Our Numbers

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Revenue	2	**837,462**	892,795	**789,867**	835,796
Cost of sales		**(624,875)**	(621,268)	**(570,307)**	(596,606)
Gross profit		**212,587**	271,527	**219,560**	239,190
Other operating income	2	**1,964**	3,460	**956**	18,335
Sales, marketing and distribution expenses		**(126,209)**	(138,028)	**(119,864)**	(120,604)
Administrative expenses		**(50,109)**	(51,738)	**(40,107)**	(41,978)
Other operating expenses	3	**(3,147)**	(4,255)	**(13,302)**	(19,358)
		(177,501)	(190,561)	**(172,317)**	(163,605)
Gross trading result		**35,086**	80,966	**47,243**	75,585
Net financing costs	6	**(2,402)**	(4,433)	**(270)**	(2,716)
Impairment write (down) up	7(a)	**(2,700)**	(18,688)	**1,000**	(18,688)
Revamp urea plant project costs	7(b)	**(13,321)**	–	**–**	–
Profit before rebate, tax and equity accounted income		**16,663**	57,845	**47,973**	54,181
Rebates to shareholders	8	**(30,433)**	(72,407)	**(30,433)**	(72,407)
(Loss) profit before tax and equity accounted income		**(13,770)**	(14,562)	**17,540**	(18,226)
Share of profit (loss) from equity accounted investments	13(b)	**(25)**	21	**–**	–
(Loss) profit before tax		**(13,795)**	(14,541)	**17,540**	(18,226)
Income tax (expense) benefit	9	**(349)**	3,471	**(3,583)**	4,129
(Loss) profit for the year		**(14,144)**	(11,070)	**13,957**	(14,097)

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
(Loss) profit after tax for the year		**(14,144)**	(11,070)	**13,957**	(14,097)
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		**8,545**	30,018	**8,545**	30,018
Amount removed from equity, in relation to cash flow hedges, and included in initial cost of inventory on hand during the period		**(26,099)**	(7,550)	**(26,099)**	(7,550)
Income tax on items recognised directly in other comprehensive income	9	**4,915**	(6,291)	**4,915**	(6,291)
Other comprehensive income, net of income tax		**(12,639)**	16,177	**(12,639)**	16,177
Total comprehensive income for the year		**(26,783)**	5,107	**1,318**	2,080

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

STATEMENT OF CHANGES IN EQUITY – GROUP

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

Group	Note	Fully paid ordinary shares $000	Share allotment reserve $000	Hedging reserve $000	Retained earnings $000	Total equity $000
		22(a)	22(b)	22(b)		
Balance at 1 June 2014		146,007	23,610	(5,100)	256,093	420,610
Loss for the year		–	–	–	(11,070)	(11,070)
Net change in the fair value of cash flow hedges		–	–	22,469	–	22,469
Income tax relating to components of other comprehensive income		–	–	(6,291)	–	(6,291)
Other comprehensive income for the year, net of tax		–	–	16,178	–	16,178
Shares issued		388	–	–	–	388
Shares provided / issued in lieu of rebate		23,543	(1,315)	–	–	22,228
Shares repurchased		(9,135)	–	–	–	(9,135)
Dividends paid	8	–	–	–	(3,770)	(3,770)
Total transactions with owners		14,796	(1,315)	–	(3,770)	9,712
Balance at 31 May 2015		160,803	22,295	11,078	241,253	435,429
Balance at 1 June 2015		**160,803**	**22,295**	**11,078**	**241,253**	**435,429**
Loss for the year		**–**	**–**	**–**	**(14,144)**	**(14,144)**
Net change in the fair value of cash flow hedges		**–**	**–**	**(17,554)**	**–**	**(17,554)**
Income tax relating to components of other comprehensive income		**–**	**–**	**4,915**	**–**	**4,915**
Other comprehensive income for the year, net of tax		**–**	**–**	**(12,639)**	**–**	**(12,639)**
Shares issued		**290**	**–**	**–**	**–**	**290**
Shares provided / issued in lieu of rebate		**22,294**	**(11,758)**	**–**	**–**	**10,536**
Shares repurchased		**(8,973)**	**–**	**–**	**–**	**(8,973)**
Dividends paid	8	**–**	**–**	**–**	**(3,947)**	**(3,947)**
Total transactions with owners		**13,611**	**(11,758)**	**–**	**(3,947)**	**(2,094)**
Balance at 31 May 2016		**174,414**	**10,537**	**(1,561)**	**223,162**	**406,552**

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

STATEMENT OF CHANGES IN EQUITY – PARENT

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

Parent	Note	Fully paid ordinary shares $000	Share allotment reserve $000	Hedging reserve $000	Retained earnings $000	Total equity $000
		22(a)	22(b)	22(b)		
Balance at 1 June 2014		146,007	23,613	(5,100)	204,614	369,134
Loss for the year		–	–	–	(14,097)	(14,097)
Net change in the fair value of cash flow hedges		–	–	22,468	–	22,468
Income tax relating to components of other comprehensive income		–	–	(6,291)	–	(6,291)
Other comprehensive income for the year, net of tax		–	–	16,177	–	16,177
Shares issued		388	–	–	–	388
Shares provided / issued in lieu of rebate		23,543	(1,315)	–	–	22,228
Shares repurchased		(9,135)	–	–	–	(9,135)
Dividends paid	8	–	–	–	(3,770)	(3,770)
Total transactions with owners		14,796	(1,315)	–	(3,770)	9,711
Balance at 31 May 2015		160,803	22,298	11,077	186,747	380,925
Balance at 1 June 2015		**160,803**	**22,298**	**11,077**	**186,747**	**380,925**
Profit for the year		**–**	**–**	**–**	**13,957**	**13,957**
Net change in the fair value of cash flow hedges		**–**	**–**	**(17,554)**	**–**	**(17,554)**
Income tax relating to components of other comprehensive income		**–**	**–**	**4,915**	**–**	**4,915**
Other comprehensive income for the year, net of tax		**–**	**–**	**(12,639)**	**–**	**(12,639)**
Shares issued		**290**	**–**	**–**	**–**	**290**
Shares provided / issued in lieu of rebate		**22,294**	**(11,754)**	**–**	**–**	**10,540**
Shares repurchased		**(8,973)**	**–**	**–**	**–**	**(8,973)**
Dividends paid	8	**–**	**–**	**–**	**(3,947)**	**(3,947)**
Total transactions with owners		**13,611**	**(11,754)**	**–**	**(3,947)**	**(2,090)**
Balance at 31 May 2016		**174,414**	**10,544**	**(1,561)**	**196,757**	**380,153**

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

BALANCE SHEET

AS AT 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Shareholders' equity					
Paid-in capital		**174,414**	160,803	**174,414**	160,803
Retained earnings and other reserves		**232,138**	274,626	**205,739**	220,122
Total equity		**406,552**	435,429	**380,153**	380,925
Current liabilities					
Bank revolving cash advance facility	18	**24,000**	–	**24,000**	–
Trade and other payables	17	**49,762**	52,850	**43,743**	45,887
Derivative liabilities		**3,086**	–	**3,086**	–
Inter-company funding	21	**–**	–	**2,273**	11,530
Rebate payable	8	**19,680**	49,956	**19,680**	49,956
Total current liabilities		**96,528**	102,806	**92,782**	107,373
Non-current liabilities					
Provisions	19	**1,279**	1,233	**791**	796
Deferred tax liabilities	10	**–**	2,406	**–**	7,386
Total non-current liabilities		**1,279**	3,639	**791**	8,182
Total liabilities		**97,807**	106,445	**93,573**	115,555
Total equity and liabilities		**504,359**	541,874	**473,726**	496,480
Current assets					
Cash and cash equivalents		**8,935**	18,679	**8,316**	17,962
Trade and other receivables	11	**66,475**	86,123	**61,331**	81,709
Inter-company funding	21	**–**	–	**40,894**	13,257
Inventories	12	**151,777**	165,518	**138,891**	152,987
Derivative assets		**913**	15,511	**913**	15,511
Income tax receivable		**2,481**	2,268	**2,569**	2,266
Total current assets		**230,581**	288,099	**252,914**	283,692
Non-current assets					
Investments in subsidiaries	13(a)	**–**	–	**31,603**	31,603
Investments in equity accounted investees	13(b)	**127**	153	**35**	35
Loans to subsidiaries	21	**–**	–	**30,733**	30,733
Deferred tax assets	10	**2,149**	–	**695**	–
Property, plant and equipment	14	**254,485**	241,118	**145,115**	143,671
Intangible assets	16	**17,017**	12,504	**12,631**	6,746
Total non-current assets		**273,778**	253,775	**220,812**	212,788
Total assets		**504,359**	541,874	**473,726**	496,480

For and on behalf of Board of Directors:

DE Peacocke
Director
11 August 2016

EJ Harvey
Director
11 August 2016

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Cash flows from operating activities					
Cash receipts from customers		**861,123**	932,678	**812,913**	872,955
Cash paid to suppliers and employees		**(773,805)**	(819,432)	**(725,733)**	(782,287)
Interest received		**643**	1,504	**2,707**	3,842
Dividends received		**17**	30	**17**	30
Insurance proceeds		**85**	1,415	**85**	1,415
Government grants		**568**	652	**568**	652
Rebate to shareholders		**(72,463)**	(75,097)	**(72,463)**	(75,097)
Less shares issued in lieu of rebate		**22,294**	23,544	**22,294**	23,544
Net rebate paid		**(50,169)**	(51,553)	**(50,169)**	(51,553)
Interest paid		**(2,914)**	(5,734)	**(2,842)**	(6,339)
Income tax refunded / (paid)		**(202)**	(5,022)	**(204)**	(4,648)
Net cash flow from operating activities	20	**35,346**	54,538	**37,342**	34,067
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		**344**	765	**321**	435
Proceeds from the sale of investments		**–**	503	**–**	–
Acquisition of property, plant and equipment and intangibles		**(57,096)**	(45,787)	**(25,503)**	(18,483)
Net cash flow from investing activities		**(56,752)**	(44,519)	**(25,182)**	(18,048)
Cash flows from financing activities					
Proceeds from issue of co-operative shares		**290**	388	**290**	388
Acquisition of non-controlling interest		**–**	(7,100)	**–**	(7,100)
Repurchase of surrendered shares		**(8,681)**	(9,195)	**(8,681)**	(9,195)
Net drawdown / (repayment) of borrowings		**24,000**	(40,000)	**24,000**	(40,000)
Dividends paid		**(3,947)**	(3,770)	**(3,947)**	(3,770)
Net advances (to) from subsidiaries		**–**	–	**(33,468)**	(6,350)
Net cash flow from financing activities		**(11,662)**	(59,677)	**(21,806)**	(66,027)
Net movement in cash and cash equivalents		**(9,744)**	(49,658)	**(9,646)**	(50,008)
Cash and cash equivalents at 1 June		**18,679**	68,337	**17,962**	67,970
Cash and cash equivalents at 31 May		**8,935**	18,679	**8,316**	17,962

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

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

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

Financial statements for the Company and consolidated financial statements for the Group are presented. The consolidated financial statements of the Group as at and for the year ended 31 May 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of preparation

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

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

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

The financial statements were approved by the Board of Directors on 11 August 2016.

b) Use of estimates and judgements

The Group's management is required to make judgements, estimates and apply assumptions that affect the amounts reported in the financial statements. They have been based on historical experience and other factors they believe 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.

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

- Note 7 – Impairment
- Note 10 – Deferred tax
- Note 14 – The life of the Kapuni urea plant and capitalisation of cost in relation to plant redevelopment
- Note 16 – Intangible assets
- Note 22 – Capital and reserves (treatment of puttable instruments)
- Note 23 – Financial instruments

c) New standards and interpretations

A number of new or revised standards are not yet effective for the year ended 31 May 2016, and have not been applied in preparing these financial statements. Those relevant to the Group are:

NZ IFRS 9 – Financial Instruments: Classification and Measurement.

This standard simplifies how an entity should classify and measure financial instruments. This will result in revised disclosure, but is unlikely to have a significant impact on recognition or measurement of any balances within the financial statements. Effective for periods beginning on or after 1 January 2018.

NZ IFRS 15 – Revenue from Contracts with Customers.

This standard impacts on how and when revenue is recognised. Additionally there will be changes in disclosure requirements. Effective for periods beginning on or after 1 January 2018.

NZ IFRS 16 – Leases.

This standard removes the classification of leases as either operating or finance leases for the lessee effectively treating all leases as finance leases. Effective for periods beginning on or after 1 January 2019.

In preparing these financial statements the Group has early adopted the Disclosure Initiative – Amendments to NZ IAS 1.

Management has not assessed the impact of these standards on future financial statements but other than NZ IFRS 16 – Leases, are not expected to have a material impact.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

The change in legislation has no material impact on the entity's obligation to prepare general-purpose financial statements. Neither the Companies Act 1993 nor the FMC Act require the preparation of parent financial statements where group financial statements are prepared. Accordingly on adoption of the FMC Act and the FRA 2013 the Group will no longer be required to prepare separate financial statements for the Company.

2. REVENUE AND OTHER OPERATING INCOME

	Group 2016 $000	Group 2015 $000	**Parent 2016 $000**	Parent 2015 $000
Sale of goods	**827,240**	878,246	**789,790**	835,703
Services provided	**10,222**	14,549	**77**	93
Total revenue	**837,462**	892,795	**789,867**	835,796
Other operating income				
Dividend from subsidiary	**–**	–	**–**	15,726
Other dividend income	**17**	30	**17**	30
Government grants including NZ ETS credits	**1,575**	1,667	**568**	652
Insurance claim	**–**	1,415	**–**	1,415
Other	**372**	348	**371**	512
	1,964	3,460	**956**	18,335

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

Insurance claim in 2015 includes recoveries relating to the claim for a fire at the ammonia urea plant in August 2011.

Policy

Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and volume rebates.

Revenue is recognised when:

- The amount of revenue and the costs in respect of the transaction can be measured reliably; and
- It is probable that the economic benefits of the transaction will flow to the company.

Sales of goods are recognised when the risks and rewards of the goods have been transferred to the buyer.

Sales of services are recognised on a percentage of completion basis.

Insurance claim recoveries are recognised when received or when receipt is highly probable.

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

	Group 2016 $000	Group 2015 $000	**Parent 2016 $000**	Parent 2015 $000
Net loss on disposal of property, plant and equipment	**451**	189	**430**	52
Research and development expense	**2,588**	4,061	**2,587**	4,044
Donations	**2**	1	**2**	1
Other	**106**	4	**10**	10
Subvention payment to subsidiaries	**–**	–	**10,273**	15,251
	3,147	4,255	**13,302**	19,358

4. PERSONNEL EXPENSES

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Wages and salaries		**71,116**	72,601	**45,314**	47,502
Contributions to defined contribution superannuation plans		**3,987**	3,850	**2,667**	2,603
Increase (decrease) in liability for long-service leave	19	**46**	88	**(5)**	46
		75,149	76,539	**47,976**	50,151

5. AUDITORS' REMUNERATION

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Audit services				
Audit of financial statements	**140**	133	**140**	133
Other services				
Taxation services – compliance	**27**	32	**27**	32
Taxation services – advice	**40**	41	**37**	41
	207	206	**204**	206

6. FINANCING INCOME AND EXPENSE

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Financing income					
Interest from subsidiaries		**–**	–	**2,036**	2,395
Interest from bank		**764**	1,504	**732**	1,447
Net change in fair value of derivatives designated at fair value through profit or loss		**–**	138	**–**	122
		764	1,642	**2,768**	3,964
Financing expense					
Interest paid to subsidiaries		**–**	–	**28**	691
Interest paid to banks		**3,035**	4,334	**2,875**	4,248
Unwind of discount rate on deferred and contingent consideration	19	**–**	184	**–**	184
Loss from close out of interest rate SWAPs		**–**	1,400	**–**	1,400
Net change in fair value of derivatives designated at fair value through profit or loss		**2**	–	**6**	–
Other financial expenses		**129**	157	**129**	157
		3,166	6,075	**3,038**	6,680
Financing costs (net)		**2,402**	4,433	**270**	2,716

Policy

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

7. IMPAIRMENT WRITE DOWN AND REVAMP COSTS

a) Impairment write down

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Impairment of Seales Winslow Limited (i)		**–**	18,688	**–**	–
Impairment of investment in Seales Winslow Limited (ii)		**–**	–	**–**	18,688
Impairment of Ag Hub Limited (iii)	16	**2,700**	–	**–**	–
Impairment write back of investment in Super Air Limited (iv)		**–**	–	**(1,000)**	–
		2,700	18,688	**(1,000)**	18,688

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

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

(iii) The impairment of Ag Hub Limited is based on discounted cashflow calculations indicating impairment.

(iv) The impairment write back in Super Air Limited increases the carrying value of the investment to $3.2m. The write back had no impact in the Group result.

Policy

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

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

Impairment testing for cash-generating units (CGU)

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

Due to Ag Hub Limited profitability being below budget the Directors have assessed the investment for impairment.

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

- Cash flows were projected on actual operating results and a 5 year forecast.
- A pre-tax discount rate of 12.2% was applied in determining the recoverable amount of the unit.
- Relevant terminal and EBIT growth rates have been applied.

The Group has impaired the intangible assets in Ag Hub Limited by $2.7m as the recoverable amount was less than the carrying amount of the CGU.

b) Revamp urea plant

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Kapuni revamp Urea Plant project costs	**13,321**	–	**–**	–

Total expenditure in the current year on the revamp plant has been $13.3m to date. Given the decreased likelihood of the revamp occurring in the immediate term the Board has made the decision to write-off project cost to date. The total has been expensed to profit or loss.

8. REBATES AND DIVIDENDS

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Rebate provided for current year	**30,220**	72,250	**30,220**	72,250
Rebate for prior year under provided recognised in the current year	**213**	157	**213**	157
	30,433	72,407	**30,433**	72,407
Dividend paid in the current year	**3,947**	3,770	**3,947**	3,770
Total distributions to Co-operative shareholders	**34,380**	76,177	**34,380**	76,177
Dividends paid in the current year at 10 cents per share (2015: 10 cents) with full tax imputation.				
Balance Sheet:				
Rebate provided for current year	**30,220**	72,250	**30,220**	72,250
Less rebate allocated to share allotment	**(10,540)**	(22,294)	**(10,540)**	(22,294)
	19,680	49,956	**19,680**	49,956

Policy

Rebateable sales are eligible for sales volume and value rebates as declared by the Directors from the trading result. When the rebate is accrued it is either allocated to the share allotment reserve for those shareholders who are required to increase their share quota (Note 22a) or accrued as a current liability (rebate payable) and will be paid out in cash.

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

9. INCOME TAX EXPENSE (BENEFIT)

Reconciliation of income tax expense (benefit)

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
(Loss) profit before tax	**(13,795)**	(14,541)	**17,541**	(18,226)
Income tax using the domestic company tax rate – 28% (2015: 28%)	**(3,862)**	(4,072)	**4,911**	(5,103)
Increase (decrease) in income tax expense due to:				
Non-deductible expenses	**4,755**	1,144	**(992)**	5,348
Tax exempt revenues	**(5)**	(8)	**(285)**	(4,412)
Tax losses not previously recognised	**(67)**	(594)	**–**	–
Adjustments for prior years	**(55)**	(240)	**(136)**	(198)
Other	**(417)**	299	**85**	236
Income tax expense (benefit) in income statement	**349**	(3,471)	**3,583**	(4,129)
Comprising:				
Current tax	**(11)**	2,493	**6,749**	(2,622)
Deferred tax	**360**	(5,964)	**(3,166)**	(1,507)
Income tax recognised directly in other comprehensive income				
Derivatives	**(4,915)**	6,291	**(4,915)**	6,291
	(4,915)	6,291	**(4,915)**	6,291

Imputation credits	Group 2016 $000	Group 2015 $000
The imputation credits are available to shareholders of the parent company:		
through the parent company	**115,277**	115,268
through subsidiaries	**1,743**	1,670
	117,020	116,938

Policy

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

Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

10. DEFERRED TAX ASSET (LIABILITY)

Group	PPE and Intangibles $000	Provisions and accruals $000	Hedge reserve $000	Other $000	Total $000
Balance at 1 June 2014	(11,413)	4,063	1,983	3,289	(2,078)
Recognised in profit or loss	7,484	121	–	(1,641)	5,964
Recognised in other comprehensive income	–	–	(6,292)	–	(6,292)
Balance at 31 May 2015	(3,929)	4,184	(4,309)	1,648	(2,406)
Recognised in profit or loss	**(1,590)**	**84**	**–**	**1,146**	**360**
Recognised in other comprehensive income	**–**	**–**	**4,915**	**–**	**4,915**
Balance at 31 May 2016	**(5,519)**	**4,268**	**606**	**2,794**	**2,149**

Parent	PPE and Intangibles $000	Provisions and accruals $000	Hedge reserve $000	Other $000	Total $000
Balance at 1 June 2014	(6,909)	1,395	1,983	930	(2,601)
Recognised in profit or loss	1,865	94	–	(452)	1,507
Recognised in other comprehensive income	–	–	(6,292)	–	(6,292)
Balance at 31 May 2015	(5,044)	1,489	(4,309)	478	(7,386)
Recognised in profit or loss	**1,846**	**(4)**	**–**	**1,324**	**3,166**
Recognised in other comprehensive income	**–**	**–**	**4,915**	**–**	**4,915**
Balance at 31 May 2016	**(3,198)**	**1,485**	**606**	**1,802**	**695**

Included within Other is the tax value of loss carryforwards recognised for Group of $2.054m (2015: $0.963m) and for Parent $1.2m (2015: nil).

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 and differences relating to investments in subsidiaries and jointly controlled entities to the extent they are unlikely to reverse in the foreseeable future.

– Measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

11. TRADE AND OTHER RECEIVABLES

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Current				
Trade receivables	**62,618**	82,573	**58,821**	79,425
Prepayments	**3,857**	3,550	**2,510**	2,284
Receivables from subsidiaries				
	66,475	86,123	**61,331**	81,709
Trade Receivables status				
Not past due	**61,852**	79,312	**58,586**	76,695
past due 0 – 30 days	**488**	2,357	**174**	2,115
past due 31 – 120 days	**66**	690	**5**	409
past due > 120 days	**212**	214	**56**	206
Total	**62,618**	82,573	**58,821**	79,425

Policy

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

Impairment

Trade receivables allowance for impairment is nil (2015: nil). A provision for impairment is recognised when there is objective evidence that the Group will be unable to collect amounts due.

12. INVENTORIES

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Manufactured and finished products	**107,801**	94,138	**106,932**	92,798
Raw materials	**27,300**	25,134	**18,926**	17,738
	135,101	119,272	**125,858**	110,536
Goods in transit	**3,308**	32,631	**3,308**	32,631
Packaging	**4,716**	4,952	**3,960**	4,393
Spares and stores	**8,652**	8,663	**5,765**	5,427
	151,777	165,518	**138,891**	152,987

In 2016 the write-down of inventories in subsidiaries to net realisable value amounted to $3.6m (2015: $1.3m).

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 basis.

13. INVESTMENTS

a) The Company has the following investments:

	Principal Activity	2016 Balance date	Interest	2015 Balance date	Interest
Subsidiaries					
Ballance Agri-Nutrients (Kapuni) Limited	Urea manufacture	31 May	100%	31 May	100%
Super Air Limited	Agricultural aviation	31 May	100%	31 May	100%
Ag Hub Limited	Farm technology	31 May	100%	31 May	100%
Seales Winslow Limited	Animal feed and nutrition	31 May	100%	31 May	100%

Policy

Subsidiaries are entities controlled directly or indirectly by the parent. The parent holds 100% of the voting rights in all entities reported as subsidiaries. There are currently no indicators that the parent does not have control consistent with these voting rights. The financial statements of subsidiaries are reported in the 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 investees

	Principal Activity	2016 Balance date	Interest	2015 Balance date	Interest
NZ Phosphate Company Limited	Research	**30 June**	**50%**	30 June	50%
EnCoate Holdings Limited	Research and development	**30 June**	**50%**	30 June	50%

Summary financial information for equity accounted investees not adjusted for the percentage ownership held by the Group:

		Total assets $000	Total liabilities $000	Revenues $000	Profit (loss) $000	Total comprehensive income $000
Equity accounted investees	**2016**	**281**	**26**	**82**	**(50)**	**(50)**
	2015	342	37	98	42	42

Policy

Associates are entities in which the parent has significant influence, but not control or joint control, over the operating and financial policies.

The parent holds over 20%, but not more than half, of the voting rights in all entities reported as associates, and has assessed that there are currently no indicators that the parent does not have significant influence consistent with these voting rights.

Where the parent has 50% voting rights in an entity reported as an associate we have determined that this does not constitute joint control as there is more than one combination of parties that can achieve majority voting rights.

Investments in associates are reported in the financial statements using the equity method.

All associates are incorporated in New Zealand.

14. PROPERTY, PLANT AND EQUIPMENT (PPE)

Group	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Carrying value 1 June 2014	44,860	56,530	136,698	11,635	249,723
Cost	47,539	96,251	284,468	11,635	439,893
Accumulated depreciation	(2,679)	(39,721)	(147,770)	–	(190,170)
Acquisitions (transfers)	3,297	7,786	16,895	12,517	40,495
Depreciation expense	(417)	(4,149)	(24,797)	–	(29,363)
Impairment	(1,644)	(5,644)	(11,400)	–	(18,688)
Disposals	533	(1,632)	50	–	(1,049)
Carrying value 31 May 2015	46,629	52,891	117,446	24,152	241,118
Cost	51,524	101,501	296,058	24,152	473,235
Accumulated depreciation	(4,895)	(48,610)	(178,612)	–	(232,117)
Acquisitions (transfers)	**475**	**2,384**	**43,398**	**(2,163)**	**44,094**
Depreciation expense	**(411)**	**(4,046)**	**(24,475)**	**–**	**(28,932)**
Disposals	**–**	**205**	**(2,000)**	**–**	**(1,795)**
Carrying value 31 May 2016	**46,693**	**51,434**	**134,369**	**21,989**	**254,485**
Cost	**52,000**	**104,719**	**282,892**	**21,989**	**461,600**
Accumulated depreciation	**(5,307)**	**(53,285)**	**(148,523)**	**–**	**(207,115)**

Parent	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Carrying value 1 June 2014	40,474	46,314	47,996	5,706	140,490
Cost	43,146	83,015	118,245	5,706	250,112
Accumulated depreciation	(2,672)	(36,701)	(70,249)	–	(109,622)
Acquisitions (transfers)	2,963	1,255	7,405	5,210	16,834
Depreciation expense	(356)	(3,573)	(9,141)	–	(13,070)
Disposals	(243)	(667)	328	–	(582)
Carrying value 31 May 2015	42,838	43,329	46,588	10,916	143,671
Cost	45,859	82,866	122,996	10,916	262,637
Accumulated depreciation	(3,021)	(39,537)	(76,408)	–	(118,966)
Acquisitions (transfers)	**403**	**2,127**	**10,264**	**1,392**	**14,186**
Depreciation expense	**(377)**	**(3,636)**	**(8,226)**	**–**	**(12,239)**
Disposals	**–**	**205**	**(708)**	**–**	**(503)**
Carrying value 31 May 2016	**42,864**	**42,025**	**47,918**	**12,308**	**145,115**
Cost	**46,262**	**85,827**	**129,860**	**12,308**	**274,257**
Accumulated depreciation	**(3,398)**	**(43,802)**	**(81,942)**	**–**	**(129,142)**

The carrying value of the Kapuni urea plant is regularly reviewed in relation to the availability of economic gas supply. Contracted gas supply to 2020 (2015: 2020) held by the Company provides confidence and certainty in the future production of the plant.

Policy

Items of PPE are measured at cost less accumulated depreciation and impairment losses.

Capitalisation of costs stops when the asset is ready for use.

Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

The costs of day-to-day servicing of PPE are recognised in profit or loss as incurred.

Where parts of an item of PPE have different useful lives, they are accounted for as separate items of PPE.

Depreciation commences when an asset becomes available for use.

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

Estimated useful lives are as follows:

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

Kapuni plant depreciated in line with gas contract

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

Capital expenditure commitments

The estimated capital expenditure for PPE contracted for at balance date but not provided is $1.693 million for the group (2015: $0.769 million).

15. OPERATING LEASES

	Group 2016 $000	Group 2015 $000	**Parent 2016 $000**	Parent 2015 $000
Leases as lessee				
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	**5,563**	4,858	**4,791**	4,158
Between one and five years	**19,555**	15,728	**18,611**	14,937
After five years	**13,311**	13,786	**13,311**	13,781
	38,429	34,372	**36,713**	32,876
Operating lease expense recognised	**5,779**	5,966	**4,898**	5,121

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

Policy

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Lease incentives received are recognised in profit or loss as an integral part of the total lease expense over the term of the lease.

16. INTANGIBLE ASSETS

Group	Emissions trading scheme $000	Patents and trademarks $000	Software $000	Technology systems and licences $000	Total $000
Carrying value 1 June 2014	1,635	–	10,843	2,068	14,546
Cost	1,635	–	35,022	4,046	40,703
Accumulated amortisation	–	–	(24,179)	(1,978)	(26,157)
Acquired separately	–	36	1,700	776	2,512
Grant – net allocation of emissions trading scheme credits	1,512	–	–	–	1,512
Amortisation	–	–	(5,639)	(427)	(6,066)
Carrying value 31 May 2015	3,146	36	6,904	2,417	12,504
Cost	3,146	36	36,722	4,822	44,726
Accumulated amortisation	–	–	(29,818)	(2,405)	(32,223)
Acquired separately	**–**	**2**	**3,793**	**920**	**4,715**
Under development	**–**	**–**	**8,528**	**–**	**8,528**
Grant – net allocation of emissions trading scheme credits	**1,006**	**–**	**–**	**–**	**1,006**
Amortisation	**–**	**–**	**(6,497)**	**(539)**	**(7,036)**
Impairment	**–**	**–**	**–**	**(2,700)**	**(2,700)**
Carrying value 31 May 2016	**4,152**	**38**	**12,728**	**98**	**17,017**
Cost	**4,152**	**38**	**45,953**	**3,042**	**53,185**
Accumulated amortisation	**–**	**–**	**(33,225)**	**(2,944)**	**(36,169)**

Parent	Emissions trading scheme $000	Patents and trademarks $000	Software $000	Technology systems and licences $000	Total $000
Carrying value 1 June 2014	–	–	10,667	–	10,667
Cost	–	–	33,680	–	33,680
Accumulated amortisation	–	–	(23,013)	–	(23,013)
Acquired separately	–	–	1,649	–	1,649
Amortisation	–	–	(5,570)	–	(5,570)
Carrying value 31 May 2015	–	–	6,746	–	6,746
Cost	–	–	35,329	–	35,329
Accumulated amortisation	–	–	(28,583)	–	(28,583)
Acquired separately	**–**	**–**	**3,790**	**–**	**3,790**
Under development	**–**	**–**	**8,528**	**–**	**8,528**
Amortisation	**–**	**–**	**(6,433)**	**–**	**(6,433)**
Carrying value 31 May 2016	**–**	**–**	**12,631**	**–**	**12,631**
Cost	**–**	**–**	**45,030**	**–**	**45,030**
Accumulated amortisation	**–**	**–**	**(32,399)**	**–**	**(32,399)**

Policy

Intangible assets are initially measured at cost, and subsequently stated at cost less any accumulated amortisation and impairment losses.

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

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

Estimated useful lives are as follows:

Software	2 – 7 years
Technology systems and licences	3 – 7 years

Amortisation is recognised within administration expense.

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

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

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

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

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

17. TRADE AND OTHER PAYABLES

	Note	**Group 2016 $000**	Group 2015 $000	**Parent 2016 $000**	Parent 2015 $000
Current					
Trade payables due to subsidiaries		**–**	–	**8,987**	8,978
Trade payables and accrued expenses		**34,155**	37,385	**24,233**	26,693
Share repurchase instalments		**4,545**	4,252	**4,545**	4,252
Employee benefits		**6,479**	6,486	**3,433**	3,312
Emissions trading scheme – deferred income		**1,729**	795	**–**	–
Emissions trading scheme – liability		**69**	599	**–**	–
Non-trade payables and accrued expenses		**2,785**	3,333	**2,545**	2,652
		49,762	52,850	**43,743**	45,887
Non-current					
Liability for long-service leave	19	**1,279**	1,233	**791**	796

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

18. LOANS AND BORROWINGS

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Current liabilities	**24,000**	–	**24,000**	–

At 31 May 2016 the facility available was $220m, of which $24m was drawn in the Group and Parent (2015: facility $250m, actual drawn nil Group, nil Parent).

The interest rate in 2016 was 3.35%. Deposits and the Bank Revolving Cash Advance Facility have different interest rates and the loan agreement provides for right of set off against deposits.

Borrowings are unsecured and subject to various lending covenants. These have all been met for the years ended 31 May 2016 and 2015.

19. PROVISIONS

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Employee benefits – long-service leave provision					
Opening balance		**1,233**	1,145	**796**	750
Movement in provision	4	**46**	88	**(5)**	46
Closing balance	17	**1,279**	1,233	**791**	796
Deferred consideration					
Opening balance		**–**	6,916	**–**	6,916
Cash payment		**–**	(7,100)	**–**	(7,100)
Unwind of discount	6	**–**	184	**–**	184
Closing balance		**–**	–	**–**	–
Restructuring					
Opening balance		**–**	1,571	**–**	1,571
Cash payment		**–**	(1,571)	**–**	(1,571)
Closing balance		**–**	–	**–**	–
Total provisions		**1,279**	1,233	**791**	796
Total provisions are reported in the balance sheet as:					
– current liabilities		**–**	–	**–**	–
– non-current liabilities		**1,279**	1,233	**791**	796
		1,279	1,233	**791**	796

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
(Loss) profit for the year	**(14,144)**	(11,070)	**13,957**	(14,097)
Add non-cash and non-operating items:				
Inventory write-down to net present value	**3,591**	1,300	**–**	–
Depreciation	**28,933**	29,364	**12,238**	13,071
Amortisation	**7,035**	6,066	**6,433**	5,570
Emissions trading scheme – net cost of carbon	**404**	1,078	**–**	–
Impairment write down	**2,700**	18,688	**(1,000)**	18,688
Subvention write back	**–**	–	**(10,273)**	15,251
Derivative fair value	**134**	336	**135**	336
Gain (loss) on sale of property, plant and equipment	**203**	285	**182**	148
Employee benefits	**46**	88	**(5)**	46
Rebate transferred to Share Allotment Reserve	**10,540**	22,228	**10,540**	22,228
Equity accounted earnings of associates	**25**	(21)	**–**	–
Tax loss offset and intercompany dividend recorded against inter-company funding	**–**	–	**6,847**	(20,620)
Decrease in deferred tax	**360**	(5,964)	**(3,165)**	(1,507)
Add (deduct) movements in working capital:				
Movement in trade and other receivables	**19,518**	38,206	**20,249**	32,522
Movement in inventories	**10,033**	(30,877)	**13,980**	(25,285)
Movement in trade and other payables	**(3,542)**	(11,267)	**(2,197)**	(8,534)
Movement in rebate payable	**(30,277)**	(1,373)	**(30,276)**	(1,374)
Movement in tax receivable	**(213)**	(2,529)	**(303)**	(2,376)
Net cash from operating activities	**35,346**	54,538	**37,342**	34,067

21. RELATED PARTIES

Identity of related parties

Related parties of the group include the subsidiaries and associates disclosed in Note 13, and key management personnel (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 are less than 1% of the total operating revenue and rebates for the year respectively.

	Parent 2016 $000	Parent 2015 $000
Transactions with external related parties through common directorship, control or significant influence		
Revenue	**3,811**	3,652
Expenses	**2,419**	4,174
Rebate	**233**	280
Dividend	**18**	16
Balances with external related parties through common directorship, control or significant influence		
Amounts owing to the company	**58**	147
Amounts owed by the company	**4**	305
Transactions with subsidiaries and associates		
Purchases of inventory from subsidiaries	**80,308**	121,317
Dividends received by the Company from subsidiaries	**–**	(15,726)
Subvention (paid) received to /from subsidiaries	**(10,273)**	(15,251)
Interest paid by the Company to subsidiaries	**28**	691
Interest received by the Company from subsidiaries	**2,036**	2,395
Balances with subsidiaries and associates		
Amounts owing to the Company by subsidiaries	**40,894**	13,257
Amounts owed by the Company to subsidiaries	**(2,273)**	(11,530)
	38,621	1,727
Term loans owing to the Company by subsidiaries	**30,733**	30,733

Trade receivables and trade payables balances at reporting date between the Parent and its subsidiaries are disclosed in Note 11 and 17 respectively.

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

Intercompany loans are repayable on demand and attract interest at between 2.2% and 3.8% per annum.

Intercompany term loans attract interest at between 3.5% and 5.0% per annum.

	Group 2016 $000	Group 2015 $000	**Parent 2016 $000**	Parent 2015 $000
Key management personnel and directors compensation				
Short term employee benefits, excluding directors	**3,470**	6,125	**2,960**	5,231
Directors' fees	**725**	585	**725**	585
Total	**4,195**	6,710	**3,685**	5,816

22. CAPITAL AND RESERVES

a) Share capital

(i) Reconciliation of movement in co-operative shares

	Parent and Group 2016 000	Parent and Group 2015 000
Opening balance	**39,627**	37,872
Co-operative shares issued	**36**	48
Co-operative shares issued in lieu of rebate	**2,752**	2,907
Co-operative shares repurchased	**(1,176)**	(1,200)
Closing balance	**41,239**	39,627

(ii) Co-operative shares

All shares are fully paid and have no par value. Each share has a nominal value of $8.10 (2015: $8.10). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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.

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 1,176,075 shares (2015: 1,200,192) were repurchased at an average price of $7.63 per share (2015: $7.61) and subsequently cancelled.

(v) Capital management

The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

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

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

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.

23. FINANCIAL INSTRUMENTS

Financial risk management policy

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

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

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

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

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

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

Derivative and hedge accounting policy

The Group 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.

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

At inception each transaction is documented, detailing:

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

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

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

Cash flow hedges

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

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

The following are recognised in profit or loss:

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

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

- at the same time as the forecast transaction; or
- immediately if the transaction is no longer expected to occur

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

a) Foreign currency risk

Quantitative disclosures

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

	Group 2016 $000 USD	Group 2015 $000 USD	Parent 2016 $000 USD	Parent 2015 $000 USD
Foreign currency risk USD				
Bank accounts	**1,202**	1,402	**1,202**	1,402
Trade payables	**(248)**	(2,019)	**(248)**	(2,019)
Net balance sheet exposure before hedging	**954**	(617)	**954**	(617)
Forward exchange contracts relating to exposures	**–**	617	**–**	617
Net unhedged exposure	**–**	–	**–**	–

Sensitivity analysis

At 31 May 2016 it is estimated that a 10% movement either way in the value of the NZD against the USD would have increased (decreased) equity and profit or loss in both the Parent and Group by the amounts shown below.

		Equity 2016 $000	Profit or loss 2016 $000	Equity 2015 $000	Profit or loss 2015 $000
Forward exchange contracts	+10%	**(21,972)**	**–**	(17,627)	–
	-10%	**26,883**	**–**	21,592	–

Policy

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Company's functional currency. 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.

Derivative contract and options have maturities of less than one year at the reporting date.

Determination of fair value

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

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

b) Interest rate risk

Interest rate risk – repricing analysis

Group 2016	Total $000	< 6 months $000	6 – 12 months $000	1 – 2 years $000	2 – 5 years $000
Variable rate instruments and related derivatives					
Cash and cash equivalents	**8,935**	**8,935**	**–**	**–**	**–**
Bank loans	**(24,000)**	**(24,000)**	**–**	**–**	**–**
Net variable rate instruments	**(15,065)**	**(15,065)**	**–**	**–**	**–**

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

Parent interest rate risk is the same as the Group.

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

d) Liquidity risk

Group 2016	Carrying value $000	Contractual cash flows $000	< 6 months $000	6 – 12 months $000	1 – 2 years $000	2 – 5 years $000	> 5 years $000
Unsecured bank loans	**24,000**	**24,000**	**24,000**	**–**	**–**	**–**	**–**
Trade and other payables	**49,762**	**49,762**	**49,762**	**–**	**–**	**–**	**–**
Net rebates payable	**19,680**	**19,680**	**19,680**	**–**	**–**	**–**	**–**
Total non-derivative liabilities	**93,442**	**93,442**	**93,442**	**–**	**–**	**–**	**–**
Gross settled foreign exchange derivatives used for hedging:							
Cash inflow		**238,273**	**180,194**	**58,079**	**–**	**–**	**–**
Cash outflow		**(241,680)**	**(183,106)**	**(58,574)**	**–**	**–**	**–**
	(2,173)	**(3,407)**	**(2,912)**	**(495)**	**–**	**–**	**–**

Group 2015	Carrying value $000	Contractual cash flows $000	< 6 months $000	6 – 12 months $000	1 – 2 years $000	2 – 5 years $000	> 5 years $000
Trade and other payables	52,850	52,850	52,850	–	–	–	–
Net rebates payable	49,956	49,956	49,956	–	–	–	–
Total non-derivative liabilities	102,806	102,806	102,806	–	–	–	–
Gross settled foreign exchange derivatives used for hedging:							
Cash inflow		192,254	137,324	54,930	–	–	–
Cash outflow		(178,710)	(126,533)	(52,177)	–	–	–
	15,511	13,544	10,791	2,753	–	–	–

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

Policy

The group is exposed to liquidity risk where there is a risk that the group may encounter difficulty in meeting its day to day obligations due to the timing of cash receipts and payments.

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

Group 2016	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets					
Derivatives	**–**	**913**	**–**	**913**	**913**
Trade and other receivables	**62,618**	**–**	**–**	**62,618**	**62,618**
Cash and cash equivalents	**8,935**	**–**	**–**	**8,935**	**8,935**
Total assets	**71,553**	**913**	**–**	**72,446**	**72,446**
Liabilities					
Derivatives	**–**	**3,086**	**–**	**3,086**	**3,086**
Trade and other payables	**–**	**–**	**49,762**	**49,762**	**49,762**
Net rebates payable	**–**	**–**	**19,680**	**19,680**	**19,680**
Bank loans	**24,000**	**–**	**–**	**24,000**	**24,000**
Total liabilities	**24,000**	**3,086**	**69,442**	**96,528**	**96,528**

Group 2015	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets					
Derivatives	–	15,511	–	15,511	15,511
Trade and other receivables	82,573	–	–	82,573	82,573
Cash and cash equivalents	18,679	–	–	18,679	18,679
Total assets	101,252	15,511	–	116,763	116,763
Liabilities					
Trade and other payables	–	–	52,850	52,850	52,850
Net rebates payable	–	–	49,956	49,956	49,956
Total liabilities	–	–	102,806	102,806	102,806

Parent 2016	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets					
Term loan with subsidiary	**30,733**	**–**	**–**	**30,733**	**30,733**
Total non-current assets	**30,733**	**–**	**–**	**30,733**	**30,733**
Derivatives	**–**	**913**	**–**	**913**	**913**
Trade and other receivables	**58,821**	**–**	**–**	**58,821**	**58,821**
Inter-company funding	**40,894**	**–**	**–**	**40,894**	**40,894**
Cash and cash equivalents	**8,316**	**–**	**–**	**8,316**	**8,316**
Total current assets	**108,031**	**913**	**–**	**108,944**	**108,944**
Total assets	**138,764**	**913**	**–**	**139,677**	**139,677**
Liabilities					
Derivatives	**–**	**3,086**	**–**	**3,086**	**3,086**
Trade and other payables	**–**	**–**	**43,743**	**43,743**	**43,743**
Inter-company funding	**–**	**–**	**2,273**	**2,273**	**2,273**
Net rebates payable	**–**	**–**	**19,680**	**19,680**	**19,680**
Bank loans	**24,000**	**–**	**–**	**24,000**	**24,000**
Total liabilities	**24,000**	**3,086**	**65,696**	**92,782**	**92,782**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

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

Determination of fair value

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

e) 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.

24. CONTINGENCIES

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

AUDITORS' REPORT

KPMG

Independent auditor's report

TO THE SHAREHOLDERS OF BALLANCE AGRI-NUTRIENTS LIMITED

Report on the company and group financial statements

We have audited the accompanying financial statements of Ballance Agri-Nutrients Limited (''the company") and the group, comprising the company and its subsidiaries, on pages 30 to 57. The financial statements comprise the balance sheets as at 31 May 2016, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the 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 company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the company and group financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion the financial statements on pages 30 to 57:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 May 2016 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

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

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

KPMG

11 August 2016

Tauranga

DIRECTORS' INTERESTS

GENERAL DISCLOSURES

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

Director	Position	Company
GW Baldwin	Director	Trinity Lands Limited
		Livestock Improvement Corporation Limited
		Spitfire Dairies Limited
		Wuppertal Farming Limited
	Trustee	South Waikato Development (Drive) Trust
AG Brantley	CEO	Genesis Energy Limited (Retired 2016)
	Director	Genesis Power Investments Limited (Retired 2016)
		Kupe Holdings Limited (Retired 2016)
		GP No. 2 Limited (Retired 2016)
		GP No. 5 Limited (Retired 2016)
		Genesis Energy Insurance Pte. Limited (Retired 2016)
	CEO	Ōtākaro Limited (Appointed 2016)
	Member, Security and Reliability Council	Electricity Authority of New Zealand
	Trustee / Chairman	Genesis Oncology Trust
KR Ellis	Director	Freightways Limited
		Port of Tauranga Limited
		FSF Management Company Limited
		Envirowaste Services Limited
	Chairman	NZ Social Infrastructure Fund Limited
		Metlifecare Limited
EJ Harvey	Director	Heartland Bank Limited
		Investore Property Limited
		Kathmandu Holdings Limited
		Stride Property Limited
		Port Otago Limited
	Chairman	NZ Opera Limited
AD Morrison	Director	Beef + Lamb New Zealand Limited
		Glenroy Morrison Limited
		NZ Meat Board
		Ovis Management Limited
	Partner	AD Morrison Farms Partnership
	Panel Member	Pastoral Greenhouse Gas Research Consortium
DE Peacocke	Director	Melrose Limited
		New Zealand Phosphate Company Limited
		Taupiri Holdings Limited
OC Saxton	Chairman	Sakura Pastoral Limited Partnership
		Wairio Farm Limited Partnership
	Director	Mead Pastoral Limited Partnership
		Tuatahi Farming Limited
		Waihi Livestock Limited
MJ Taggart	Chairman	Alliance Group Limited
SJ von Dadelszen	Trustee	AGMARDT
	Chairperson	Central Hawke's Bay Consumer Power Trust (Retired 2015)
	Shareholder	Hinerangi Station Limited
		Totara Dairy Farm Limited

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.

DIRECTORS' INTERESTS

Company Information

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

Share Dealings

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

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors and particulars of entries in the interests registers made during the year ended 31 May 2016.

Subsidiary company directors' disclosures:

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

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

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

DIRECTORS' REMUNERATION

Fees paid to Directors were:

	Parent	Group
GW Baldwin	63,000	63,000
AG Brantley	63,000	63,000
KR Ellis	66,333	66,333
EJ Harvey	73,000	73,000
AD Morrison	63,000	63,000
DE Peacocke	131,667	131,667
OC Saxton	63,000	63,000
MJ Taggart	63,000	63,000
SJ von Dadelszen	63,000	63,000
Total paid to Company Directors	649,000	649,000

DIRECTORS' INTERESTS

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

Insurance

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

Co-operative status

As required by section 10 of the Co-operative Companies Act 1996, the following resolution was passed by the Board on 27 July 2016. 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 2016 and since registration of the company under the Co-operative Companies Act 1996 ("the Act"), been a Co-operative Company within the meaning of that Act.

The grounds for holding this opinion are that:

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

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

EMPLOYEE REMUNERATION

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

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

Remuneration $NZ	# of Employees – Group	Remuneration $NZ	# of Employees – Group
100,000 – 110,000	40	210,001 – 220,000	2
110,001 – 120,000	33	220,001 – 230,000	3
120,001 – 130,000	27	230,001 – 240,000	2
130,001 – 140,000	12	250,001 – 260,000	1
140,001 – 150,000	21	260,001 – 270,000	1
150,001 – 160,000	10	270,001 – 280,000	1
160,001 – 170,000	9	310,001 – 320,000	1
170,001 – 180,000	6	320,001 – 330,000	1
180,001 – 190,000	6	470,001 – 480,000	1
190,001 – 200,000	2	910,001 – 920,000	1
200,001 – 210,000	1		

TREND STATEMENT

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

		2012	2013	2014	2015	2016
Group Sales Volumes	**tonnes**	1,611,000	1,490,000	1,724,000	1,754,000	**1,620,000**
Turnover	**$000**	915,213	877,796	920,973	892,795	**837,462**
	$/tonne	$568	$589	$534	$509	**$517**
Profits						
Gross Trading result	**$000**	88,151	102,186	98,027	80,966	**35,086**
	$/tonne	$55	$69	$57	$46	**$22**
Group profit retained	**$000**	20,532	17,943	6,093	(14,840)	**(18,091)**
– after distributions, impairment provision, inventory write down and including minority interest retentions in subsidiary companies						
Cashflow						
From operations (prior to rebate payment)	**$000**	65,320	150,410	135,723	106,091	**85,515**
Capital and investment expenditure (net)	**$000**	72,750	21,903	49,709	44,519	**56,752**
Distributions to Shareholders						
Rebates paid or proposed	**$000**	43,878	61,659	75,358	72,407	**30,433**
Dividends paid or proposed	**$000**	3,445	3,581	3,787	3,963	**–**
Dividend per share	**cps**	10.0	10.0	10.0	10.0	**–**
Rebate per tonne	**$/tonne**	$40.00	$60.83	$60.83	$55.83	**$25.00**
Dividend – gross per quota tonne	**$/tonne**	$4.29	$4.17	$4.17	$4.17	**–**
Combined distribution – gross equivalent*	**$/tonne**	$44.29	$65.00	$65.00	$60.00	**$25.00**
* Rebate and gross dividend equivalent for a fully paid shareholder						
Analysis of Shareholders' Equity						
Number of shareholders		18,239	18,317	18,827	19,253	**19,280**
Shares on issue	**000**	34,500	35,812	37,872	39,627	**41,239**
Nominal share value	**$**	$7.50	$7.50	$8.10	$8.10	**$8.10**
Share quota per tonne		30	30	30	30	**30**
Investment per quota tonne	**$**	225.00	225.00	243.00	243.00	**243.00**
Co-op shareholders' equity	**$000**	362,938	403,357	420,610	435,429	**406,552**
Group shareholders' equity	**$000**	375,403	404,323	420,610	435,429	**406,552**
Group equity ratio		64.2%	71.2%	70.9%	80.4%	**80.6%**
Net asset backing per share	**$**	$10.52	$11.26	$11.11	$10.99	**$9.86**
Assets						
Total Assets	**$000**	584,666	567,603	593,173	541,874	**504,359**
Working Capital	**$000**	196,636	214,175	198,893	185,293	**134,053**
Ratio of Current Assets to Current Liabilities		2.8	3.2	2.5	2.8	**2.4**
Stock Turn		3.8	3.9	4.4	4.1	**3.9**

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MAY 2016. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

INTRODUCTION

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

The Company is a farmer owned co-operative with approximately 19,280 shareholders who are also customers. The Board and management follow best practice corporate governance principles and processes suited to the requirements of a co-operative company and its shareholders.

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

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

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

ROLE OF THE BOARD

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

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

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

RISK MANAGEMENT

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

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

BOARD MEMBERSHIP

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

The constitution provides for six elected Directors from 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.

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

There are no Executive Directors.

APPOINTED DIRECTORS

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

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

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

BOARD MEETINGS

The Chief Executive and the Chairman prepare a meeting agenda. Any member of the Board may request the addition of an item to the agenda. The Board met on ten occasions in the financial year ended 31 May 2016. The length of meetings is usually one day, extending to two days for meetings with special business, including, the annual strategic plan development and the annual shareholder meeting. Teleconference meetings are conducted in addition as required.

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

BOARD REVIEW

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee comprises four Directors and cannot be chaired by the Board Chairman. The current Chairman is Appointed Director John Harvey. The Committee convene meetings as required to ensure coverage of their terms of reference.

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

The Audit Committee is responsible for:

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

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

GOVERNANCE STATEMENT

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

Remuneration Committee

The Remuneration Committee comprises three directors, and is currently chaired by appointed Director Kim Ellis.

The Remuneration Committee is responsible for:

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

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

Shareholder Committee

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

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

SHAREHOLDER COMMUNICATION

Ballance places considerable importance on communicating with our shareholders.

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

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

CONTINUOUS DISCLOSURE

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

HEALTH AND SAFETY

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

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

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

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

ENVIRONMENT

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

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

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

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

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

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

COMPANY DIRECTORY

BALLANCE AGRI-NUTRIENTS LIMITED

Board of Directors

David Peacocke – Chairman and Director (North Island)

Albert Brantley – Appointed Director

Kim Ellis – Appointed Director

John Harvey – Appointed Director

Gray Baldwin – Director (North Island)

Oliver Saxton – Director (North Island)

Sarah von Dadelszen – Director (North Island)

Andrew Morrison – Director (South Island)

Murray Taggart – Director (South Island)

REGISTERED OFFICE

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SOLICITORS

Russell McVeagh
PO Box 8, Auckland

Sharp Tudhope
Private Bag, Tauranga

BANKERS

ANZ Bank New Zealand Limited

China Construction Bank (New Zealand) Limited

Commonwealth Bank of Australia

Hong Kong and Shanghai Banking Corporation Limited

Westpac Banking Corporation

AUDITORS

KPMG
PO Box 110, Tauranga

LEADERSHIP TEAM

Mark Wynne – Chief Executive

Greg Delaney – GM Supply Chain

John Elliott – GM Customer Experience and Marketing (Acting)

Richard Hopkins – Chief Financial Officer

John Maxwell – GM Operations

Campbell Parker – GM Sales

Edith Sykes – GM People and Capability

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TOGETHER
MORE IS
POSSIBLE

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