEVELOPMENT

Revenue of $929m
FROM CONTINUING OPERATIONS

Our global supply and domestic network

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



16,387
SHAREHOLDERS

716
EMPLOYEES (PERMANENT)

Sustainability at Ballance

Our approach

Guided by our purpose, *"Together, creating the best soil and food on earth"*, Ballance embraces a broad ESG lens around sustainability. Our focus areas are where we seek to collaboratively create value now and for future generations.

You will see these icons applied throughout the following chapters, to demonstrate our focus areas during the year.

ENVIRONMENTAL SUSTAINABILITY

Guided by our purpose, values, customer needs and science, we take stock of our environmental footprint and work closely with farmers and growers to help manage and mitigate their impact on the land, air and waterways of New Zealand.

SOCIAL SUSTAINABILITY

Our commitment to social sustainability runs through our team, shareholders and the wider community. Our focus on the wellbeing of our people and the communities we serve is paramount to our long-term goal of intergenerational prosperity.

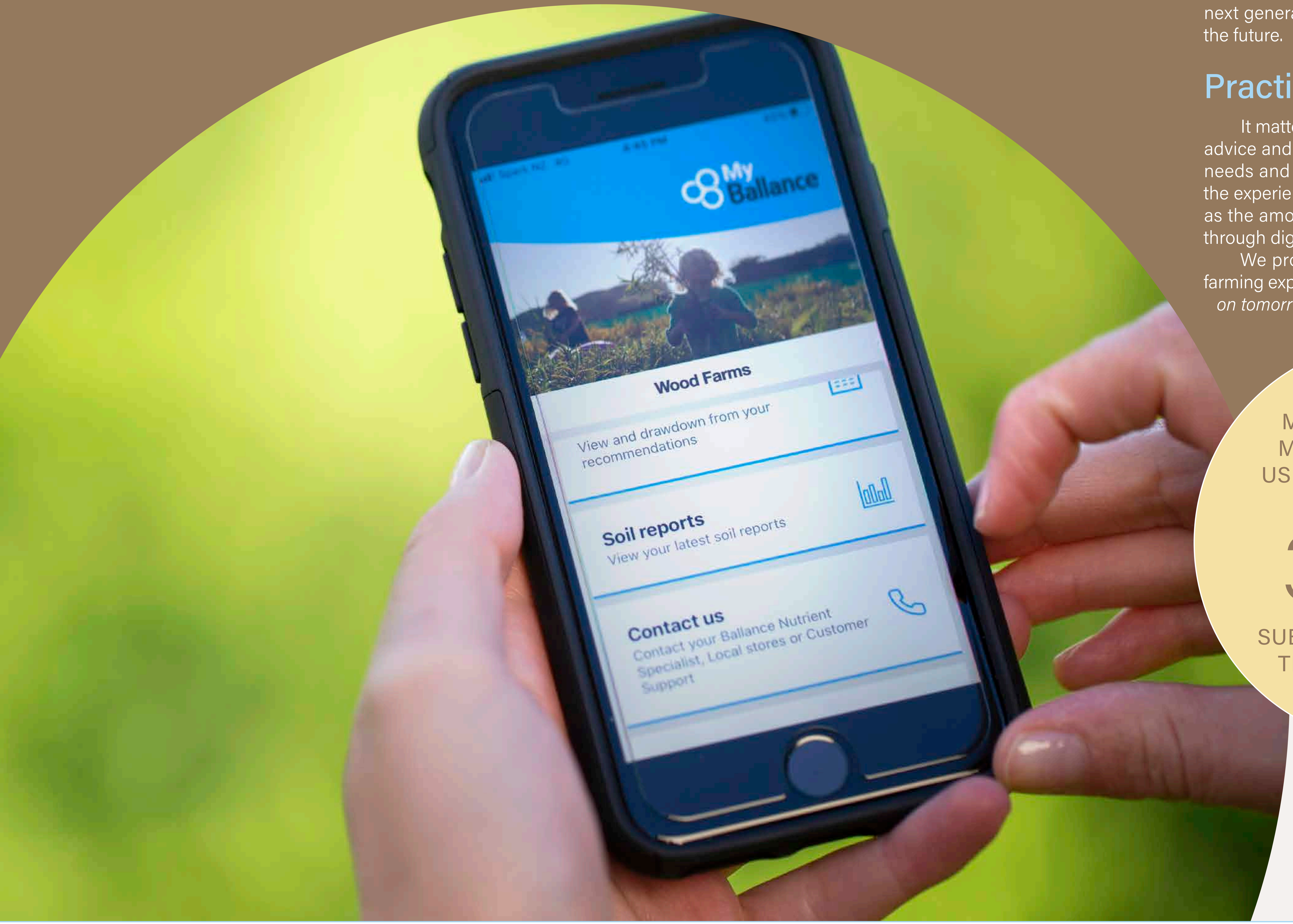
GOVERNANCE SUSTAINABILITY

Strong governance is critical to the overall performance of our co-operative and producing positive outcomes for shareholders, employees and the wider community. We strive to establish and maintain appropriate governance to create value for our shareholders, help them farm and grow productively and sustainably, and be a good employer and corporate citizen.

Creating value

Contents

1. Support today for tomorrow's success



New Zealand farmers and growers are at the centre of our co-operative. Helping them achieve a balance of being productive while sustainable is at the heart of everything we do. Our approach is to do all we can to help our shareholders achieve this balance now, while also helping set them up for the future.

This year, we continued our focus on providing value through our services and tailored advice to help improve efficiencies and environmental outcomes. In the long term, innovation and sustainability are key to achieving positive outcomes, so we're exploring controls like effluent management systems, carbon capture and next generation inhibitors, to help set farmers and growers up for the future.

Practical advice

It matters to us that our customers receive meaningful, tailored advice and solutions from people who genuinely understand their needs and challenges. This year, we have focused on increasing the experience and competence of our Nutrient Specialists as well as the amount of customer service activity carried out, including through digital communications channels.

We produced webinars and podcasts from our science and farming experts to help with a specific set of challenges. See *Advice on tomorrow, accessible today* case study on page 12.

MYBALLANCE IS THE MOST UTILISED TOOL USED FOR N REPORTING WITH NEARLY

3,000

SUBMISSIONS MADE FOR THE 2022/23 SEASON

MyBallance – technology that works for our customers

In the pursuit of delivering value to our customers, this year we have further evolved our technology to help farmers and growers be successful now and into the future. Central to our digital evolution was a profound shift this year towards delivering more for our customers, based on their evolving expectations.

To achieve this, we established a dedicated Customer Advisory Group within MyBallance, which was made up of over 150 farmers and growers who helped us understand how to make MyBallance better and shape the platform's future. The insights gained will serve as the cornerstone of our development, ensuring that MyBallance remains tailored to meet the evolving needs of our customers.

We are encouraged to see that these improvements are working, as the number of customers placing orders on MyBallance has grown this year by 57%. This includes an increase in the number of customers using the whole platform - mapping, ordering, request spreading, proof of application and nitrogen reporting.

We continue to simplify data usage for farmers and growers to further refine our digital tools, particularly MyBallance. New digital measurement tools help farmers with farm management and environmental compliance, such as making it simple to meet the 190N Nitrogen Cap reporting. Most farmers are using the MyBallance tool to send their nutrient reports to the council at the push of a button.

We know farm mapping is essential for effective nutrient management and regulatory compliance, so we invested in a user-friendly mapping development platform to improve and revamp our mapping experience. Farmers and growers can now effortlessly create and edit their farm maps, including exclusion zones, directly within MyBallance.

We are encouraged to see that these improvements are working, as the number of customers placing orders on MyBallance has grown this year by 57%.

A word with David Healy

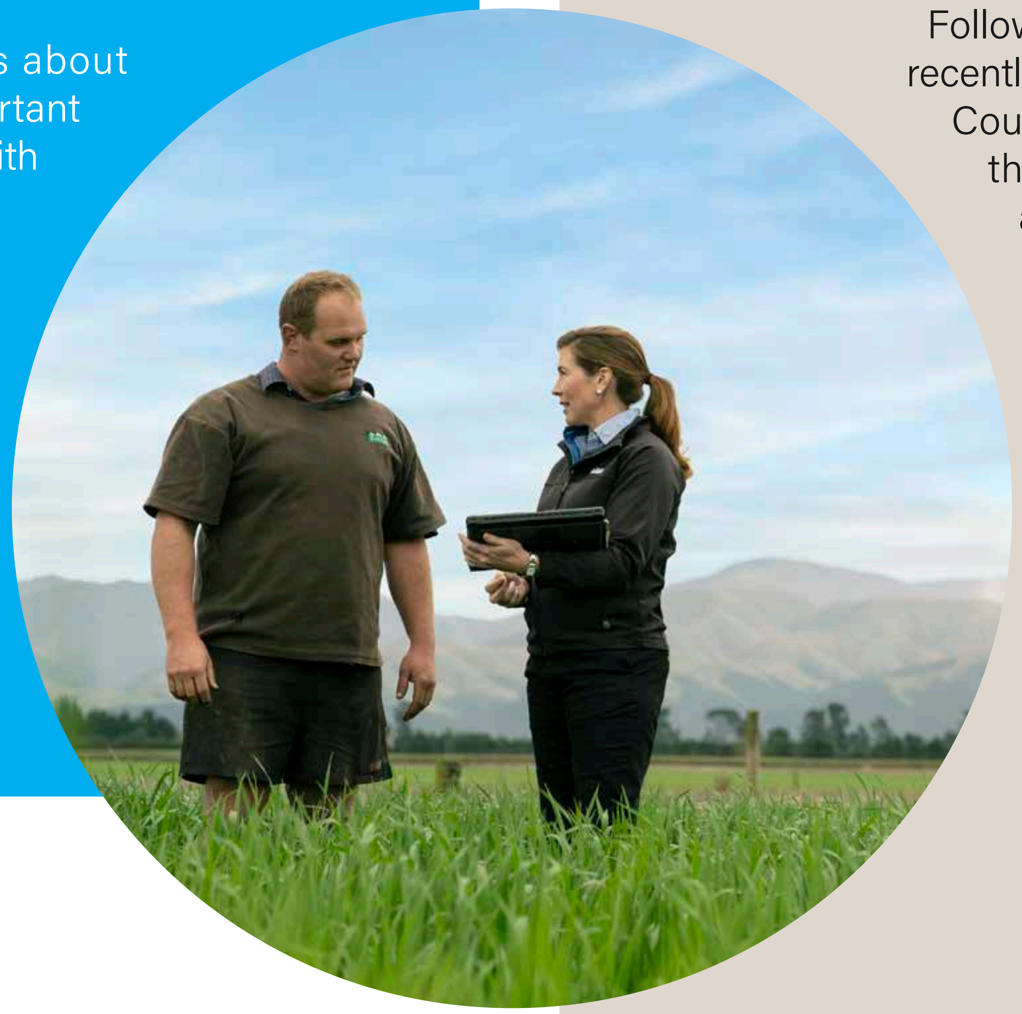
CHIEF DIGITAL OFFICER

I would describe the work we have underway as 'science with a purpose' to drive productivity for farmers and growers. Because our digital work is driven by this purpose to do right by our farmers and growers, we are taking care to listen closely to what they are saying and understanding their needs. This is part of our work to become a more customer-centric organisation, using digital tools to get there.

MyBallance has been available for over five years. Taking customers' experience of the programme into account, we are looking at how can we make it useful for them, not just for Ballance. It has proved effective for us, and we are now looking at how we can add more customer-focused efficiency tools.

Customers have been asking us about data tracking application, so it is important to note that MyBallance is integrated with Tabular, Precision and Terratec.

Historically a big pain point for farmers and growers is having to put the same data into different platforms to meet compliance requirements. Sharing data with other platforms and integration of data and platforms is all about making it easier and quicker for farmers and growers to track, manage, and share their data.



Partnering to simplify reporting

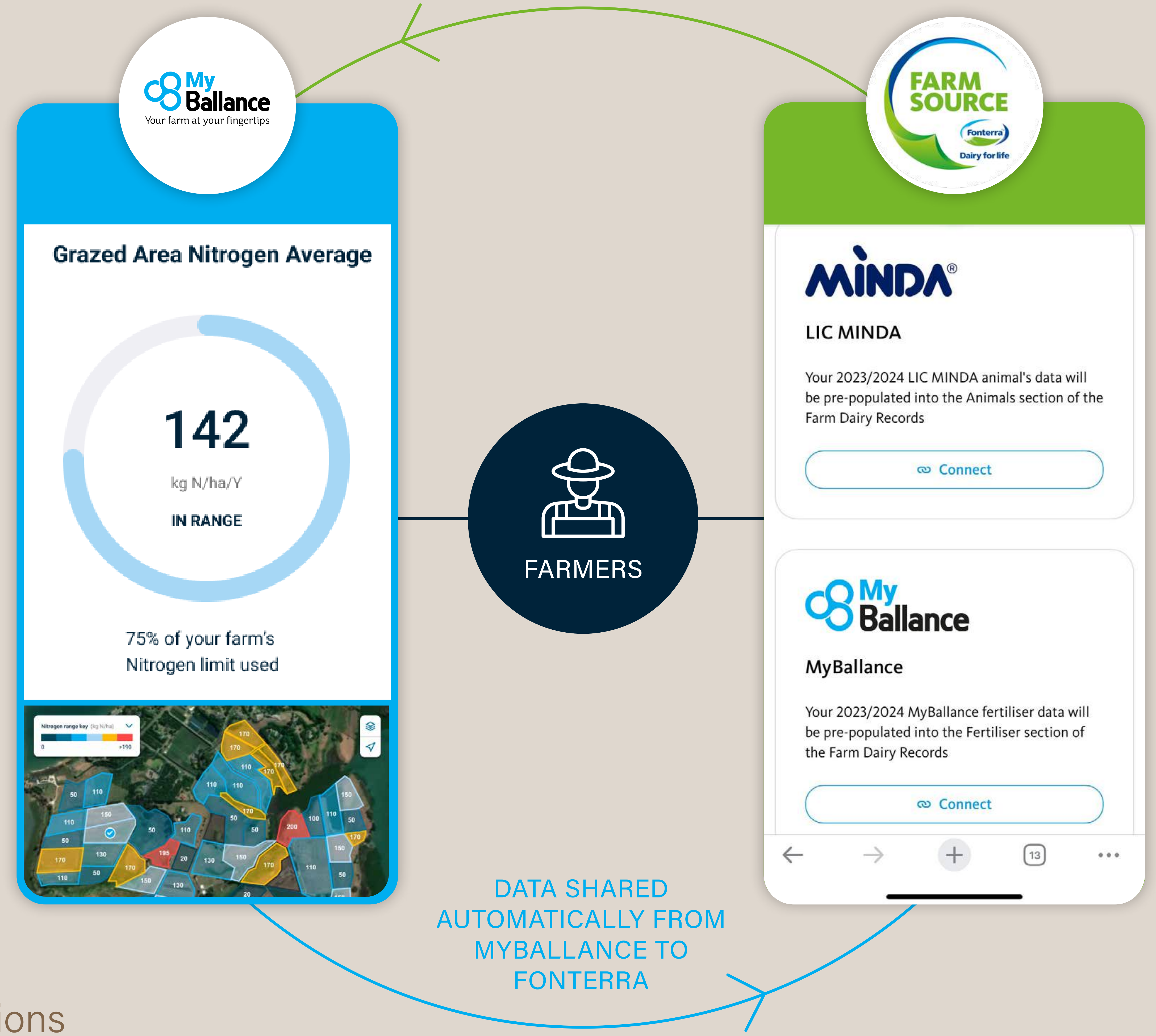
MyBallance was the most utilised tool used for Nitrogen reporting in the 2022/23 season, with nearly 3,000 submissions made using this platform. But we want to make using MyBallance even easier.

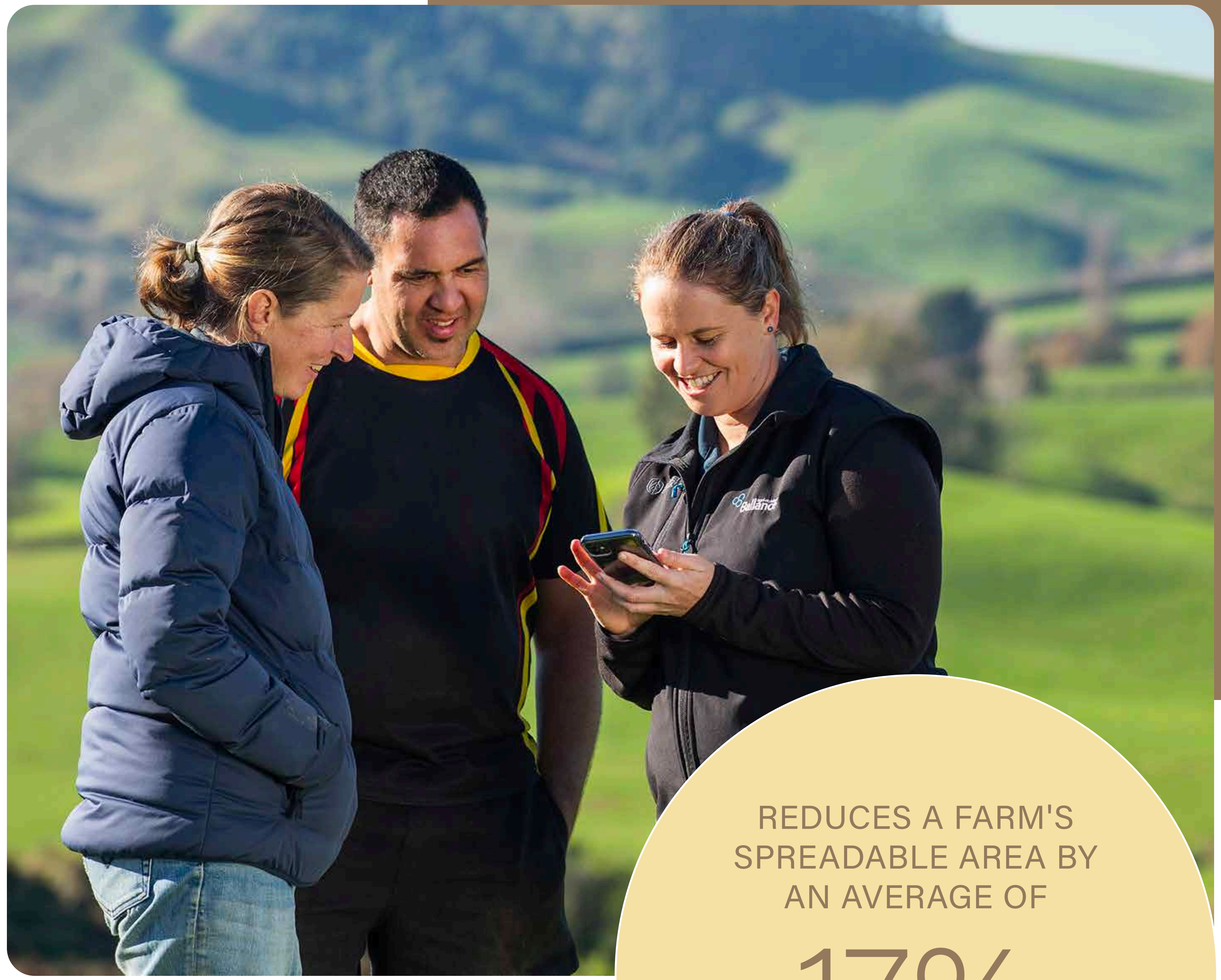
To further simplify this process, we have partnered with industry bodies to alleviate the burden of repetitive data entry when submitting reports. By sharing data seamlessly between platforms, we ensure our customers can access critical insights and meet regulatory compliance requirements without unnecessary duplication of effort.

Our partnership with Fonterra, which commenced in October last year, will allow dairy farmers to have their data shared between both co-operatives, minimising data entry duplication between digital tools used by shared Ballance and Fonterra farmers. Integrating both systems means that we can provide our farmers and growers with better data-driven recommendations and the compliance process for Nitrogen can be completed more efficiently.

Following on from this successful partnership, we recently entered into a similar agreement with Open Country Dairy, which saves customers entering their data twice for year-end reporting. Like all our data agreements, these initiatives will only apply to those customers who consent to share their data, so it is very much farmer-permissioned and in their control.

MyBallance was the most utilised tool used for Nitrogen reporting... with nearly 3,000 submissions made using this platform.





REDUCES A FARM'S SPREADABLE AREA BY AN AVERAGE OF

17%

OFFERING SIGNIFICANT SAVINGS

Advice for tomorrow, accessible today

CASE STUDY

We have established that webinars and podcasts are a great way to provide information as they are easily consumed, and people can tune in from anywhere, even on-farm.

Leveraging our partnerships has allowed us to deliver tailored advice to help farmers and growers be better prepared for the seasonal variability.

In September, we teamed up with Dairy Women's Network to deliver a free one-hour wellbeing webinar where award-winning journalist Jehan Casinader shared the practical tips he used to help him overcome and deal with his own personal mental health challenges.

In October, our science experts partnered once again with Dairy Women's Network as well as Metservice to host a webinar entitled *Climate Variability and Constrained Cashflow* that provided insights on preparing for the forecast El Nino weather surge.

The webinar provided practical advice for the summer and autumn seasons ahead and the importance and timing of nitrogen applications.

Off the back of this, we produced an updated weather report for autumn, creating a short video in collaboration with MetService to summarise key insights from the report, including an update on El Niño.

In November, we provided a free webinar on Freshwater Farm Plans, which was delivered by our Farm Sustainability Services team and focused on how the plans fit with wider regulation, what the process will involve, and how to get started.

We continue to support the In Focus podcast series with Farmers Weekly, to look at the big issues in the food and fibre sector. We will continue to use webinar and podcast platforms as long as we know we are delivering value by helping our customers best prepare for what lies ahead.

Applying the right solutions

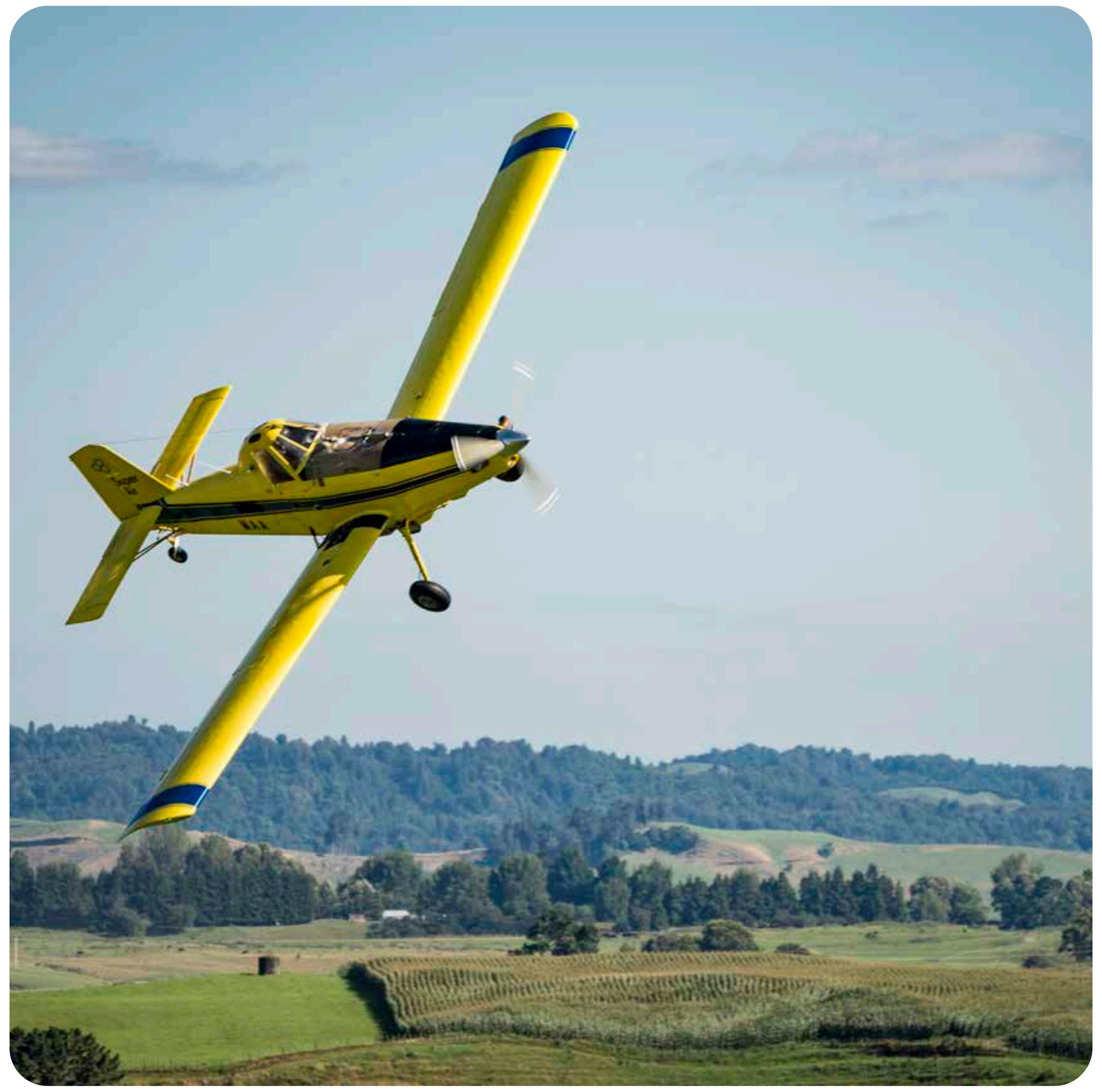
Super Air, our aerial topdressing business, continues to use the latest in AI and geospatial technology to improve its service to farmers and achieve sector-leading safety outcomes. This technology empowers farmers to make application decisions that provide bankable benefits.

Our SpreadSmart® technology harnesses geospatial mapping and AI-driven insights, enabling precise fertiliser application, minimising waste, and maximising productivity.

In simple terms, the use of AI in SpreadSmart® reduces the spreadable area of a farm by on average 17%, while helping identify and exclude stock camps from the spread zone. We have found that stock camps can account for as much as 20% of a farm and, in one East Coast case, excluding the stock camp saved around $123,000 in fertiliser costs.

For no capital outlay, farmers can access a variable rate application, ensuring fertiliser is put in the right place, at the right time, in the right amount with a bankable benefit of up to $89/ha.

The Super Air team have also worked with NIWA to develop a weather app for pilots that provides an accurate weather forecasting tool specifically for topdressing, enabling better safety and commercial outcomes. Additional safety improvements have also been made, allowing better digital monitoring of where our pilots and loader drivers at all times.



13

ONGOING PROJECTS FOCUSSED ON ENABLING SUSTAINABLE AGRICULTURE

Innovating for the future

Innovation is something we've proudly hung our hats on over the years and we continue to make good progress. Our SustaiN product was developed over 20 years ago to mitigate losses and now accounts for over 50% of all our nitrogen products sold. We're continuing to investigate alternatives to this, to reduce nitric oxide emissions, helping farmers and growers to further improve their environmental footprint. Around 20% of farmers are using our proprietary SurePhos® product to minimise phosphate loss to waterways.

We have made good progress in our Future Ready Farms programme, in partnership with the Ministry for Primary Industries. The programme features 13 projects to develop products, tools, and technologies that will help farmers and growers to continue to build on their sustainable agricultural practices.

One of our projects, aimed at helping farmers manage dairy effluent challenges, has just received consent from Environment Canterbury, which will allow us to discharge the treated effluent back onto farm.

This is a key step to proving the technology as a viable commercial offering that we can take to market with our project partners, Southwater and Plucks Engineering.

> "Soil is a renewable resource, but it doesn't renew automatically, so we must apply those nutrients."

A word from Jason Minkhorst

GENERAL MANAGER, CUSTOMER

We have increased customer servicing this year, creating more connection time where our Nutrients Specialists can listen to the needs of our farmers and growers and provide them with options to meet reduced budgets.

The current financial cycle is making life tough for the agricultural sector, so we ran a series of webinars and podcasts with prominent farmers and growers sharing how they are adjusting to these trying times. In spring we launched a series of farmer-to-farmer testimonials to help dairy farmers by exploring methods of driving clover performance through good fertiliser and grazing management.

It was another winning year for our Customer Services team at last year's CRM/CCNNZ Contact Centre Awards, taking out four major awards including the Supreme Gold Award (for a contact centre under 50 seats). We are proud of this achievement as we strive to provide the best support and services to our customers.

Right now, many farmers and growers are cutting budgets and understandably some are resisting applying fertiliser. Our advice is to cut back, but don't cut out.

Soil is a renewable resource, but it doesn't renew automatically, so we must apply those nutrients. Farmers and growers are concerned about long run productivity and profitability and not applying fertiliser is a big risk. We are committed to help by providing nutrients that are affordable, reliable, and sustainable.

2. Safer, cleaner, smarter

Supply excellence is something that drives us at Ballance, but it is about more than simply providing a reliable supply of quality nutrients, always core to our strategy. The service we provide must meet the high standards that our customers expect from us.

This year we introduced our Service Promise to improve our service throughout our network and continue to develop, ensuring we meet and exceed our customers' needs. Our Service Promise ensures the right product is available to our customers, at the right time, accurately, with good quality, and with great customer service. We regularly measure our performance under our service promise to ensure continuous improvement.

We continue to invest in our network to ensure good service, quality and environmental outcomes are met, with flexible staffing around the network and programmed maintenance of our plant. We will continue to evolve and improve our service until we're happy that our customers' expectations are being met.

The implementation of digital tools is also helping to optimise our supply chain operations, enabling us to deliver on our Service Promise. We've continued to roll out MyStore, which is the digitisation of our distribution channel to provide full visibility of stock in the network to ensure we have the right stock in the right place and anticipate demand.

Further development of Market2X (M2X), cloud-based transport management system, enables us to improve efficiency with our product movements, allowing our transport suppliers to be more efficient, use less fuel and provide timely replenishment of the network.

WE REGULARLY MEASURE OUR PERFORMANCE UNDER OUR SERVICE PROMISE TO ENSURE CONTINUOUS IMPROVEMENT

Ballance agri-nutrients

Delivering Excellent Customer Service

Our Service Promise

We will never compromise safety to meet our service promise

Bagged Product
Core product is available now. Sourced product is available within 5 working days.

Bulk Product
Core product is available now. Sourced product is available within 2 working days.

Reliable Store Hours
Service Centre hours can be found on the store gate and website.

Consistent Product Quality
Quality products fit for purpose.

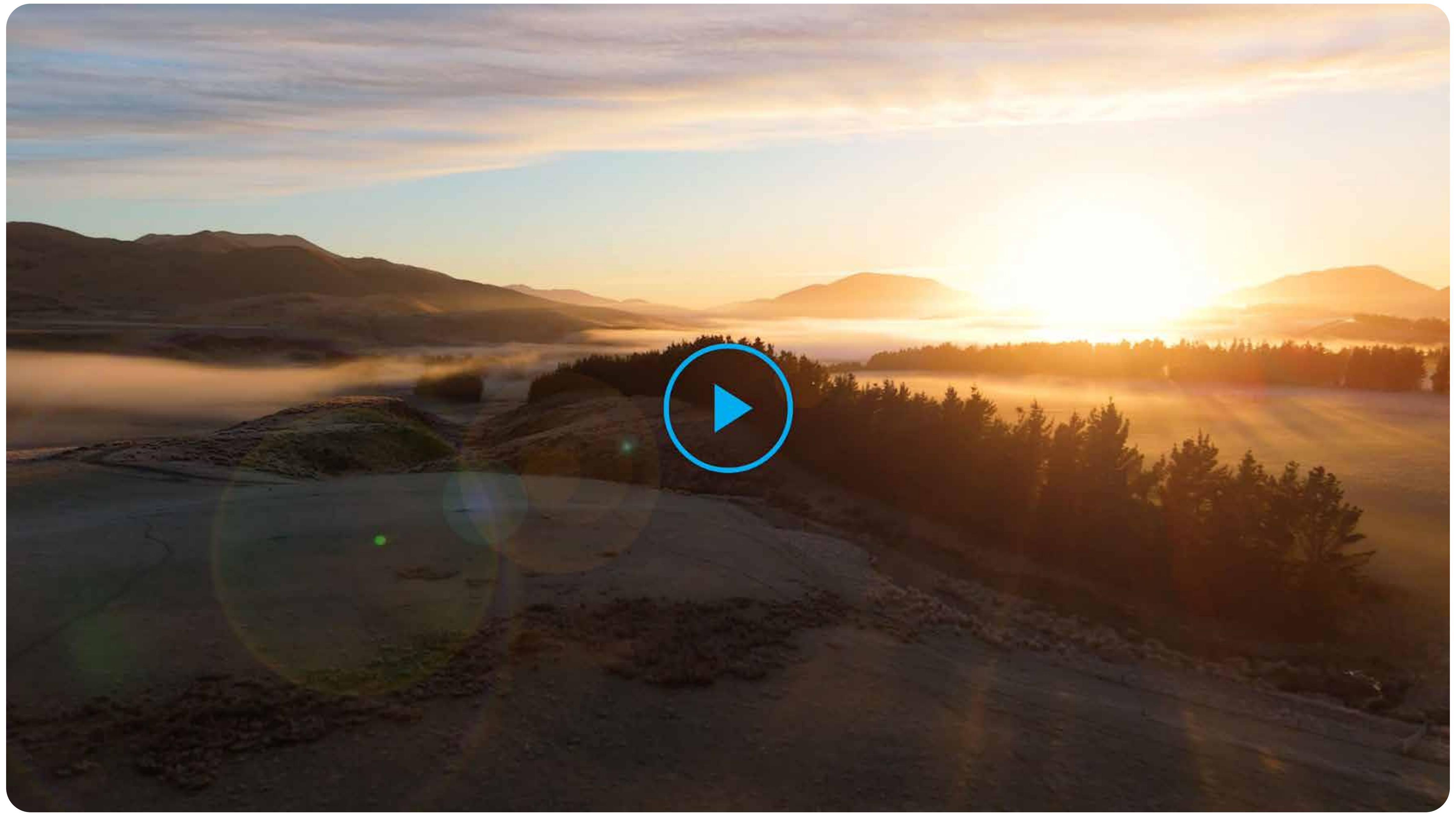
Accurate Despatches
All orders despatched contain the correct product and volume, to within 1% of the order.

Excellent Customer Service
A positive customer experience every time you visit.

We're aiming to do more than just meet our service promise. We'll monitor our performance and, share how we're doing with you, and take every chance to learn, improve, and be even better tomorrow.

For more information visit ballance.co.nz/service-promise or talk to your local Service Centre.

We welcome your feedback, please talk to your Service Centre Manager, Nutrient Specialist, or visit **ballance.co.nz.**



Understanding the importance of quality

Today, when consumers have more options available to them, the consistent quality of our products is more important than ever before. Our quality measures aren't just an aspiration but are part of everyday operational targets.

Our Quality Management System helps ensure quality all the way from the port to the farm. They are tracked through our daily greenroom process to make sure it's right first time and fit for purpose, helping us deliver on our Service Promise.

Scan this QR code to watch a video on our quality focus.

Nutrients 24/7

This year, we added another self-service silo to our network, in Methven, bringing the number of silos nationwide to 12. This innovation enables a 24/7 right place, right time, no waste product distribution and is valued by customers who often access the silos outside of normal business hours, which reflects up to 21% of silo use.

Distribution to the silos is digitally managed through our IT system and this year, for the first time, more than 10,000 tonnes of product was dispatched from our silos.

10,000+

TONNES OF NUTRIENTS DISPATCHED FROM OUR SELF-SERVE SILOS

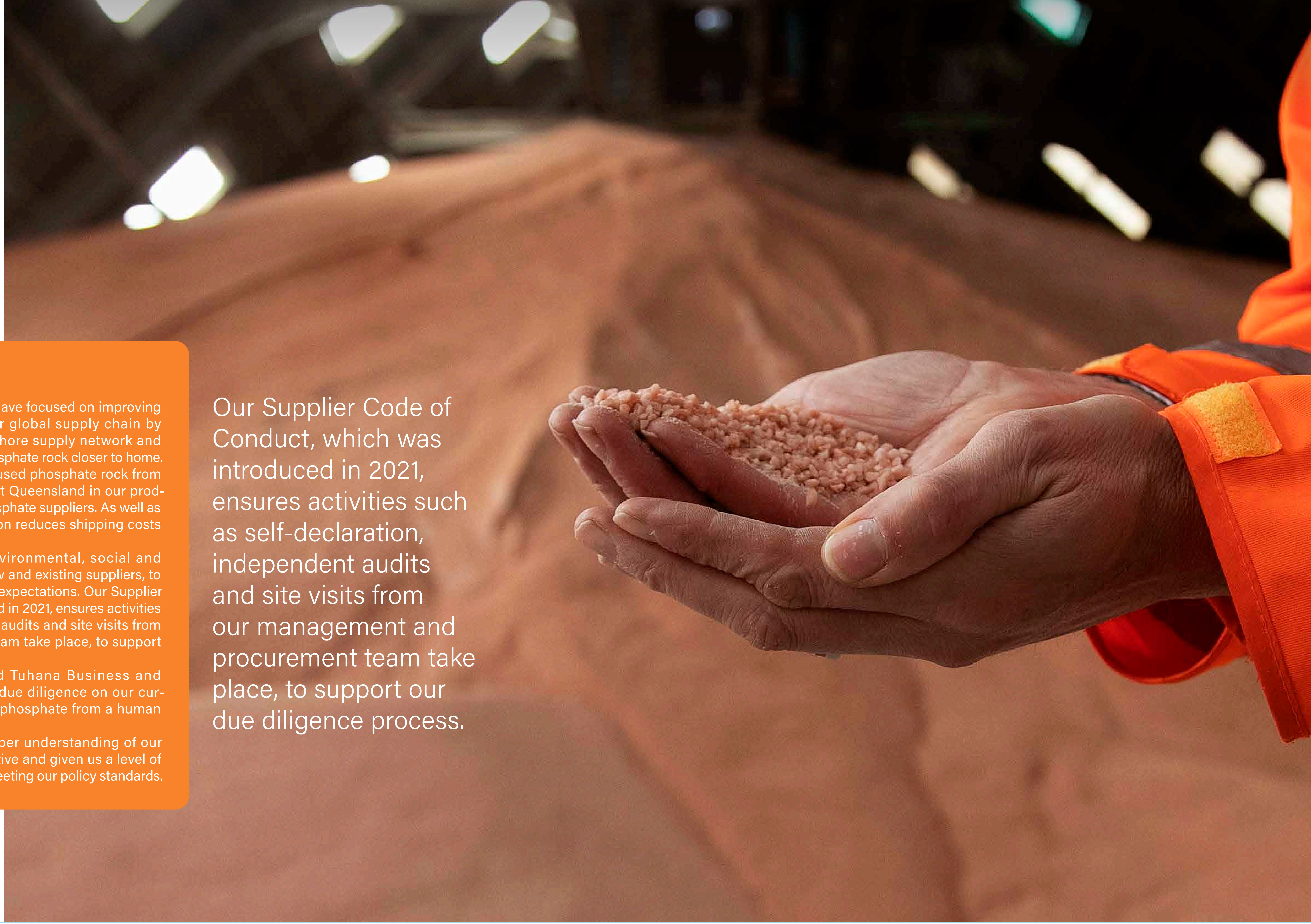
Ethical supply

In the past year, we have focused on improving the resilience of our global supply chain by diversifying our offshore supply network and investigating alternative sources of phosphate rock closer to home. This is the first full year that we have used phosphate rock from Centrex's Ardmore mine in north west Queensland in our products, increasing the number of our phosphate suppliers. As well as improving resilience, this diversification reduces shipping costs and carbon emissions.

We seek to understand the environmental, social and governance (ESG) practices of our new and existing suppliers, to ensure they align with our values and expectations. Our Supplier Code of Conduct, which was introduced in 2021, ensures activities such as self-declaration, independent audits and site visits from our management and procurement team take place, to support our due diligence process.

Last year Ballance contracted Tuhana Business and Human Rights Limited, to carry out due diligence on our current and potential sources of of rock phosphate from a human rights perspective.

This has provided us with a deeper understanding of our sources from a human rights perspective and given us a level of comfort that our current sources are meeting our policy standards.



Our Supplier Code of Conduct, which was introduced in 2021, ensures activities such as self-declaration, independent audits and site visits from our management and procurement team take place, to support our due diligence process.

We have been working with AgRecovery to reduce packaging waste across New Zealand agriculture. Through the AgRecovery programme, our customers can drop their 20kg bags to any Farmlands site to be recycled, while our used one tonne and half tonne bulk bags can be returned to any Ballance service centre for recycling.

Managing our impacts

Our Kapuni urea plant is an asset to New Zealand's primary industry, producing nitrogen fertiliser locally for our primary sector. The urea from Kapuni has one of the lowest life cycle carbon footprints compared with imported urea and alternative nitrogen fertilisers. Ballance recognises the importance of working to manage the emissions impact associated with manufacturing, as this makes up a significant proportion of our Scope 1 emissions, which are disclosed in our inaugural GHG Inventory Report.

International shipping is estimated to be our next largest contributor to greenhouse gas emissions associated with our operations. In FY23, we established an internal baseline for our international shipping carbon emissions. In FY24 we have been monitoring each shipment and assessing emissions data from the companies that own or charter those vessels, seeking to build data quality and scope to better inform our business decisions.

To further manage the impact of our shipping requirements, we use the services of RightShip, a world leading ESG focused digital maritime platform that assigns ratings for vessels based on their energy efficiency. We use their expertise in global safety, sustainability and social responsibility practices when evaluating the types of vessels we charter.

Decarbonisation: a challenge to be resolved

After a thorough review, we decided to pause our Te Ata decarbonisation project for the large-scale decarbonisation of our Kapuni plant. Our decision is based on the need for more certainty of the regulatory environment and the financial feasibility of implementing the plan in the current economic climate. In December last year, the Court of Appeal dismissed action opposing the consent of our joint venture with Hiringa Energy, which will use renewable energy to produce greener hydrogen for use in our Kapuni plant and the heavy transport sector. The delay of this court action has meant that we have had to reassess the commercial viability of this project, as many factors have changed. At the same time, from a broader regulatory level, other options, including carbon capture and storage have emerged as potentially more viable options into the future.

We remain committed to reducing emissions across our operations, which includes exploring and implementing alternative decarbonisation and mitigation options until we resume the Te Ata and green hydrogen workstreams when the conditions are more certain.

Our principal focus is to ensure the continued safety, integrity, reliability, and efficiency of the Kapuni asset as we progress through the energy transition. This will enable us to remain in a strong position to take advantage of the energy transition opportunities, enabling continued supply of affordable, locally manufactured, low-carbon nitrogen nutrients.

Last year, our Kapuni plant was given its statutory turnaround under our Risk Based Inspection (RBI) programme – ensuring asset integrity, operational safety and compliance, while performing maintenance. This is a $24 million exercise for which the plant is closed, pulled apart, inspected and any worn parts replaced, and put back together. An additional $17 million of capital was invested to enhance and maintain the integrity of the plant for ongoing operation. The turnaround provides a significant boost for the local Taranaki economy with up to 800 contractors employed on-site. This year's turnaround was carried out within the timeframe and budget expectation, and with a strong safety performance.

$41m

INVESTMENT IN INTEGRITY, OPERATIONAL EFFICIENCY AND UPGRADES OF OUR KAPUNI PLANT

+

800

CONTRACTORS EMPLOYED FROM THE LOCAL TARANAKI ECONOMY

Above and beyond compliance

Our manufacturing sites, hubs and service centres operate under resource consents, which identify the minimum standards we must comply with. For manufacturing sites, emissions to air and discharges of storm water and wastewater are monitored, while our service centres operate with stormwater discharge consents. Data from our manufacturing sites is available on our website.

We are committed to reducing the environmental footprint of our manufacturing and distribution sites through continuous improvement schemes and initiatives. All our sites have environmental management and site enhancement plans to ensure we are protecting the environments in which we operate. Site enhancement plans involve improvements to our sites which can include tree planting, improvements to stormwater treatment systems, and reuse of waste. Environmental site management plans are also in place to protect and enhance the environment and communities we live in.

At our Mount Operations manufacturing plant, we have voluntarily reduced the consent limit by half for sulphur dioxide discharges from our acid plant. We continue to operate the plant well below our limits but continue to investigate options to further reduce emissions.

Prioritising air quality

We are continuing our ongoing dust management programme of work to improve air quality around our sites. We installed a new hopper with baffles at our Te Kuiti service centre, the same as was previously installed at our Mount Operations site, to reduce dust, and installation of further dust capture equipment is planned for our Maru St site.

Dust management plans are a prioritised focus at our Mount Operations sites. This is reflected in a dust source heat map which helps identify where dust occurs. Each year we target a new area on that heat map to further improve. For example, at Maru Street, we have employed a permanent sweeping machine and have installed dust removal systems from dispatch points at both the Mount and Maru St sites.

A word with Shane Dufaur

GENERAL MANAGER, OPERATIONS & SUPPLY CHAIN

We are committed to ensuring we learn from the tragic death of one of our team members at our Mt Operations site last July. As part of our ongoing commitment to our health and safety processes and procedures, we have strengthened our strategic focus on controls around critically hazardous activities and have rolled out company-wide safety systems to ensure the safety of our people remains top of mind throughout our operations.

Our Service Promise is something we are proud to have implemented this year and see value in the way we can regularly measure our performance. It ensures we are delivering on our promise to customers and take full ownership of the effectiveness of our offering.

Our new Whangarei hub has had its first full year's operation on a new site, part of a $55 million commitment to the Northland region over the last seven years. The hub is a repurposed building on an enclosed site with world-class blending equipment and new staff amenities, rain gardens, and run-off systems. The Whangarei hub replaces the old Whangarei site, which has been demolished.

We continue to invest in environmental enhancements through our site management plans to help protect the environment around our operations.

3. Driven by our people

At Ballance, we are committed to fostering a culture of safety, resilience, and continuous improvement, anchored by initiatives such as our award-winning COWS (Care, Ownership, Wellbeing, and Safety) programme, targeted safety training programmes and our ongoing commitment to building employee capability. The investment in these programmes provides the foundation for responding to challenges, enhancing our focus on our customers and being agile and future-ready amidst constant change.

The past year has been a pivotal time for Ballance as we've intensified our focus on enhancing our organisational capabilities while fostering a culture of safety, resilience, and people development.

Following a comprehensive review of our critical hazards, we held a series of workshops to assess risks, placing the wellbeing of every individual as a top priority. 140 of our leaders undertook this new Critically Hazardous Activity (CHAs) training, which focuses on mitigating risks and instilling a mindset of vigilance and preparedness, ensuring our teams are equipped to handle dynamic risk in the workplace.

Creating safer workplaces goes well beyond compliance or regulations; it's about fostering a culture of care and respect and inclusivity through open dialogue. We will be initiating a health and safety survey for all employees, so we can hear from our people around what we can be doing better.

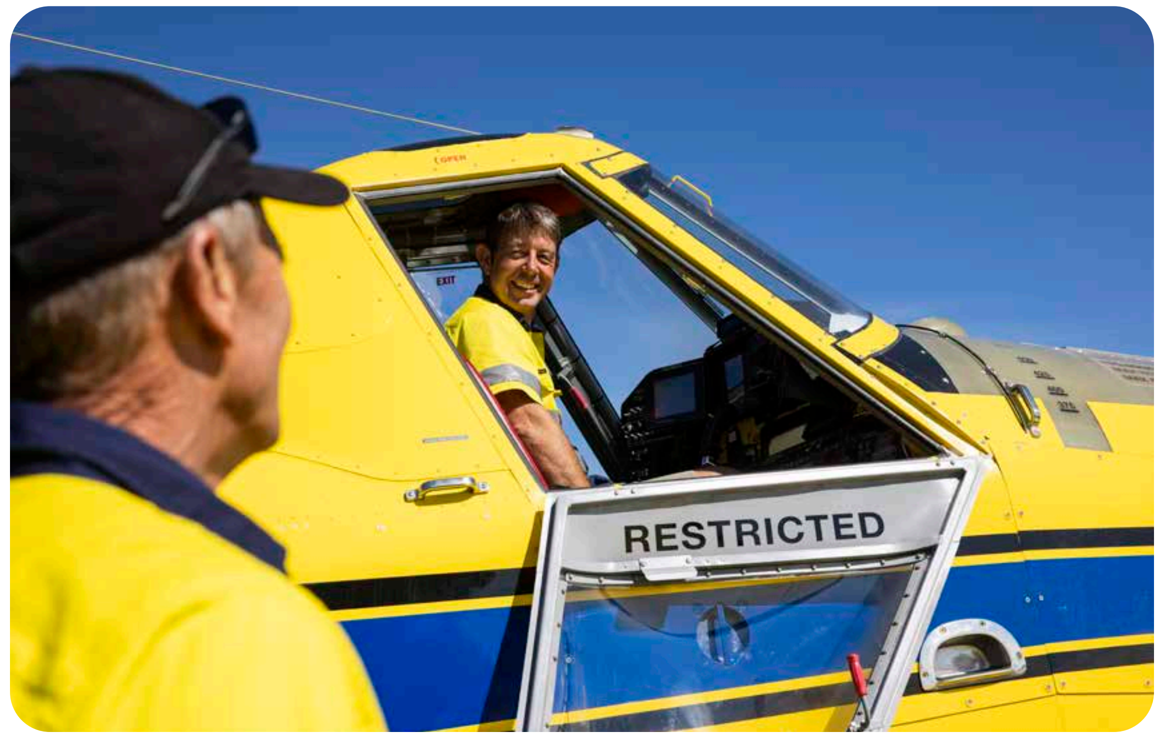
By investing in programmes like CHAs and listening to our people, we are safeguarding our business, and nurturing a workplace where everyone feels valued and protected.

140

OF OUR PEOPLE TRAINED ON CRITICAL HAZARDOUS ACTIVITIES TO FURTHER IDENTIFY RISKS AND KEEP OUR PEOPLE SAFE

Central to our efforts in building capabilities is the COWS programme. This award-winning initiative is a cornerstone in our culture, driving continuous improvement in health and safety practices and encouraging our people to put their wellbeing, and that of their workmates, as a priority in the workplace.

Our first COWS programme, COWS 1.0, was rolled out to all our employees from 2018 to drive safety outcomes through care. In 2021 we launched COWS 2.0 which brought a focus of wellbeing and ownership for safety. With the rollout of COWS 3.0 plus ongoing leadership development programmes, we are equipping our employees with the skills and mindset needed to deal with change. These programmes are rolled out to all employees, and all new employees attend a two-day programme in their first six months.



Enabling our people to thrive

To ensure we are attracting and retaining a diverse and inclusive workforce, in June 2023 we launched our parental leave policy for all employees, which extends a range of benefits beyond the legal minimum. Their additions have been very well received.

During the year we ran a Diversity Demographic survey covering ethnicity, gender, age, sexuality, caring responsibilities, mental health, neurodiversity and physical disability. We gained valuable insight into our current diversity and feedback from our employees around Diversity, Equity and Inclusion (DE&I).

The survey results have enabled us to tailor our initiatives to better serve the needs of all employees. From enhancing communication materials, encouraging collaborative and cross functional work practices and introducing improved paternity benefits, we're striving to create an environment where our people feel valued and respected.

In parallel, our focus on strategic competency development ensures our workforce remains agile and adaptable in the face of evolving challenges. By embedding key leadership behaviours into our performance management approach, we're preparing the organisation for the future, aligning individual development with organisational strategy, which paves the way for future success.

6000+

HOURS INVESTED IN DEVELOPING OUR PEOPLE WITH A FOCUS ON PERFORMANCE AND PERSONAL DEVELOPMENT

By embedding key leadership behaviours into our performance management approach, we're preparing the organisation for the future, aligning individual development with organisational strategy, which paves the way for future success.

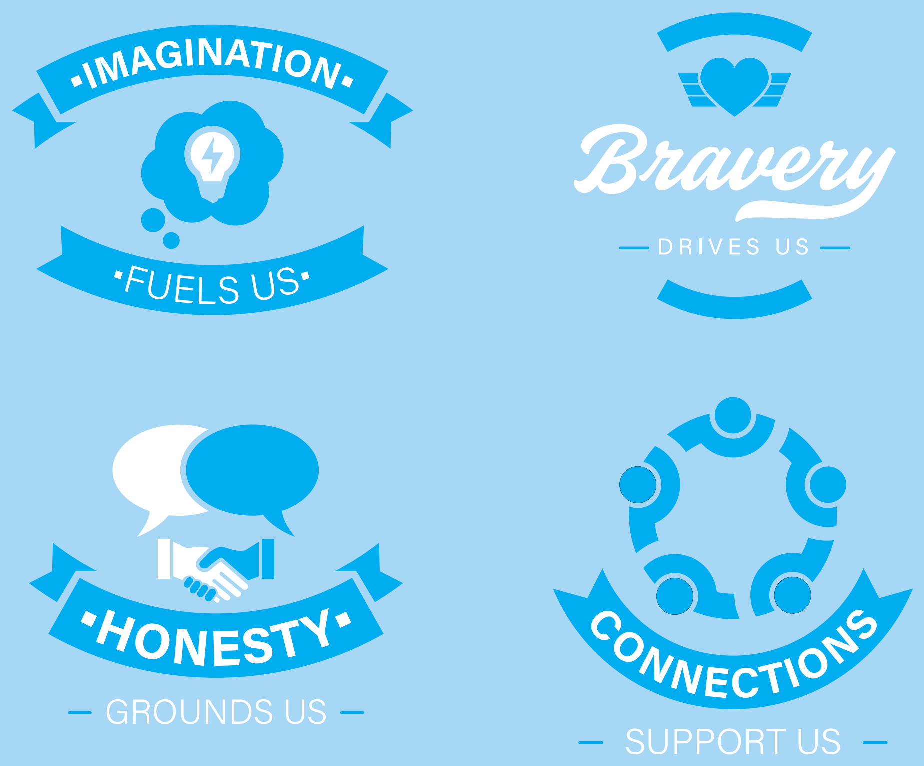
A word from Jackie Rich

GENERAL MANAGER, PEOPLE & CAPABILITY

Alongside our safety and wellbeing focus, we have been purposeful in identifying, and growing our culture at Ballance. The feedback and insights our people give provide a clear direction on how to improve our culture and create an environment where our people feel safe and heard.

Our focus is on creating a great place to work, where our people feel they can openly contribute and work together to achieve better outcomes for the organisation. We are a proud co-operative where our people are strongly driven by co-operative principles and are focused on collaboration and connection to our communities.

While the past year presented its share of challenges, it also served as a testament to the resilience and adaptability of our people. Through a concerted effort to invest in our people and strengthen our capabilities, we're well-positioned to embrace the opportunities that lie ahead and continue delivering value to our shareholders.



Ballance Nutrient Specialist Alice with her children, Ollie and Ella.

"Ballance's new parental leave policy was completely life changing for us. We were able to prioritise time with our growing family without the financial stress and worries that come with being away from work. We are forever grateful for that special year we got with our little girl and the transition back into work was great with increased flexibility and support while adjusting to our new norm."

Liz, Ballance employee

4. Growing our communities

$100k

DONATED TO LOCAL COMMUNITY GROUPS THROUGH OUR SAFETY CROSS INITIATIVE

We are privileged to be a part of the vibrant rural and provincial communities in which we operate and serve. Community means a lot to us - from our people and their families, to the neighbourhoods and towns surrounding our sites, to the agricultural industry at large – we're proud to play a part in New Zealand communities all over the country. As a large industry player, we know we have a role to play in protecting the community and the environment surrounding our operations. To us, it's important that we foster positive relationships within these communities, build close connections, and give back in meaningful ways, which help see those communities flourish and grow.

Each of our sites, support offices and service centres across the country play a part in the fabric of their local communities.

Our partnership approach also extends to sector specific sponsorships and community projects where our team can personally and collectively add value. This ranges from individual connections at our manufacturing sites and service centres, to national partnerships and sponsorships of rural-based organisations.

Ballance benefits from partnering with a variety of regional activities and events such as industry conferences and we continue to grow our understanding of Māori agribusiness and manaakitanga to better serve our customers in this sector. The Ahuwhenua Trophy competition recognises excellence in Māori farming and horticulture and we were privileged to support this again in 2024.

We have been a proud partner of Meat the Need for the past four years and it was our privilege to take part in the *The Big Feed* initiative last Christmas for the first time ever. Meat the Need provides essential farm produce, like milk and meat, to Kiwi foodbanks, which are especially needed over the Christmas season. The past couple of years have been tough for rural and urban New Zealand alike so we believe it's more important now than ever that we all do our bit for the team of five million.

Each of our sites, support offices and service centres across the country play a part in the fabric of their local communities. This year, we donated nearly $100,000 to New Zealand communities through our Safety Cross initiative. This system rewards our teams for achieving a set of site-specific safety KPIs each month, with funds awarded being donated to local community groups.

Ballance Farm Environment Awards
Promoting Sustainable Farming and Growing

The best in sustainable farming and growing

This year, we were once again proud to support the New Zealand Farm Environment Trust through the Ballance Farm Environment Awards (BFEA). The awards, which started in 1993, recognise and showcase the inspirational work and commitment of farmers and growers who farm with a holistic approach to sustainability – environmental, social and governance.

Ballance has had the privilege of being the naming rights sponsor of BFEA since 2002, with many of our employees involved in the awards process. Each year, finalists for the awards span a range of sectors, regions and generations, all with a different range of priorities and focus areas, but all with sustainability firmly front of mind. From succession planning, the wellbeing of workers, and contribution to their community, the farmers and growers that enter BFEA are inspirational kaitiaki, who are committed to leaving their land in a better condition for the next generation.

More on this year's regional supreme winners, as well as this year's National Sustainability Ambassadors, Hamish and Simon Guild of High Peak Station in Canterbury, can be read here.

CASE STUDY

Telling the story behind our food

The BFEA provide another channel that allows us to connect with New Zealand's farming and growing communities. The awards help promote and share their inspirational stories and this year BFEA was once again show sponsor of *A New Zealand Food Story*.

Ballance believes these exceptional farmers and growers, and their work to be productive while protecting their land, should be celebrated and showcased to all of New Zealand. This is what award-winning chef Ben Bayly captured in his travels around the country for *A New Zealand Food Story*, a story of food from the farm to the plate, which attracted 1.3 million television viewers every Saturday night.

PROUD PARTNER
A NEW ZEALAND FOOD STORY
WITH BEN BAYLY
tvnz 1 tvnz+

Investing in internships

To enable a bright future for New Zealand's primary industry, we help young people with a passion for agriculture get their foot in the door.

The Ballance Internship Programme is run with the goal being the best agri-business intern programme in New Zealand. It is highly regarded, attracting around 100 high calibre applicants each year for six places. Our annual selection process assesses the applicants for alignment with Ballance's future fit work programme and the successful interns are welcomed into the Ballance family as Nutrient Specialists at the end of the course. Many of these people have developed into leadership roles within Ballance or taken up key positions within the industry.

Unlocking opportunities for the future

CASE STUDY

Earlier this year, we signed a Memorandum of Understanding (MoU) with Lincoln University to help drive innovation and positive change for New Zealand's agriculture sector. This will provide Ballance with greater access to valuable expertise and resources, through Lincoln University's strong research and development capability and the Lincoln Hub, with Crown Research Institutes such as AgResearch, Plant and Food Research and Manaaki Whenua-Landcare Research.

Ballance and Lincoln University share a common vision for a prosperous, sustainable, and innovative future for New Zealand's primary industries, with a shared focus on advancing new and better farming and growing practices in New Zealand. Together, they aim to help farmers and growers be profitable and sustainable while meeting the increasing expectations of consumers.

Working together will provide opportunities for improving planning and co-ordination, conducting research and demonstrations on Lincoln University Farms, and enhancing environmental stewardship.

Getting behind mental health

We recognise the importance of resilience in our rural communities and have made mental health a key focus of our support, through purposeful activities and partnerships across New Zealand.

With mental health and community resilience being a key focus for Ballance, we've led an initiative called "Rural Riders", which gives farmers and growers the opportunity to get off farm and onto the mountain bike trails, to help relieve stress and address mental health engaging with like-minded people. Surfing for Farmers is a similar initiative, which was started by Stephen Thompson of Bayleys in 2018 and sees hundreds of farmers step away from their business and into the ocean each summer to look after their mental health. Our connection with like-minded organisations who contribute to the delivery of these initiatives is key to their success.

CASE STUDY

Supporting Kiwi women dairy farmers for 25 years

While the Dairy Women's Network (DWN) has evolved considerably since its establishment in 1998, the network's steadfast purpose has remained the same; *to stand beside Kiwi women dairy farmers every step of the way.*

Dairy Women's Network, comprising 11,000 members from the top of the North Island to the bottom of the South, has been empowering women to do great things in the sector for the last 25 years.

The organisation provides extraordinary professional and personal development opportunities for its members, which range from those who work on, manage and own dairy farms, through to those who work at a governance level in the dairy industry. And importantly provides a network of connections for the critical role women play in the dairy sector.

Ballance has been a partner of DWN for 16 years and we were proud to have our CEO, Kelvin Wickham and Chair, Duncan Coull, attend its 25th anniversary event in December.

"We are all about connecting women and building rural communities. It can at times be quite lonely in the sector and our role is to help women on their learning and leadership journey" Dairy Women's Network CEO Jules Benton says.

Dairy Women's Network holds three values dear; to be inclusive, build connection and seize opportunities. Its 2024 Annual Conference played to the three Es; Enhance, Evolve and Elevate.

"Women on dairy farms are often the CEO and their partners, or husbands, the Chief Operating Officer. Women in dairy are also the HR manager, looking after their families and serve on trust boards and sporting bodies," she says.

DWN has come a long way since it started out as an e-newsletter in 1998 and technology has been an important driver. In the late 1990s, computers and the internet were new methods of communicating and now webinars have become the norm.

"It's not achievable for everyone to get off farm to network and meet in person, so our webinars are great because the whole farming team can join, watch live or view the recording later.

"It's a really popular way to transfer knowledge about a range of topics, from relationship property to accounting and environmental issues. Our recent webinar on freshwater farm planning attracted nearly 840 registrations," she said.

"Much of what we do would not be possible without the support of partners like Ballance, who have been with us for over a decade," says Jules. "They have an incredible team who are fun, understanding of our cause and are a real pleasure to work with."

> "We are all about connecting women and building rural communities. It can at times be quite lonely in the sector and our role is to help women on their learning and leadership journey..."
>
> Jules Benton, Dairy Women's Network CEO

Governance & leadership

Duncan Coull
CHAIR, DIRECTOR, NORTH ISLAND


Kelvin Wickham
CHIEF EXECUTIVE OFFICER


Sarah von Dadelszen
DIRECTOR, NORTH ISLAND


Jared Collie
DIRECTOR, SOUTH ISLAND


Dani Darke
DIRECTOR, NORTH ISLAND


Matt Skilton
CHIEF FINANCIAL OFFICER


David Healy
CHIEF DIGITAL OFFICER


Cameron Henderson
DIRECTOR, SOUTH ISLAND


Michelle Kernahan
APPOINTED DIRECTOR


Jason Minkhorst
GENERAL MANAGER, CUSTOMER


Joanne Mahon
GENERAL MANAGER, EXTERNAL RELATIONS


Simon Robertson
APPOINTED DIRECTOR


Albert Brantley
APPOINTED DIRECTOR


Jackie Rich
GENERAL MANAGER, PEOPLE & CAPABILITY


Shane Dufaur
GENERAL MANAGER, OPERATIONS & SUPPLY CHAIN


Dacey Balle
DIRECTOR, NORTH ISLAND


Financial information

Contents

Introduction to the Financial Information

I am pleased to provide this commentary around the consolidated financial statements and other financial information for the Ballance Group for the past year.

Ballance faced a number of headwinds, particularly in the first half of the year, as we navigated rapid changes in the commodity market and weaker customer demand. We saw volatile nutrient prices and the effects of lower on-farm incomes and economics. Our inventory levels from the end of the previous financial year were able to be consumed and newer inventory replenished at lower price points as our stock turned across the year. Unwinding working capital, and the divestment of the non-core assets of the Seales Winslow animal nutrition business have been key focus areas for balance sheet management over the last year.

To align with falling global nutrient prices, we implemented pricing resets, absorbing the impact on our income statement. This is reflected in our FY24 margins, where our net profit before tax of $17m from continuing operations is $26m lower than FY23, as the impact of lower volumes was compounded with lower margins.

Sales volume of 1.23m tonnes this year are 21% lower when compared to our historical average trading levels over FY18 to FY22 of 1.60m tonnes.

We successfully refinanced the Group in March 2024 with a group of seven banks meaning we have strong credit lines and funding capacity of up to $475m. Our net debt was reduced across the year by $69m as we reduced working capital and from sale proceeds of the divestment of Seales Winslow. Additionally, our capital expenditure of $69m in FY24 is near depreciation, reflecting our balance sheet focus and ensuring a strong foundation for our co-operative's future. Capital expenditure in FY24 also included the Kapuni statutory maintenance shut which totalled $24m and was two years in the planning.

As we continue to focus on doing more with less, marked by a change in leadership and a stronger balance sheet, we are well positioned to navigate the challenges with our co-operative shareholders in the year ahead.

Matt Skilton
Chief Financial Officer

Consolidated Income Statement

FOR THE YEAR ENDED 31 MAY 2024

	Notes	2024 $000	2023 $000
Revenue	2	**928,566**	1,140,853
Cost of sales		**(741,359)**	(911,908)
Gross profit		**187,207**	228,945
Other operating income	2	**22,963**	25,044
Sales, marketing and distribution expenses		**(87,937)**	(92,688)
Administrative expenses		**(77,100)**	(79,118)
Other operating expenses	3	**(4,352)**	(19,330)
Net financing costs	6	**(23,916)**	(20,040)
Share of profit / (loss) from equity accounted investments		**375**	(88)
Profit before tax		**17,240**	42,725
Income tax expense	7	**(5,971)**	(11,064)
Profit for the year from continuing operations		**11,269**	31,661
Profit / (loss) for the year from discontinued operations	12	**(10,959)**	3,234
Profit for the year		**310**	34,895

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 2024

	Notes	2024 $000	2023 $000
Profit for the year		**310**	34,895
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		**(2,177)**	12,051
Income tax on items recognised directly in other comprehensive income	7	**610**	(3,374)
Other comprehensive income, net of income tax		**(1,567)**	8,677
Total comprehensive income for the year		**(1,257)**	43,572
Total comprehensive income for the year arises from:			
Continuing operations		**9,702**	40,338
Discontinued operations		**(10,959)**	3,234
		(1,257)	43,572

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 2024

	Notes	Fully paid ordinary shares $000	Share allotment reserve $000	Hedging reserve $000	Retained earnings $000	Total equity $000
Balance as at 1 June 2022		213,129	9,220	10,308	314,074	546,731
Profit for the year		–	–	–	34,895	34,895
Net change in the fair value of cash flow hedges, net of tax		–	–	8,677	–	8,677
Total other comprehensive income for the year, net of tax		–	–	8,677	–	8,677
Hedging gains / (losses) transferred to the cost of inventory, net of tax		–	–	(10,736)	–	(10,736)
Transactions with owners						
Proceeds from issuance of co-operative shares	23(a)	82				82
Shares provided / issued in lieu of rebate - 2022	23(a)	9,129	(9,220)	–	–	(91)
Shares repurchased	23(a)	(11,300)	–	–	–	(11,300)
Total transactions with owners		(2,089)	(9,220)	–	–	(11,309)
Balance as at 31 May 2023		211,040	–	8,249	348,969	568,258

	Notes	Fully paid ordinary shares $000	Share allotment reserve $000	Hedging reserve $000	Retained earnings $000	Total equity $000
Balance as at 1 June 2023		**211,040**	**–**	**8,249**	**348,969**	**568,258**
Profit for the year		**–**	**–**	**–**	**310**	**310**
Net change in the fair value of cash flow hedges, net of tax		**–**	**–**	**(1,567)**	**–**	**(1,567)**
Total other comprehensive income for the year, net of tax		**–**	**–**	**(1,567)**	**–**	**(1,567)**
Hedging gains / (losses) transferred to the cost of inventory, net of tax		**–**	**–**	**(5,921)**	**–**	**(5,921)**
Transactions with owners						
Proceeds from issuance of co-operative shares	23(a)	**42**	**–**	**–**	**–**	**42**
Shares repurchased	23(a)	**(12,145)**	**–**	**–**	**–**	**(12,145)**
Total transactions with owners		**(12,103)**	**–**	**–**	**–**	**(12,103)**
Balance as at 31 May 2024		**198,937**	**–**	**761**	**349,279**	**548,977**

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

Consolidated Balance Sheet

AS AT 31 MAY 2024

	Notes	2024 $000	2023 $000
Current assets			
Cash and cash equivalents		**2,567**	2,740
Trade and other receivables	9	**85,890**	83,803
Prepayments	13	**14,848**	17,571
Inventories	10	**201,047**	349,717
Derivative assets	24(e)	**2,229**	13,032
Income tax receivable		**1,753**	–
Intangible assets	16	**24,420**	14,249
Assets held for sale	11	**–**	32,810
Total current assets		**332,754**	513,922
Non-current assets			
Investments in equity accounted investees	14	**776**	401
Deferred tax assets	8	**12,574**	15,720
Property, plant and equipment	15	**426,203**	401,620
Lease assets	17	**28,610**	30,555
Intangible assets	16	**59,936**	55,543
Prepayments	13	**3,748**	5,670
Total non-current assets		**531,847**	509,509
Total assets		**864,601**	1,023,431

	Notes	2024 $000	2023 $000
Current liabilities			
Trade and other payables	18	**97,985**	134,124
Loans and borrowings	22	**178,500**	248,000
Derivative liabilities	24(e)	**1,154**	374
Provisions	19	**4,563**	688
Lease liabilities	17	**7,865**	8,944
Income tax payable		**–**	29,651
Total current liabilities		**290,067**	421,781
Non-current liabilities			
Provisions	19	**2,932**	10,203
Lease liabilities	17	**22,625**	23,189
Total non-current liabilities		**25,557**	33,392
Total liabilities		**315,624**	455,173
Shareholders' equity			
Paid-in capital		**198,937**	211,040
Retained earnings and other reserves		**350,040**	357,218
Total equity		**548,977**	568,258
Total liabilities and equity		**864,601**	1,023,431

For and on behalf of the Directors:

DJ Coull
Chairman of Directors
31 July 2024

SD Robertson
Director
31 July 2024

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 2024

	Notes	2024 $000	2023 $000
Cash flows from operating activities			
Cash receipts from customers		**951,885**	1,216,672
Interest received		**2,388**	1,598
Government grants		**3,257**	612
Rebates paid net of shares issued in lieu of rebate		**–**	(27,396)
Payments to suppliers and employees		**(758,810)**	(1,096,078)
Interest paid		**(22,953)**	(16,158)
Income tax paid		**(31,319)**	(11,484)
Net cash flow from operating activities generated by discontinued operation		**882**	329
Net cash inflow from operating activities	20	**145,330**	68,095
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**116**	136
Proceeds from divestment		**28,230**	–
Acquisition of property, plant and equipment		**(76,867)**	(71,317)
Investments in equity accounted associate		**–**	(375)
Net cash flow to investing activities generated by discontinued operation		**(694)**	(1,356)
Net cash (outflow) from investing activities		**(49,215)**	(72,912)

	Notes	2024 $000	2023 $000
Cash flows from financing activities			
Proceeds from issuance of co-operative shares		**42**	82
Repurchase of surrendered shares		**(11,699)**	(11,126)
Net drawdown / (repayment) of borrowings		**(73,328)**	23,767
Principal elements of lease payments		**(11,115)**	(10,523)
Net cash flow to financing activities generated by discontinued operation		**(397)**	(2,114)
Net cash (outflow) / inflow from financing activities		**(96,497)**	86
Net movement in cash and cash equivalents		**(382)**	(4,731)
Add back cash and cash equivalents from discontinued operations at 1 June		**209**	–
Cash and cash equivalents from continued operations at 1 June		**2,740**	7,471
Cash and cash equivalents at 31 May from continued operations		**2,567**	2,740

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

Notes to the financial statements

FOR THE YEAR ENDED 31 MAY 2024

REPORTING ENTITY

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

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

Consolidated financial statements for the Group are presented. The consolidated financial statements of the Group as at and for the year ended 31 May 2024 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities (see Note 14).

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

1. SUMMARY OF GENERAL INFORMATION

(a) Statement of compliance and basis of preparation

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

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

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

The consolidated financial statements were approved by the Board of Directors on 31 July 2024.

(b) Use of estimates and judgements

The preparation of the consolidated financial statements requires the use of judgements, estimates and applying assumptions that affect the amounts reported in the consolidated financial statements.

These have been based on historical experience and other factors believed to be reasonable. Actual results may differ from these estimates.

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

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

- Notes 13, 15 & 16 - The useful life of property, plant and equipment, intangible assets such as software, and prepayments.
- Note 17 - Leases - relating to lease terms and whether the Group is reasonably certain to exercise options to extend.
- Notes 10 & 19 - Inventories and provisions - quantification and estimation of net realisable value of inventories and site restoration costs for provisions.
- Note 24 - Financial instruments - valuation of certain financial instruments.

(c) General note

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

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

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

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

Financial liabilities measured at amortised cost include trade and other payables, 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.

(d) New standards and interpretations

There are no new standards or interpretations that have a material impact on the Group for the year ending 31 May 2024. The amendment to IAS 1 Presentation of Financial Statements whereby the requirement to make 'material' disclosures replaces 'significant' disclosures, has been considered by the Group with no material impact on disclosures.

(e) Prior period re-presentations

The Group sold its subsidiary, Seales Winslow Limited, on 31 May 2024. NZ IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, requires that discontinued operations be disclosed separately (see Note 12). As per NZ IFRS 5, the comparative period and associated notes, have been re-presented to split continuing and discontinued operations, with no net impact on profit.

2. REVENUE AND OTHER OPERATING INCOME

	2024 $000	2023 $000
Sale of goods	**913,136**	1,126,755
Services provided	**15,430**	14,098
Total revenue from contracts with customers	**928,566**	1,140,853
Other operating income		
NZ Emission Trading Scheme credits	**18,803**	22,927
Government grants	**1,836**	1,155
R&D tax credit	**1,421**	378
Other	**903**	584
	22,963	25,044

2. REVENUE AND OTHER OPERATING INCOME (CONTINUED)

Policy

The Group generates revenue primarily from the sale of fertiliser to its customers. Fertiliser sales of the Group are primarily made through merchants, where revenue is recognised at the point of delivery of goods to the customer. Net consideration may be subject to a volume-based customer rebate. Standard credit terms are month following invoice with the rebate variable component determined at financial year end.

Rebatable sales are eligible for sales volume and value rebates, as determined by the Directors, from the trading result. When the rebate is accrued it is either allocated to the share allotment reserve for those shareholders who are required to increase their shareholding to meet their share quota (Note 23) or accrued as a current liability (rebate payable) and will be subsequently paid out in cash.

Services provided

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

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

3. OTHER OPERATING EXPENSES

	2024 $000	2023 $000
Other	**188**	4,685
Research and development expense	**9,573**	8,156
Donations - Other	**43**	37
Donations - Rural Support Trust	**–**	1,000
Impairment charge / (reversal) of ETS units	**(5,452)**	5,452
Total	**4,352**	19,330

$4.4m of the cost of sales expense incurred in the 2023 financial year was, in the 2024 financial year, validated as being classifiable as research and development. Research and development expense and cost of sales for 2023 have been re-presented.

4. PERSONNEL EXPENSES

	Notes	2024 $000	2023 $000
Wages, salaries and bonuses		**85,773**	84,456
Contributions to defined contribution superannuation plans		**5,305**	5,298
Increase / (decrease) in liability for long-service leave	19	**(54)**	226
		91,024	89,980

5. AUDITORS' REMUNERATION

	2024 $000	2023 $000
Audit and audit-related services		
Audit of financial statements	**297**	246
Other audit related fees - greehouse gas emissions scope 1 & 2 limited assurance	**50**	–
Other audit related fees - share register assurance services	**4**	3
Other services		
Taxation services - compliance	**50**	50
Taxation services - advisory	**–**	4
	401	303

Notes to the financial statements

FOR THE YEAR ENDED 31 MAY 2024

6. FINANCE INCOME AND EXPENSE

	2024 $000	2023 $000
Finance expense		
Interest paid to banks	**21,152**	17,296
Net change in fair value of derivatives designated at fair value through profit or loss	**(70)**	436
Interest from lease liabilities	**1,801**	1,676
Other financial expenses	**3,421**	3,345
Interest capitalised to property, plant and equipment	**–**	(1,115)
Total finance costs	**26,304**	21,638
Finance income		
Interest from bank	**2,388**	1,598
Total finance income	**2,388**	1,598
Financing costs (net)	**23,916**	20,040

Policy

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

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

7. INCOME TAX EXPENSE / (BENEFIT)

	Notes	2024 $000	2023 $000
Reconciliation of income tax expense / (benefit)			
Profit from continuing operations before tax		**17,240**	42,725
(Loss) / profit from discontinued operations before tax		**(10,726)**	3,724
		6,514	46,449
Income tax using the domestic company tax rate - 28%		**1,824**	13,006
Increase / (decrease) in income tax expense due to:			
Non-deductible expenses		**2,371**	326
Tax exempt revenues		**(3,037)**	(1,154)
Adjustments for prior years		**(86)**	(655)
Tax losses not recognised		**1,386**	–
Tax impact of removal of tax depreciation on buildings	8	**3,123**	–
Other		**623**	31
Income tax expense		**6,204**	11,554
Income tax expense is attributed to:			
Profit from continuing operations		**5,971**	11,064
Profit from discontinued operations	12	**233**	490
		6,204	11,554
Income tax recognised directly in other comprehensive income			
Other comprehensive income - cash flow hedges		**610**	(3,374)
Statement of movement in equity - cash flow hedges		**2,303**	4,175
Imputation credits			
The imputation credits are available to shareholders of the parent company:			
Through the parent company		**166,738**	142,024
Through subsidiaries		**1,743**	1,743
		168,481	143,767

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

Policy

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

Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised in other comprehensive income.

8 DEFERRED TAX ASSET / (LIABILITY)

	PPE and Intangibles $000	Provisions and accruals $000	Hedge reserve $000	Tax loss $000	Total $000
Balance at 1 June 2022	(4,935)	8,455	(4,010)	–	(490)
Recognised in profit or loss	3,986	14,032	–	–	18,018
Recognised in other comprehensive income	–	–	(3,374)	–	(3,374)
Recognised in equity	–	–	4,175	–	4,175
Less assets held for sale	(2,456)	(153)	–	–	(2,609)
Balance at 31 May 2023	(3,405)	22,334	(3,209)	–	15,720
Recognised in profit or loss	**(11,223)**	**(13,386)**	**–**	**18,550**	**(6,059)**
Recognised in other comprehensive income	**–**	**–**	**610**	**–**	**610**
Recognised in equity	**–**	**–**	**2,303**	**–**	**2,303**
Balance as at 31 May 2024	**(14,628)**	**8,948**	**(296)**	**18,550**	**12,574**

Seales Winslow Limited was sold on 31 May 2024 and therefore, any prior unused tax losses are no longer available to the Group (2023: $0.6m).

Following a legislative change in March 2024, the Group will no longer be able to claim tax depreciation on certain buildings from 1 June 2024. Consequently, the Group revised the value of previous recognised temporary differences for such buildings with an increased deferred tax expense of $3.1m for the current year.

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.

9. TRADE AND OTHER RECEIVABLES

	2024 $000	2023 $000
Current		
Trade and other receivables	**85,890**	83,803
Trade and other receivables status:		
Not past due	**84,661**	81,854
Past due 0 - 30 days	**688**	692
Past due 31 - 120 days	**192**	653
Past due > 120 days	**349**	604
Total	**85,890**	83,803

Policy

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

In the normal course of business, the Group gives seasonal deferred payment terms to certain customers for which the terms range from two to nine months. The Group may charge interest on the principal balance depending on the specific terms agreed.

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 (2023: nil). The Group monitors the credit quality of its receivables and does not anticipate non-performance.

Notes to the financial statements

FOR THE YEAR ENDED 31 MAY 2024

10. INVENTORIES

	2024 $000	2023 $000
Manufactured and finished goods	**127,612**	258,780
Raw materials	**23,064**	33,785
Goods in transit	**38,101**	45,870
Packaging	**6,229**	6,230
Consumables and spares	**6,041**	5,052
	201,047	349,717

Policy

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

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

Impairment

The Group's inventory principally comprises nutrient products which are purchased in overseas markets. When prices decline for these nutrients in overseas or local markets, an assessment is required as to whether the carrying value of inventory can still be achieved. In these cases, consideration of projected sales is assessed and a judgement formed as to likely future demand in light of market forecasts and likely price movements thereon. When required, as a result of these conditions, the Group recognises a provision for inventories where sales prices have, or are expected to, decline for projected sales of such inventories.

For the year ended 31 May 2024, a provision for an impairment of $0.1m was recognised (2023: $50.6m). Of the $50.6m impairment recognised last year, $24.6m was applied in the resulting net realisable value of the impaired inventories. Due to a subsequent lift in certain commodity prices, the balance of $26.0m favourably benefited the income statement in the current year.

11. ASSETS HELD FOR SALE

The Group has the following assets held for sale:

	2024 $'000	2023 $'000
Seales Winslow business	**–**	32,810

Seales Winslow business

Seales Winslow Limited was sold on 31 May 2024 and classified as discontinued operations for the year (see Note 12). As at 31 May 2023, the assets and liabilities of Seales Winslow Limited were classified as held for sale. In accordance with NZ IFRS 5, they were held at the lower of cost of the amount to be recovered on sale.

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

12. DISCONTINUED OPERATIONS

(a) Description

The assets and liabilities related to Seales Winslow Limited were presented as held for sale in the 2023 financial statements following the approval of the Company's Directors in May 2023 to sell the company.

Seales Winslow Limited was sold on 31 May 2024 and is reported in the current year as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Notes to the financial statements

FOR THE YEAR ENDED 31 MAY 2024

12. DISCONTINUED OPERATIONS (CONTINUED)

(b) Financial performance and cash flow information of discontinued operations

The financial performance and cash flow information presented are for the twelve months ended 31 May 2024. The comparative amounts in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income have been re-presented to show the discontinued operation separately from continuing operations.

	2024 $'000	2023 $'000
Financial performance information of discontinued operation		
Sale of products	**66,285**	81,466
Services provided	**3**	18
Revenue	**66,288**	81,484
Cost of sales	**(59,523)**	(68,160)
Gross profit	**6,765**	13,324
Other operating income	**13**	3,884
Sales, marketing and distribution expenses	**(7,921)**	(9,229)
Administrative expenses	**(3,376)**	(3,990)
Other operating expenses	**2**	(214)
Net financing costs	**15**	(51)
Profit / (loss) before tax	**(4,502)**	3,724
Income tax expense	**(233)**	(490)
Profit / (loss) for the year after tax	**(4,735)**	3,234
Loss on sale of the subsidiary after income tax (see (c) below)	**(6,224)**	–
Profit / (loss) for the year from discontinued operation	**(10,959)**	3,234
Net cash flow from operating activities	**882**	329
Net cash flow from investing activities	**(694)**	(1,356)
Net cash flow from financing activities	**(397)**	(2,114)
Total net cash flows	**(209)**	(3,141)

(c) Details of the sale of the subsidiary

	2024 $'000
Details of the sale	
Total disposal consideration	**25,678**
Carrying amount of net assets sold	**30,913**
Loss on sale before transaction costs	**(5,235)**
Cost of disposal	**(989)**
Loss on sale after transactions costs	**(6,224)**

The carrying amounts of assets and liabilities as at the date of sale, being 31 May 2024, were:

	2024 $'000
Cash and cash equivalents	**(54)**
Trade and other receivables and prepayments	**5,433**
Inventories	**10,084**
Property, plant and equipment and intangibles	**18,221**
Deferred tax assets	**2,468**
Lease assets	**354**
Total assets	**36,506**
Trade and other payables	**(4,341)**
Provisions	**(40)**
Lease liabilities	**(1,212)**
Total liabilities	**(5,593)**
Net assets	**30,913**

Notes to the financial statements

FOR THE YEAR ENDED 31 MAY 2024

13. PREPAYMENTS

	2024 $000	2023 $000
Prepaid software	**5,669**	7,561
Other prepayments	**12,927**	15,680
Total prepayments	**18,596**	23,241
Prepayments are reported in the Balance Sheet as:		
Current asset	**14,848**	17,571
Non-current asset	**3,748**	5,670
	18,596	23,241

Prepaid non-cash consideration for configuration and customisation costs relating to the fulfilment of a service contract with a cloud provider are expensed over the related contract life as noted in the software policy per Note 16. There was nil transferred from intangible assets to prepaid software during the year (2023: $1.8m).

14. INVESTMENTS

The Company has the following material investments:

(a) Subsidiaries

	PRINCIPAL ACTIVITY	BALANCE DATE 2024	INTEREST %	BALANCE DATE 2023	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 (sold 31/5/2024)	Animal nutrition	**N/A**	**N/A**	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	BALANCE DATE 2024	INTEREST %	BALANCE DATE 2023	INTEREST %
NZ Phosphate Company Limited	Research	**30 June**	**50**	30 June	50

Share of profits net of tax arising from interest in associates was $0.4m (2023: ($0.1m)).

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)

	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Cost	61,982	144,704	498,190	60,905	765,781
Accumulated depreciation	(8,405)	(76,257)	(289,460)	–	(374,122)
Carrying value at 1 June 2022	53,577	68,447	208,730	60,905	391,659
Acquisitions	2,017	36,121	32,882	52,640	123,660
Capitalisations from assets under construction	–	–	–	(49,589)	(49,589)
Depreciation expense	(711)	(5,692)	(40,867)	–	(47,270)
Disposals - cost	(18)	(32)	(6,775)	–	(6,825)
Disposals - accumulated depreciation	–	31	6,278	–	6,309
Assets held for sale - cost	(4,948)	(16,221)	(41,211)	(409)	(62,789)
Assets held for sale - accumulated depreciation	2,259	8,011	36,195	–	46,465
Carrying value at 31 May 2023	52,176	90,665	195,232	63,547	401,620
Cost	59,033	164,572	483,085	63,547	770,237
Accumulated depreciation	(6,857)	(73,907)	(287,853)	–	(368,617)
Carrying value at 31 May 2023	52,176	90,665	195,232	63,547	401,620
Acquisitions	**68**	**4,811**	**73,938**	**27,486**	**106,303**
Capitalisations from assets under construction	**–**	**–**	**–**	**(37,279)**	**(37,279)**
Depreciation expense	**(572)**	**(5,722)**	**(38,052)**	**–**	**(44,346)**
Disposals - cost	**(4)**	**(3,083)**	**(7,004)**	**–**	**(10,091)**
Disposals - accumulated depreciation	**4**	**3,083**	**6,909**	**–**	**9,996**
Carrying value at 31 May 2024	**51,672**	**89,754**	**231,023**	**53,754**	**426,203**
Cost	**59,097**	**166,300**	**550,018**	**53,754**	**829,169**
Accumulated depreciation	**(7,425)**	**(76,546)**	**(318,995)**	**–**	**(402,966)**
Carrying value at 31 May 2024	**51,672**	**89,754**	**231,023**	**53,754**	**426,203**

Policy

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

Depreciation commences when an asset is ready for use.

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

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

Estimated useful lives are as follows:

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

The Group's ammonia urea plant is depreciated in line with economic life which is currently February 2030.

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

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

Impairment

The carrying amount of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. An Impairment loss is recognised whenever the carrying amount of an asset or its cash-generating units exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Notes to the financial statements

FOR THE YEAR ENDED 31 MAY 2024

16. INTANGIBLE ASSETS

	Software $000	Emissions trading scheme $000	Goodwill $000	Total $000
Cost	77,882	35,684	737	114,303
Accumulated amortisation	(49,031)	–	–	(49,031)
Carrying value 1 June 2022	28,851	35,684	737	65,272
Acquisitions	579	–	875	1,454
Movement in development costs	2,365	–	–	2,365
Transferred from assets held for sale	–	7,381	–	7,381
Allocation of emissions trading scheme credits	–	24,023	–	24,023
Amortisation	(8,661)	–	–	(8,661)
Transfer to prepayments	(1,820)	–	–	(1,820)
Transfer of credits to settle liability	–	(13,628)	–	(13,628)
Disposals - cost	(4,330)	–	–	(4,330)
Disposals - accumulated amortisation	3,473	–	–	3,473
Impairment (charge) / reversal	–	(5,452)	–	(5,452)
Assets held for sale - costs	(768)	–	–	(768)
Assets held for sale - accumulated amortisation	540	–	–	540
Assets held for sale - amortisation	(57)	–	–	(57)
Carrying value 31 May 2023	20,172	48,008	1,612	69,792
Intangible assets are reported in the balance sheet as:				
Current	–	14,249	–	14,249
Non-current	20,172	33,759	1,612	55,543
31 May 2023	20,172	48,008	1,612	69,792

	Software $000	Emissions trading scheme $000	Goodwill $000	Total $000
Acquisitions	**719**	**–**	**(228)**	**491**
Movement in development costs	**4,740**	**–**	**–**	**4,740**
Allocation of emissions trading scheme credits	**–**	**21,062**	**–**	**21,062**
Amortisation	**(5,506)**	**–**	**–**	**(5,506)**
Transfer of credits to settle liability	**–**	**(11,675)**	**–**	**(11,675)**
Disposals - cost	**(360)**	**–**	**–**	**(360)**
Disposals - accumulated amortisation	**360**	**–**	**–**	**360**
Impairment (charge) / reversal	**–**	**5,452**	**–**	**5,452**
Carrying value 31 May 2024	**20,125**	**62,847**	**1,384**	**84,356**
Intangible assets are reported in the balance sheet as:				
Current	**–**	**24,420**	**–**	**24,420**
Non-current	**20,125**	**38,427**	**1,384**	**59,936**
31 May 2024	**20,125**	**62,847**	**1,384**	**84,356**

Policy

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

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

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

Estimated useful lives are as follows:

Software: 2-10 years

16. INTANGIBLE ASSETS (CONTINUED)

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

Amortisation is recognised within administration expense.

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

Software

In previous years, where software has been transferred to the cloud but the Group retains control under the guidance of NZ IAS Intangible Assets, its carrying value was reclassified as a prepayment. This is because the Group provided non-cash consideration (the software code) in exchange for future services, as per NZ IFRS 15 Revenue from Contracts with Customers guidelines for non-cash transactions. The value transferred is split between current and non-current assets and is expensed over the term of the service contract. There have been no further transfers of this nature in the year ended 31 May 2024.

New Zealand Emissions Trading Scheme

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

This entitles urea manufacturing entities to receive an allocation of emission units, calculated by reference to production levels, which is intended to offset the majority of the cost increases associated with the ETS. The Group has recognised these units at fair value upon initial recognition and subsequent to recognition they are measured at cost less any impairment.

The allocation is recognised as deferred income and recognised in profit or loss on a systematic basis over the period to which the grant relates. Units expected to be utilised within twelve months of balance date are presented within current assets. Units held on hand at the end of May 2024 are 972,825 (2023: 1,059,290).

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

Goodwill

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

17. LEASES

Right-of-use asset	Property $000	Vehicles $000	Other $000	Total $000
Cost	55,826	6,877	857	63,560
Accumulated depreciation	(23,762)	(3,603)	(376)	(27,741)
Carrying value 1 June 2022	32,064	3,274	481	35,819
Additions	3,799	2,650	37	6,486
Completed leases - costs	(6,563)	(2,248)	(81)	(8,892)
Completed leases - accumulated depreciation	6,563	2,248	81	8,892
Depreciation expense	(8,950)	(1,904)	(208)	(11,062)
Assets held for sale - costs	–	(945)	(588)	(1,533)
Assets held for sale - accumulated depreciation	–	455	390	845
Carrying value 31 May 2023	26,913	3,530	112	30,555
Cost	53,062	6,334	225	59,621
Accumulated depreciation	(26,149)	(2,804)	(113)	(29,066)
Carrying value 31 May 2023	26,913	3,530	112	30,555
Additions	**7,413**	**2,059**	**1**	**9,473**
Completed leases - costs	**(4,316)**	**(1,668)**	**–**	**(5,984)**
Completed leases - accumulated depreciation	**4,316**	**1,668**	**–**	**5,984**
Depreciation expense	**(9,685)**	**(1,658)**	**(75)**	**(11,418)**
Carrying value 31 May 2024	**24,641**	**3,931**	**38**	**28,610**
Cost	**56,159**	**6,724**	**226**	**63,109**
Accumulated depreciation	**(31,518)**	**(2,793)**	**(188)**	**(34,499)**
Carrying value 31 May 2024	**24,641**	**3,931**	**38**	**28,610**

17. LEASES (CONTINUED)

	Minimum lease payment $000	Interest $000	Present value $000
Lease liability 2023			
Within one year	10,501	1,557	8,944
One to two years	11,312	2,099	9,213
Two to five years	8,470	1,113	7,357
Greater than five years	7,555	936	6,619
	37,838	5,705	32,133
Leases reported in the Balance Sheet as:			
Current liabilities			8,944
Non-current liabilities			23,189
			32,133

	Minimum lease payment $000	Interest $000	Present value $000
Lease liability 2024			
Within one year	**9,507**	**1,642**	**7,865**
One to two years	**7,194**	**1,204**	**5,990**
Two to five years	**13,565**	**1,741**	**11,824**
Greater than five years	**5,577**	**766**	**4,811**
	35,843	**5,353**	**30,490**
Leases reported in the Balance Sheet as:			
Current liabilities			**7,865**
Non-current liabilities			**22,625**
			30,490

Lease interest expense included in profit and loss	2024 $000	2023 $000
Interest	**1,801**	1,732

Policy

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

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

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

18 TRADE PAYABLES AND ACCRUED EXPENSES

	2024 $000	2023 $000
Current		
Trade payables and other expenses	**53,911**	91,580
Shares repurchase instalments	**7,064**	6,554
Employee benefits	**13,603**	15,034
Emissions trading scheme - deferred income	**15,080**	12,803
Emissions trading scheme - liability	**8,327**	8,153
	97,985	134,124

Policy

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

19. PROVISIONS

	Notes	2024 $000	2023 $000
Employee benefits - long-service leave provision			
Opening balance		**1,800**	1,574
Movement in provision	4	**(54)**	226
Closing balance		**1,746**	1,800
Contingent consideration			
Opening balance		**894**	169
Movement in provision		**(192)**	894
Cash payment		**(279)**	(170)
Unwind of discount		**–**	1
Closing balance		**423**	894
Holidays Act remediation			
Opening balance		**172**	172
Closing balance		**172**	172
Site restoration			
Opening balance		**7,509**	6,178
Movement in provision		**(360)**	1,542
Utilised		**(2,403)**	(211)
Closing balance		**4,746**	7,509

	Notes	2024 $000	2023 $000
Other provisions			
Opening balance		**516**	–
Site maintenance and onerous lease		**–**	516
Movement in site maintenance and onerous lease provision		**(108)**	–
Closing balance		**408**	516
Total provisions		**7,495**	10,891
Total provisions are reported in the Balance Sheet as:			
Current liabilities		**4,563**	688
Non-current liabilities		**2,932**	10,203
Total provisions		**7,495**	10,891

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 two years. Where valuation specialists provided a range in their estimates of costs, management applied judgement in arriving at the value recorded.

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

Policy

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

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

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2024 $000	2023 $000
Continuing operations	**11,269**	31,661
Discontinued operations	**(10,959)**	3,234
Profit for the year	**310**	34,895
Add non-cash and non-operating items:		
Depreciation on assets and leases	**55,764**	57,068
Amortisation	**5,506**	8,661
Emissions trading scheme - net cost of carbon	**(12,388)**	(895)
Derivative fair value movement	**(483)**	(989)
Loss / (gain) on sale of property, plant and equipment	**(116)**	883
Employee benefits	**(54)**	182
Rebate transferred to Share Allotment Reserve	**–**	(91)
Equity accounted earnings of associates	**(375)**	88
Increase / (decrease) in deferred tax	**6,059**	(17,527)
Loss from discontinued operations	**10,959**	(3,234)
Add / (deduct) movements in working capital:		
Movement in trade and other receivables	**(1,724)**	76,159
Movement in inventories	**148,670**	(47,645)
Movement in trade and other payables	**(40,920)**	(26,606)
Movement in rebate payable	**–**	(27,300)
Movement in tax receivable	**(31,406)**	17,108
Movement in prepayments	**4,646**	(2,991)
Net cash from discontinued operating activities	**882**	329
Net cash from operating activities	**145,330**	68,095

21. RELATED PARTIES

Identity of related parties

Related parties of the Group include the subsidiaries and associates disclosed in Note 14, and key management personnel including Directors and the executive team.

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

	2024 $000	2023 $000
Transactions with external related parties through common directorship, control or significant influence		
Revenue	**9,033**	9,917
Expenses	**(5,368)**	(6,387)
Rebate paid	**–**	(308)
Balances with external related parties through common directorship, control or significant influence		
Amounts owing to the Company	**2,069**	2,303
Amounts owed by the Company	**(401)**	(119)
Key management personnel and Directors compensation		
Short term employee benefits, excluding Directors	**5,952**	5,237
Directors' fees	**883**	852
Total	**6,835**	6,089

22. LOANS AND BORROWINGS

At 31 May 2024 the committed and uncommitted Revolving Credit and Import Trade Facilities available were $475m, of which $178.5m was drawn in the Group (2023: facility $600m, actual drawn $248m). The excess headroom in the facility is available to ensure sufficient cash flow during peak periods arising due to seasonality of operations.

These facilities range in tenor from 1 to 2 years with the following weighting: 1 year 70%, 2 year 30%.

The average interest rate in 2024 was 6.19% (2023: 4.53%). Deposits and the Bank Revolving Credit and Import Trade Facility have different interest rates and the loan agreement provides for right of offset against deposits. The Company has interest rate swaps with a nominal value of $45m (2023: $45m) with an average interest rate of 2.7% (2023: 2.7%), refer Note 24(b).

The Revolving Credit and Import Facilities are subject to a general security agreement over all the present and future assets of the Group. The bank covenants have all been met for the years ended 31 May 2024 and 31 May 2023.

23. CAPITAL AND RESERVES

(a) Share capital

(i) Reconciliation of movement in co-operative shares

	2024		2023	
	000	$000	000	$000
Opening balance	**45,275**	**211,040**	45,624	213,129
Co-operative shares issued	**5**	**42**	10	82
Co-operative shares issued in lieu of rebate	**–**	**–**	1,127	9,129
Co-operative shares repurchased	**(1,463)**	**(12,145)**	(1,486)	(11,300)
Closing balance	**43,817**	**198,937**	45,275	211,040

(ii) Co-operative shares

All shares are fully paid and have no par value. Each share has a nominal value of $9.00 (2023: $8.10). The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company subject to any restricted holding determined for shares exceeding 100,000 and any other restrictions in the constitution. All shares rank equally with regard to the Company's residual assets.

Policy

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

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

(iii) Share redemption features

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

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

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

(iv) Repurchase of shares

During the year 1,463,289 shares (2023: 1,485,840) were repurchased at an average price of $8.55 per share (2023: $7.61) 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 Directors, to manage financial risks arising from business activity. The policy outlines the objectives and approach that the Group applies to manage:

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

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

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

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

Derivative and hedge accounting policy

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

The Group designates certain derivatives as cash flow hedges of highly probable forecast transactions. At inception each transaction is documented, detailing:

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

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

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges

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

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

The following are recognised in profit or loss:

- Any gain or loss relating to the ineffective portion of the hedging instrument; and
- Fair value changes in the hedging instrument previously accumulated in other comprehensive income, in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred to be included in the measurement of the initial cost of the asset or liability.

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

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

(a) Foreign currency risk

Quantitative disclosures

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

	2024 $000		2023 $000	
	Maturity 1-6 Months	**6-12 months**	Maturity 1-6 Months	6-12 months
Forward currency risks				
Net exposure (in thousands of NZD)	**149,895**	**16,443**	168,870	53,062
Average NZD:USD forward contract rate	**0.614**	**0.607**	0.628	0.622

	2024 USD $000	2023 USD $000
Foreign currency risk USD		
Bank accounts	**175**	597
Trade payables	**(3,674)**	(21,695)
Net balance sheet exposure before hedging	**(3,499)**	(21,098)
Forward exchange contracts relating to exposures	**3,499**	21,098
Net unhedged exposure	**–**	–

Sensitivity analysis

At 31 May 2024 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 by the amounts shown below.

		Equity 2024 $000	**Profit or loss 2024 $000**	Equity 2023 $000	Profit or loss 2023 $000
Forward exchange contracts and options	+10%	**(15,207)**	**–**	(20,671)	(934)
	-10%	**18,586**	**–**	25,265	3,656

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 and options to hedge the currency risks. Derivative contract and options have maturities of less than one year at the reporting date. These contracts are generally designated as cash flow hedges.

Determination of fair value

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

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk

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

	Maturity profile				
	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	Total $000
Interest rate risk - repricing analysis 2024					
Variable rate instruments and related derivatives	–	–	–	–	–
Cash and cash equivalents	2,567	–	–	–	2,567
Loans and borrowings	(178,500)	–	–	–	(178,500)
Net variable rate instruments	(175,933)	–	–	–	(175,933)
Effect of nominal value of interest rate swaps	–	–	45,000	–	45,000
Unhedged exposure	(175,933)	–	45,000	–	(130,933)

	Maturity profile				
	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	Total $000
Interest rate risk - repricing analysis 2023					
Variable rate instruments and related derivatives	–	–	–	–	–
Cash and cash equivalents	2,740	–	–	–	2,740
Loans and borrowings	(248,000)	–	–	–	(248,000)
Net variable rate instruments	(245,260)	–	–	–	(245,260)
Effect of nominal value of interest rate swaps	–	–	–	45,000	45,000
Unhedged exposure	(245,260)	–	–	45,000	(200,260)

Based on loans and borrowings as at 31 May 2024, it is estimated that a 100 basis points movement either way in interest rates would decrease / increase respectively the Group's profit before income tax and equity for the next twelve months, by approximately +/- $1.2m (2023: $2.2m). The impact of the interest rate swaps has been included in this calculation.

Policy

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

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

Determination of fair value

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

(c) Credit risk

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

Our credit policies to manage this exposure include:

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk

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

	Carrying value $'000	Contractual cash flows $'000	0 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	> 5 years $'000
2024						
Unsecured bank loans	**178,500**	**181,651**	**181,651**	**–**	**–**	**–**
Trade and other payables	**82,539**	**82,539**	**82,539**	**–**	**–**	**–**
Lease liabilities	**30,490**	**35,843**	**9,507**	**7,194**	**13,565**	**5,577**
Total non-derivative liabilities	**291,529**	**300,033**	**273,697**	**7,194**	**13,565**	**5,577**
Net settled foreign exchange derivatives used for hedging	**(56)**	**(36)**	**(36)**	**–**	**–**	**–**
Net settled cash flow hedge derivatives	**(1,019)**	**(1,052)**	**(827)**	**(225)**	**–**	**–**

	Carrying value $'000	Contractual cash flows $'000	0 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	> 5 years $'000
2023						
Unsecured bank loans	248,000	251,682	251,682	–	–	–
Trade and other payables	121,321	121,321	121,321	–	–	–
Lease liabilities	32,133	37,838	10,501	11,312	8,470	7,555
Total non-derivative liabilities	401,454	410,841	383,504	11,312	8,470	7,555
Net settled foreign exchange derivatives used for hedging	(10,301)	(9,933)	(9,933)	–	–	–
Net settled cash flow hedge derivatives	(2,357)	(2,466)	(477)	(1,410)	(501)	(78)

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 22 for committed bank facilities available to the Group.

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

(e) Classification and fair values

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

	Nominal amount $000	Fair value held for trading $000	Amortised cost $000	Total carrying amount $000
2024				
Assets				
Derivatives	**77,083**	**2,229**	**–**	**2,229**
Trade and other receivables	**–**	**–**	**85,890**	**85,890**
Cash and cash equivalents	**–**	**–**	**2,567**	**2,567**
Total assets	**77,083**	**2,229**	**88,457**	**90,686**
Liabilities				
Derivatives	**89,276**	**1,154**	**–**	**1,154**
Trade and other payables	**–**	**–**	**97,985**	**97,985**
Net rebates payable	**–**	**–**	**–**	**–**
Loans and borrowings	**–**	**–**	**178,500**	**178,500**
Total liabilities	**89,276**	**1,154**	**276,485**	**277,639**

24. FINANCIAL INSTRUMENTS (CONTINUED)

	Nominal amount $000	Fair value held for trading $000	Amortised cost $000	Total carrying amount $000
2023				
Assets				
Derivatives	216,568	13,032	–	13,032
Trade and other receivables	–	–	83,803	83,803
Cash and cash equivalents	–	–	2,740	2,740
Total assets	216,568	13,032	86,543	99,575
Liabilities				
Derivatives	5,363	374	–	374
Trade and other payables	–	–	121,321	121,321
Net rebates payable	–	–	–	–
Loans and borrowings	–	–	248,000	248,000
Total liabilities	5,363	374	369,321	369,695

(f) Fair value hierarchy

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

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

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

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

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

25. CONTINGENCIES

There were no material contingent assets or liabilities at balance date (2023: nil)

26. COMMITMENTS

Capital expenditure commitments

The estimated capital expenditure for PPE contracted for at balance date but not provided is $5.7m for the Group (2023: $13.6m).

27. SUBSEQUENT EVENTS

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

Independent Auditor's Report

TO THE SHAREHOLDERS OF BALLANCE AGRI-NUTRIENTS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the consolidated financial statements of Ballance Agri-Nutrients Limited (the 'Company') and its subsidiaries (the 'Group') on pages 30–51 present fairly, in all material respects:

i. the Group's financial position as at 31 May 2024 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 May 2024;
- 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.

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 services and assurance services in relation to share registry and Greenhouse Gas scope 1 & 2 emissions. 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 $7.8m determined with reference to a benchmark of Group total expenses (including cost of sales). We chose the benchmark because, in our view, this is a key measure of the Group's performance.

KEY AUDIT MATTERS

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Valuation and Accuracy of Inventory	
As disclosed in Note 10 of the financial statements the Group has inventory of $201.0m (2023: $349.7m) Inventory is a significant component of the balance sheet and it is held at a number of locations. Given the nature of the Group's products, complex measurements and conversion calculations are required to determine the volume of inventory on hand. Judgement is also required in determining whether the value of inventory is valued at the lower of cost or net realisable value, given recent volatility of global fertiliser commodity prices and the resulting impact on the NZ fertiliser market.	Our audit procedures included: ▪ Assessing processes and controls over the valuation and accuracy of inventory. ▪ Attending a sample of stock counts at selected sites (including those attended by independent quantity surveyors) to ensure the process and controls followed are consistent across locations including the re-performance of measurements and calculation of inventory volumes where surveyors were not engaged. ▪ Assessing the competence, objectivity and independence of the quantity surveyors used by management including an assessment of their professional qualifications and experience. ▪ Reviewing quantity surveyors reports for a sample of sites, assessing appropriateness of methods utilised by surveyors and ensuring any variances above a set threshold identified were resolved by management. ▪ Selecting a sample of items, verifying the bulk density factor and comparing to the bulk density applied to stock within SAP. ▪ Obtaining a copy of management's inventory impairment assessment, reviewing the veracity of the model, verifying key inputs and challenging assumptions. ▪ Comparing inventory volumes on hand at year end with sales volumes for the period using analytical procedures to identify potential obsolescence issues. ▪ Utilising internal specialists to test the control effectiveness of the system in calculating the weighted average cost of inventory. We had no matters to report as a result of our procedures.

Independent Auditor's Report

TO THE SHAREHOLDERS OF BALLANCE AGRI-NUTRIENTS LIMITED

KPMG

OTHER INFORMATION

The directors on behalf of the Group are responsible for the other information included in the entity's Annual Report. Other information includes the Statutory Information received before our audit report and the other information included in the Annual Report we won't receive until after we issue our audit report (including the sections relating to Chair & CEO Reports, Our Business, Performance & Highlights, Creating Value, Governance & Leadership, Trend Statement, Corporate Governance and Directory.) Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

USE OF THIS INDEPENDENT AUDITOR'S REPORT

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objective is:

- to obtain reasonable assurance about whether the 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

KPMG

Tauranga
31 July 2024

Statutory Information

The Directors are pleased to present to Shareholders the Financial Statements of Ballance Agri-Nutrients Limited for the year ended 31 May 2024.

Shareholder Distributions

No dividend or rebates are proposed for the year ending 31 May 2024 (2023: nil).

Shareholding and Capital

Shareholder membership at 31 May 2024 was 16,387 (2023: 16,804). Total shares issued and paid up on 31 May 2024 are 43.8m (2023: 45.3m).

The nominal share value at 31 May 2024 was $9.00 (2023: $8.10).

Directorate

Andrew Morrison resigned as director on 27th of September 2023, and Jared Collie was appointed a director on 28th of September 2023.

General Disclosures

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

Director	Position	Company
DV Balle	Director	Onions New Zealand Incorporated
		Potatoes New Zealand Incorporated
	Director/Shareholder	Balle Bros Group of companies
AG Brantley	Chair	AML Limited (resigned November 2023)
		FarmRight Limited
		H.W. Richardson Group of companies
		Leighs Construction Limited
		Leighs Construction Holdings Limited
	Director	ElectroNet Consulting UK Limited (appointed January 2024)
		ElectroNet Services Limited (appointed August 2023)
		ElectroNet Technology Limited (appointed August 2023)
		Independent Assessment Board, Local Government of New Zealand Excellence Board
		Mitton ElectroNet Limited (appointed August 2023)
		Westpower Limited (appointed August 2023)
	Member	Energy Efficiency & Conservation Authority
JG Collie (appointed September 2023)	Chair	Limehills Primary School
	Chair/Director	Platinum Dairies Limited
	Deputy Chair	Jeff Farm Trust
	Director	Alliance Group Limited
	Director/Shareholder	Benmore Downs Limited
	Member	Takitimu Discussion Group
DJ Coull	Board Member	Fertiliser Association of New Zealand
	Chair	Naki Construction Limited (resigned July 2023)
		Westyle Developments Limited (resigned July 2023)
	Director	Coull Farms Limited
		Harakeke Dairies Limited
		Livestock Improvement Corporation Limited (appointed October 2023)
		Ngutunui Dairies Limited (appointed December 2023)
		NZ Phosphate Company
	Member of Advisory Board	Westfield Farms Limited
	Shareholder	Ngutunui Investments Limited
		Waipa Pastoral Limited

Statutory Information

Director	Position	Company
AC Darke	Director	Mt View Limited
		Ridgeway Farms Limited
	President	Te Kuiti Pony Club
	Shareholder	Rural Coach Limited
CJ Henderson	Director	Dairy NZ Limited (appointed October 2023)
		Henderson Farms Trust Limited
		New Zealand Animal Evaluation Limited (appointed December 2023)
	Trustee	MainPower Trust
		North Canterbury Farmers Charitable Trust
		Waimakariri Landcare Trust
MM Kernahan	Chief Executive	Ritchies Transport Holdings Limited
	Director	Birkenhead Transport (2019) Limited
		Coachline Properties Limited
		Glenveagh Limited
		Red Bus (2020) Limited
		Ritchies Intercity Limited
		Ritchies Murphy Transport Solutions Limited
		Ritchies Transport Holdings Limited
		Rome NZ Bidco Limited
		Rome NZ Holdco Limited
		Rome NZ Propco Limited
		Timmich Trustees Limited
AD Morrison (retired September 2023)	Director	Glenroy Morrison Limited
		Ovis Management Limited
		Wool Research Organisation of New Zealand
	Partner	AD Morrison Farms Partnership
SD Robertson	Director	Alliance Group Limited
		Synlait Milk Limited (resigned October 2023)
		Synlait Milk Finance Limited (resigned October 2023)
SJ von Dadelszen	Chair	FMG Insurance Limited
	Director	Centralines Limited
		Hinerangi Station Limited (appointed December 2023)
	Member	Tukituki Water Security Limited
		Maharakeke and Pōrangahau streams catchment group
	Shareholder	Totara Dairy Farm Limited
	Trustee	Assistance Dogs New Zealand Trust

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.

Statutory Information

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 2024.

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. All resignations were as at September 2023.

Ag Hub Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Back2Water Limited

MW Skilton (E).

Ballance Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

BOP Fertiliser Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Southfert Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Super Air Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Altum Nutrition Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Ballance Agri-Nutrients (Kapuni) Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Bay of Plenty Fertiliser Company Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Kapuni Green Hydrogen Hold GP Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Summit Quinphos Limited

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Te Ata Hydrogen

MD Wynne (R), KA Wickham (E), MW Skilton (E).

Director's Remuneration

Fees paid to Directors were:

DJ Coull	170,000
DV Balle	85,000
AG Brantley	95,000
JG Collie	57,375
AC Darke	85,000
CJ Henderson	85,000
MM Kernahan	91,000
AD Morrison	27,625
SD Robertson	100,000
SJ von Dadelszen	87,000
	883,000

Insurance

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

Co-operative status

As required by section 10 of the Co-operative Companies Act 1996, the following resolution was approved by the Board on 31 July 2024. 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 2024 and since registration of the Company under the Co-operative Companies Act 1996 ("the Act"), been a Co-operative Company within the meaning of that Act.

The grounds for holding this opinion are that:

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

b) The principal activity of the Company is, and is stated in the 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.

Statutory Information

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 NZD	# of employees
100,000 - 110,000	59
110,001 - 120,000	40
120,001 - 130,000	52
130,001 - 140,000	23
140,001 - 150,000	24
150,001 - 160,000	31
160,001 - 170,000	22
170,001 - 180,000	17
180,001 - 190,000	14
190,001 - 200,000	14
200,001 - 210,000	17
210,001 - 220,000	7
220,001 - 230,000	7
230,001 - 240,000	3

Remuneration NZD	# of employees
240,001 - 250,000	5
250,001 - 260,000	6
260,001 - 270,000	3
270,001 - 280,000	3
280,001 - 290,000	1
300,001 - 310,000	1
410,001 - 420,000	1
460,001 - 470,000	1
470,001 - 480,000	1
520,001 - 530,000	1
550,001 - 560,000	1
570,001 - 580,000	1
870,001 - 880,000	1
1,110,001 - 1,120,000	1

External Auditor

KPMG continued as auditor for the 2024 financial year. Directors are undertaking a review of the external audit service providers for the 2025 financial year. At the annual meeting in September 2024, shareholders will need to approve a resolution appointing the auditor and authorise directors to fix their remuneration.

Donations

The total donations made during the year are $0.1m (2023: $1.04m).

DB Coull
Chairman of Directors
31 July 2024

SD Robertson
Director
31 July 2024

Trend Statement

FOR THE YEAR-ENDED AND AS AT 31 MAY 2024, BALLANCE AGRI-NUTRIENTS AND SUBSIDIARY COMPANIES*

		2020	2021	2022	2023	2024
Group sales volumes	Tonnes	1,551,000	1,553,000	1,583,000	1,260,000	1,227,000
Turnover	$000	891,274	897,040	1,195,308	1,222,337	994,854
	$/tonne	$575	$578	$755	$970	$811
Profits						
Profit before rebate and tax	$000	68,850	63,147	112,107	46,449	12,738
	$/tonne	$44.39	$40.66	$70.82	$36.86	$10.38
Group profit retained	$000	8,941	7,787	55,847	34,895	310
After distributions, impairment provision, inventory write down and including minority interest retentions in subsidiary companies.						
Cash Flow						
From operations (prior to rebate payment)	$000	140,839	96,404	(11,954)	95,491	145,330
Capital and investment expenditure (net)	$000	80,224	77,506	91,591	72,912	49,215
Distributions to Shareholders						
Rebates paid or proposed	$000	54,107	60,228	36,522	–	–
Rebate per tonne	$/tonne	$45.00	$50.00	$30.00	$0.00	$0.00

		2020	2021	2022	2023	2024
Analysis of Shareholders' Equity						
Number of shareholders		17,950	17,441	17,098	16,804	16,387
Shares on issue	$000	44,116	44,704	45,624	45,276	43,817
Nominal share value		$8.10	$8.10	$8.10	$8.10	$ 9.00
Share quota per tonne		30	30	30	30	30
Investment per quota tonne		$243.00	$243.00	$243.00	$243.00	$270.00
Group shareholders' equity	$000	469,955	476,015	546,731	568,258	548,977
Group equity ratio		67.5%	62.5%	53.3%	55.5%	63.5%
Net asset backing per share		$10.65	$10.65	$ 11.98	$ 12.55	$12.53
Assets						
Total assets	$000	696,053	761,605	1,024,938	1,023,431	864,601
Working capital	$000	112,287	72,611	96,639	92,141	42,687
Ratio of current assets to current liabilities		1.6	1.3	1.2	1.2	1.1
Stock turn		4.1	4.1	3.8	2.7	2.7

* These metrics include the results of Seales Winslow Limited which has been classified as a discontinued operation in the accounts having been sold on 31 May 2024. This trend statement should be read in conjunction with the Financial Statements and accompanying notes.

Corporate Governance

FOR THE YEAR ENDED 31 MAY 2024

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 polices and processes to establish, develop and maintain appropriate governance throughout the Group.

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

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

ROLE OF THE BOARD

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

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

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

RISK MANAGEMENT

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

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

BOARD MEMBERSHIP

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

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

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

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

There are no executive directors. In 2021 an Associate Director role was established to ensure Ballance played a part in advancing governance capability within the wider primary sector. There have been two Associate Directors since 2021, who participate in all Board meeting discussions but do not have a vote in Board decisions.

APPOINTED DIRECTORS

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

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

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

BOARD MEETINGS

The Chief Executive and the Chairman prepare meeting agendas. Any member of the Board may request the addition of an item to the agenda. The Board met on twelve occasions in the financial year ended 31 May 2024, at in person and video conference meetings. 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.

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

BOARD REVIEW

Under a defined process regular reviews are conducted of the performance of individual directors and the Board as a whole. This includes a confidential performance appraisal of each director with the Chairman responsible for discussing results with the directors being assessed.

BOARD COMMITTEES

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

Audit and Risk Committee

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

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

The Audit and Risk Committee is responsible for:

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

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

Corporate Governance

FOR THE YEAR ENDED 31 MAY 2024

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.

Due Diligence Committee

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

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

People and Culture Committee

The People and Culture Committee comprises at least three directors and is currently chaired by appointed director Michele Kernahan.

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

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

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

Te Ata Projects Committee

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

The Te Ata Projects Committee was chaired by appointed director Albert Brantley and the Committee was disbanded in May 2024.

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 electronically 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.

In May 2024 a new General Manager position for External Relations was established with the appointment of Joanne Mahon. A regular update to shareholders from the Chairman and Chief Executive was commenced in May 2024 and is intended to be a quarterly information sharing with shareholders.

CONTINUOUS DISCLOSURE

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

HEALTH AND SAFETY

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

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

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

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

ENVIRONMENT

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

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

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

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

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

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

Directory

BOARD OF DIRECTORS

Duncan Coull – Chair and Director (North Island)

Dacey Balle – Director (North Island)

Albert Brantley - Appointed Director

Olivia Buckley – Associate Director

Jared Collie - Director (South Island)

Dani Darke - Director (North Island)

Cameron Henderson - Director (South Island)

Michele Kernahan – Appointed Director

Simon Robertson – Appointed Director

Sarah von Dadelszen - Director (North Island)

REGISTERED OFFICE

161 Hewletts Road, Mount Maunganui

SOLICITORS

Russell McVeagh

PO Box 8, Auckland

Sharp Tudhope

Private Bag TG12020, Tauranga

BANKERS

ANZ Bank New Zealand Limited

Bank of China (New Zealand) Limited

Commonwealth Bank of Australia

Hong Kong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China Limited

Rabobank New Zealand

Westpac New Zealand Limited

AUDITORS

KPMG

PO Box 110, Tauranga

EXECUTIVE LEADERSHIP TEAM

Kelvin Wickham - Chief Executive Officer

Shane Dufaur - GM Operations & Supply Chain

David Healy – Chief Digital Officer

Joanne Mahon – GM External Relations

Jason Minkhorst - GM Customer

Jacqueline Rich – GM People & Capability

Matt Skilton - Chief Financial Officer

BALLANCE AGRI-NUTRIENTS LIMITED - NATIONAL SUPPORT OFFICE

Private Bag 12503, Tauranga

Phone 07 572 7900

Fax 07 572 6233

Email reception@ballance.co.nz

Freephone customer line 0800 222 090

Website www.ballance.co.nz

BALLANCE AGRI-NUTRIENTS LIMITED - SOUTH

PO Box 849, Invercargill

Phone 03 211 3220

Email Invercargill.reception@ballance.co.nz

BALLANCE AGRI-NUTRIENTS (KAPUNI) LIMITED

PO Box 439, Hawera

Phone 06 272 6449

Email Kapuni.reception@ballance.co.nz

SUPER AIR LIMITED

Rukuhia, RD2, Hamilton

Phone 07 843 6066

Email reception@superair.co.nz

Ballance agri-nutrients

BALLANCE.CO.NZ