

Scales Corporation Limited

Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2021

Scales Corporation Limited

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Scales Corporation Limited

Directory

Board of Directors

Tim Goodacre (Chair)
Andrew Borland (Managing Director)
Nick Harris
Mark Hutton
Alan Isaac
Lai Po Sing, Tomakin
Nadine Tunley

Audit and Risk Management Committee

Alan Isaac (Chair)
Nick Harris
Mark Hutton

Nominations and Remuneration Committee

Mark Hutton (Chair)
Tim Goodacre

Finance and Treasury Committee

Mark Hutton (Chair)
Andrew Borland

Health & Safety and Sustainability Committee

Nick Harris (Chair)
Andrew Borland
Nadine Tunley

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Coöperatieve Rabobank U.A., New Zealand Branch

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159 Hurstmere Road
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Auckland 0622

Scales Corporation Limited

Consolidated statement of comprehensive income for the six months ended 30 June 2021

		Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	Note	\$000's	\$000's	\$000's
Revenue	6	253,836	253,292	470,709
Cost of sales		(179,455)	(184,305)	(366,800)
		<u>74,381</u>	<u>68,987</u>	<u>103,909</u>
Administration and operating expenses		(22,988)	(21,552)	(44,382)
Revaluation of apple trees and buildings		-	-	(4,311)
Other income		5,400	373	1,645
Other losses		(3,666)	(520)	(2,345)
Share of profit of entities accounted for using the equity method		1,352	1,107	2,224
EBITDA		<u>54,479</u>	<u>48,395</u>	<u>56,740</u>
Amortisation		(174)	(333)	(584)
Depreciation		(5,137)	(5,141)	(10,294)
Depreciation of right of use asset		(4,360)	(3,909)	(8,301)
EBIT		<u>44,808</u>	<u>39,012</u>	<u>37,561</u>
Finance revenue		662	1,478	2,584
Finance cost		(845)	(1,088)	(1,915)
Finance cost of lease liability		(1,482)	(1,517)	(2,981)
PROFIT BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS		<u>43,143</u>	<u>37,885</u>	<u>35,249</u>
Income tax expense		(10,515)	(10,112)	(8,668)
PROFIT FOR THE PERIOD		<u>32,628</u>	<u>27,773</u>	<u>26,581</u>
Profit for the period from continuing operations is attributable to:				
Equity holders of the Company		28,314	25,349	21,025
Non-controlling Interests		4,314	2,424	5,556
		<u>32,628</u>	<u>27,773</u>	<u>26,581</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Basic earnings per share (cents):	9	20.1	18.1	15.0
Diluted earnings per share (cents):	9	20.1	18.0	14.9

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of comprehensive income for the six months ended 30 June 2021 (continued)

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	\$000's	\$000's	\$000's
PROFIT FOR THE PERIOD	32,628	27,773	26,581
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
(Loss) gain on cash flow hedges	(13,963)	3,390	20,861
Income tax relating to cash flow hedges	3,910	(949)	(5,841)
Share of other comprehensive income of joint ventures	(706)	(136)	708
Income tax relating to share of other comprehensive income of joint ventures	198	38	(198)
Foreign exchange gain (loss) on translating foreign operations	296	207	(784)
	<u>(10,265)</u>	<u>2,550</u>	<u>14,746</u>
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	-	-	9,133
Income tax relating to buildings	-	-	(448)
Revaluation of apple trees	-	-	(31)
Income tax relating to apple trees	-	-	9
Remeasurement of net defined benefit liability	-	-	(440)
Income tax relating to remeasurement of net defined benefit liability	-	-	67
	<u>-</u>	<u>-</u>	<u>8,290</u>
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>(10,265)</u>	<u>2,550</u>	<u>23,036</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>22,363</u>	<u>30,323</u>	<u>49,617</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company	18,049	27,836	44,374
Non-controlling Interests	4,314	2,487	5,243
	<u>22,363</u>	<u>30,323</u>	<u>49,617</u>

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of changes in equity for the six months ended 30 June 2021

Note	Share capital \$000's	Reserves \$000's	Retained earnings \$000's	Attributable to owners of the Company \$000's	Non-controlling interests \$000's	Total \$000's
Unaudited						
Six months ended 30 June 2021						
	96,371	86,774	190,622	373,767	4,638	378,405
At 1 January 2021	-	-	28,314	28,314	4,314	32,628
Profit for the year	-	(10,265)	-	(10,265)	-	(10,265)
Other comprehensive loss for the period	-	(10,265)	28,314	18,049	4,314	22,363
Total comprehensive income for the period	-	(10,265)	28,314	18,049	4,314	22,363
Reclassification of revaluation reserve	-	(2,224)	2,224	-	-	-
Recognition of share-based payments	-	450	-	450	-	450
Shares fully vested	2,870	(1,251)	(295)	1,324	-	1,324
Dividends	-	-	(13,413)	(13,413)	(3,730)	(17,143)
Balance at 30 June 2021	99,241	73,484	207,452	380,177	5,222	385,399
Unaudited						
Six months ended 30 June 2020						
At 1 January 2020	95,273	62,511	197,230	355,014	3,989	359,003
Profit for the year	-	-	25,349	25,349	2,424	27,773
Other comprehensive income for the period	-	2,487	-	2,487	63	2,550
Total comprehensive income for the period	-	2,487	25,349	27,836	2,487	30,323
Reclassification of revaluation reserve	-	-	-	-	-	-
Recognition of share-based payments	-	268	-	268	-	268
Shares fully vested	1,098	(536)	(165)	397	-	397
Dividends	-	-	(13,358)	(13,358)	(443)	(13,801)
Balance at 30 June 2020	96,371	64,730	209,056	370,157	6,033	376,190
Audited						
Year ended 31 December 2020						
At 1 January 2020	95,273	62,511	197,230	355,014	3,989	359,003
Profit for the year	-	-	21,025	21,025	5,556	26,581
Other comprehensive income for the period	-	23,349	-	23,349	(313)	23,036
Total comprehensive income for the period	-	23,349	21,025	44,374	5,243	49,617
Reclassification of revaluation reserve	-	1,093	(1,093)	-	-	-
Reclassification of pension reserve	-	(341)	341	-	-	-
Recognition of share-based payments	-	698	-	698	-	698
Shares fully vested	1,098	(536)	(165)	397	-	397
Dividends	-	-	(26,716)	(26,716)	(4,594)	(31,310)
Balance at 31 December 2020	96,371	86,774	190,622	373,767	4,638	378,405

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

Scales Corporation Limited
Consolidated statement of financial position as at 30 June 2021

		Unaudited		Audited
		Six months ended		Year ended
		30 June 2021	30 June 2020	31 December 2020
	Note	\$000's	\$000's	\$000's
EQUITY				
Share capital		99,241	96,371	96,371
Reserves	8	73,484	64,730	86,774
Retained earnings		207,452	209,056	190,622
Equity attributable to Scales Corporation Limited shareholders		380,177	370,157	373,767
Equity attributable to Non-controlling Interests		5,222	6,033	4,638
TOTAL EQUITY		385,399	376,190	378,405
CURRENT ASSETS				
Cash and bank balances		30,942	31,985	47,418
Term deposits		60,296	80,000	104,632
Trade and other receivables		77,043	86,589	19,452
Other financial assets	10	8,166	7,102	12,688
Agricultural produce		74,420	75,845	24,022
Inventories		32,690	26,416	25,805
Prepayments		3,366	2,351	3,899
		286,923	310,288	237,916
Assets held for sale		-	-	2,550
TOTAL CURRENT ASSETS		286,923	310,288	240,466
NON-CURRENT ASSETS				
Property, plant and equipment		182,974	167,406	181,311
Investments accounted for using the equity method		25,800	24,944	26,154
Goodwill		42,747	45,111	41,905
Other financial assets	10	13,317	12,342	18,143
Computer software		710	575	354
Right of use asset		78,841	77,506	77,877
TOTAL NON-CURRENT ASSETS		344,389	327,884	345,744
TOTAL ASSETS		631,312	638,172	586,210
CURRENT LIABILITIES				
Bank overdrafts		-	-	1,384
Trade and other payables		62,965	72,491	25,117
Dividend declared	7	13,413	13,358	13,359
Borrowings		-	967	860
Current tax liabilities		12,572	12,656	1,593
Other financial liabilities	10	5,236	7,494	4,300
Lease liability		10,404	9,527	10,053
TOTAL CURRENT LIABILITIES		104,590	116,493	56,666
NON-CURRENT LIABILITIES				
Borrowings		53,252	56,212	52,199
Deferred tax liabilities		14,407	14,413	25,596
Defined benefit plan net liability		653	-	632
Other financial liabilities	10	1,858	5,101	2,522
Lease liability		71,153	69,763	70,190
TOTAL NON-CURRENT LIABILITIES		141,323	145,489	151,139
TOTAL LIABILITIES		245,913	261,982	207,805
NET ASSETS		385,399	376,190	378,405

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of cash flows for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	\$000's	\$000's	\$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	192,221	186,555	469,559
Dividends received	1,000	1,000	1,509
Interest received	1,087	2,254	4,042
	<u>194,308</u>	<u>189,809</u>	<u>475,110</u>
Cash was disbursed to:			
Payments to suppliers and employees	(220,583)	(206,018)	(407,074)
Interest paid	(2,327)	(2,605)	(4,896)
Income tax paid	(6,665)	(6,074)	(9,916)
	<u>(229,575)</u>	<u>(214,697)</u>	<u>(421,886)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(35,267)</u>	<u>(24,888)</u>	<u>53,224</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from matured term deposits	44,336	62,000	37,368
Advances repaid	278	243	382
Sale of property, plant and equipment	3,535	-	298
	<u>48,149</u>	<u>62,243</u>	<u>38,048</u>
Cash was applied to:			
Purchase of computer software	(530)	(101)	(131)
Purchase of property, plant and equipment	(6,653)	(6,596)	(24,237)
	<u>(7,183)</u>	<u>(6,697)</u>	<u>(24,368)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>40,966</u>	<u>55,546</u>	<u>13,680</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from seasonal facility borrowings	-	2,967	3,955
	<u>-</u>	<u>2,967</u>	<u>3,955</u>
Cash was applied to:			
Repayments of seasonal facility borrowings	-	(2,000)	(3,000)
Repayments of lease liabilities	(4,010)	(3,490)	(7,300)
Dividends paid	(13,359)	(13,328)	(26,685)
Dividends paid to non-controlling interests	(3,730)	(443)	(4,594)
	<u>(21,099)</u>	<u>(19,261)</u>	<u>(41,579)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(21,099)</u>	<u>(16,294)</u>	<u>(37,624)</u>
NET (DECREASE) INCREASE IN NET CASH			
	<u>(15,400)</u>	<u>14,364</u>	<u>29,280</u>
Net foreign exchange difference	308	177	(690)
Cash and cash equivalents at the beginning of the period	46,034	17,444	17,444
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>30,942</u>	<u>31,985</u>	<u>46,034</u>
Represented by:			
Cash and bank balances	30,942	31,985	47,418
Bank overdrafts	-	-	(1,384)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>30,942</u>	<u>31,985</u>	<u>46,034</u>

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

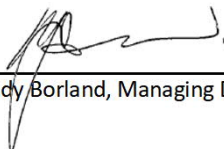
Consolidated statement of cash flows for the six months ended 30 June 2021 (continued)

		Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	Note	\$000's	\$000's	\$000's
NET CASH GENERATED BY OPERATING ACTIVITIES				
Reconciliation of profit for the year to net cash generated by operating activities:				
Profit for the year		32,628	27,773	26,581
Non-cash items:				
(Gain) loss on disposal of property, plant and equipment		(1,009)	2	62
(Gain) loss on hedge instruments recycled to profit or loss		(3,761)	-	-
Government grants forgiven	2(b)	(866)	-	-
Amortisation		174	333	584
Depreciation		9,497	9,050	18,595
Revaluation of apple trees and buildings		-	-	4,311
Share of equity accounted results		(1,352)	(1,107)	(2,224)
FX option premiums		229	47	(205)
Deferred tax		(7,121)	(5,940)	(203)
Share-based payments		450	268	698
Change in gross liability on put options		141	145	647
Items classified as investing and financing activities:				
Dividends received from equity accounted company		1,000	1,000	1,500
Changes in net assets and liabilities:				
Trade and other receivables		(57,344)	(65,996)	764
Agricultural produce		(50,398)	(54,226)	(2,403)
Inventories		(6,751)	6	28
Prepayments		537	1,131	(426)
Trade and other payables		37,708	52,648	5,960
Current tax		10,971	9,978	(1,045)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		(35,267)	(24,888)	53,224

For and on behalf of the Board of Directors who authorised the issue of these interim financial statements on 24 August 2021.



 Tim Goodacre, Chair



 Andy Borland, Managing Director

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

1. GENERAL INFORMATION

Scales Corporation Limited (the "Company" or "Scales") is a for-profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The Group consists of Scales, its subsidiaries and joint ventures. The principal activities of the Group are to grow apples, provide logistics services, export products, provide insurance services to companies within the Group and operate storage and processing facilities.

2. COVID-19

On 24 March 2020, the New Zealand Government announced a number of Orders under the Health Act 1956 and the Epidemic Preparedness Act 2006 to restrict certain activities for the purposes of preventing the outbreak and spread of COVID-19. The Group's business units were classified as "essential services" and complied with the respective health requirements within each jurisdiction they operated in.

As at the date of authorisation of these financial statements, the Group was operating in Alert Level 4 in New Zealand with strict border restrictions remaining in place and contact tracing encouraged. The Group operations outside of New Zealand continue to be further impacted by the COVID-19 pandemic.

(a) Uncertainties, estimates and judgements

The economic and public health conditions globally have impacted these trading results, and the current uncertainties are expected to impact the results in the future.

The risks impacted by the uncertainty arising from COVID-19 include credit risk and market risks which impact the Group's assessment of expected credit losses, carrying value of inventories and the recoverability of non-current assets and goodwill.

The Directors have assessed the impact of COVID-19 on these judgements and estimates and concluded that no significant changes to the carrying values of assets or liabilities are currently necessary.

(b) Government grants

Government support was received in the United States of America by way of government loans during 2020. These loans may be forgiven if the eligibility criteria are met. This criteria was met during the first half of 2021 and therefore \$866,000 has been recognised as other income in the consolidated statement of comprehensive income.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

3. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("GAAP"). They comply with the New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) Interim Financial Reporting and International Accounting Standard 34 (IAS 34) Interim Financial Reporting, as applicable for profit orientated entities. The significant accounting policies applied by the Group during the period have been applied consistently to all periods presented in these condensed consolidated interim financial statements. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 31 December 2020.

The information is presented in thousands of New Zealand dollars unless otherwise stated.

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

4. SEGMENT INFORMATION

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. No single external customer's revenue accounts for 10% or more of the Group's revenue. All non-current assets are located in New Zealand and the United States of America.

The Group's operations comprise the following operating segments:

Horticulture: orchards, fruit packing and marketing. Mr Apple New Zealand Limited, New Zealand Apple Limited, Fern Ridge Produce Limited and Longview Group Holdings Limited.

Food Ingredients: processing and marketing of food ingredients such as pet food ingredients and juice concentrate. Meateor Foods Limited, Meateor Foods Australia Pty Limited, Meateor Group Limited, Meateor US LLC, Shelby JV LLC Group (Shelby Cold Storage Inc, Shelby Exports Inc, Shelby Foods Inc, Shelby JV LLC, Shelby Properties LLC, Shelby Trucking Corp), Meateor GP Limited, Meateor Pet Foods Limited Partnership and Profruit (2006) Limited.

Logistics: logistics services. Scales Logistics Limited and Scales Logistics Australia Pty Ltd.

Other: Scales Corporation Limited, Geo. H. Scales Limited, Scales Employees Limited, Scales Holdings Limited and Selacs Insurance Limited.

	Horticulture	Food Ingredients	Logistics	Other	Eliminations	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Unaudited						
Six months ended 30 June 2021						
Total segment revenue	127,375	99,829	43,622	1,347	(18,337)	253,836
Inter-segment revenue	-	-	(16,985)	(1,352)	18,337	-
Revenue from external customers	127,375	99,829	26,637	(5)	-	253,836
Segment profit (loss) before income tax	29,363	15,514	2,761	(4,495)	-	43,143
Segment assets	422,637	106,461	20,738	81,476	-	631,312
Segment liabilities	163,320	22,192	11,817	48,584	-	245,913
Unaudited						
Six months ended 30 June 2020						
Total segment revenue	136,253	84,129	50,344	1,440	(18,874)	253,292
Inter-segment revenue	-	-	(17,630)	(1,244)	18,874	-
Revenue from external customers	136,253	84,129	32,714	196	-	253,292
Segment profit (loss) before income tax	26,971	10,300	3,207	(2,593)	-	37,885
Segment assets	423,302	107,345	22,885	84,640	-	638,172
Segment liabilities	174,543	14,554	13,890	58,995	-	261,982
Audited						
Year ended 31 December 2020						
Total segment revenue	245,984	173,694	77,917	3,784	(30,670)	470,709
Inter-segment revenue	-	-	(28,082)	(2,588)	30,670	-
Revenue from external customers	245,984	173,694	49,835	1,196	-	470,709
Segment profit (loss) before income tax	15,976	20,715	3,074	(4,516)	-	35,249
Segment assets	329,055	103,793	17,867	135,495	-	586,210
Segment liabilities	122,838	19,082	11,870	54,015	-	207,805

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

5. SEASONALITY OF BUSINESS

All business segments are subject to seasonal fluctuation. The apple crop has been picked and packed and the export programme is well under way as at 30 June. Higher volumes are processed through the pet food ingredients plants in the first half of the year due to the seasonal nature of the meat industry and there is greater utilisation of logistics services over the first half of the year as seasonal products are shipped to export markets.

At 30 June the harvested crop held in inventory is valued at fair value less estimated costs to sell. At 31 December the unharvested crop is valued at fair value less estimated costs to sell. Both the harvested crop at 30 June and the unharvested crop at 31 December are included in agricultural produce.

6. REVENUE

	Unaudited		Audited
	Six months ended	30 June 2020	Year ended
	30 June 2021	30 June 2020	31 December 2020
	\$000's	\$000's	\$000's
By nature:			
Revenue from the sale of goods	205,468	213,551	402,194
Revenue from the rendering of services	37,395	42,217	64,357
Fees and commission	(5)	62	59
Net foreign exchange (loss) gain	8,303	(5,760)	(730)
Rental revenue	2,675	3,222	4,829
	<u>253,836</u>	<u>253,292</u>	<u>470,709</u>
By segment and type:			
Horticulture - sale of agricultural produce	116,242	124,854	229,033
Horticulture - agricultural produce related services	8,463	8,182	12,133
Horticulture - other	2,670	3,217	4,818
Food ingredients - sale of pet food ingredients	97,353	82,704	171,144
Food ingredients - other	2,476	1,425	2,550
Logistics services	26,637	32,714	49,835
Other	(5)	196	1,196
	<u>253,836</u>	<u>253,292</u>	<u>470,709</u>

7. DIVIDENDS

During the six months ended 30 June 2021 the Directors paid an interim dividend of 9.5 cents per share and resolved to pay a final dividend of 9.5 cents per share in respect of the year ended 31 December 2020. This final dividend was paid on 9 July 2021.

During the six months ended 30 June 2020 the Directors paid an interim dividend of 9.5 cents per share and resolved to pay a final dividend of 9.5 cents per share in respect of the year ended 31 December 2019. This final dividend was paid on 10 July 2020.

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

8. RESERVES

	Revaluation \$000's	Cash flow hedge \$000's	Share of joint ventures \$000's	Equity- settled employee benefits \$000's	Foreign exchange translation \$000's	Pension plan reserve \$000's	Total reserves \$000's
Unaudited							
Six months ended 30 June 2021							
At 1 January 2021	65,625	19,947	661	1,802	(860)	(401)	86,774
Other comprehensive income (loss)	-	(10,053)	(508)	-	296	-	(10,265)
Transfer to retained earnings	(2,224)	-	-	-	-	-	(2,224)
Recognition of share-based payments	-	-	-	450	-	-	450
Shares fully vested	-	-	-	(1,251)	-	-	(1,251)
Balance at 30 June 2021	63,401	9,894	153	1,001	(564)	(401)	73,484
Unaudited							
Six months ended 30 June 2020							
At 1 January 2020	55,869	4,927	151	1,640	(76)	-	62,511
Other comprehensive income (loss)	-	2,378	(98)	-	207	-	2,487
Transfer to retained earnings	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	268	-	-	268
Shares fully vested	-	-	-	(536)	-	-	(536)
Balance at 30 June 2020	55,869	7,305	53	1,372	131	-	64,730
Audited							
Year ended 31 December 2020							
At 1 January 2020	55,869	4,927	151	1,640	(76)	-	62,511
Other comprehensive income (loss)	8,663	15,020	510	-	(784)	(60)	23,349
Transfer to retained earnings	1,093	-	-	-	-	(341)	752
Recognition of share-based payments	-	-	-	698	-	-	698
Shares fully vested	-	-	-	(536)	-	-	(536)
Balance at 31 December 2020	65,625	19,947	661	1,802	(860)	(401)	86,774

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

9. EARNINGS PER SHARE

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
Profit attributable to equity holders of the Company (\$000's):	28,314	25,349	21,025
Weighted average number of shares:			
Ordinary shares	140,664,105	140,292,949	140,402,514
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	360,608	206,808	467,735
Weighted average number of ordinary shares for diluted earnings per share	<u>141,024,713</u>	<u>140,499,757</u>	<u>140,870,249</u>
Earnings per share (cents):			
Basic	20.1	18.1	15.0
Diluted	20.1	18.0	14.9

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	\$000's	\$000's	\$000's
Current financial assets at fair value:			
Foreign currency derivative instruments	8,166	7,102	12,688
	<u>8,166</u>	<u>7,102</u>	<u>12,688</u>
Non-current financial assets:			
At fair value:			
Foreign currency derivative instruments	11,689	11,664	17,572
Shares in unlisted companies	184	221	184
At amortised cost:			
Employee loans	1,444	457	387
	<u>13,317</u>	<u>12,342</u>	<u>18,143</u>
Current financial liabilities at fair value:			
Foreign currency derivative instruments	481	3,114	35
Interest rate swap contracts and forward rate agreements	396	726	618
Put option	4,359	3,654	3,647
	<u>5,236</u>	<u>7,494</u>	<u>4,300</u>
Non-current financial liabilities at fair value:			
Foreign currency derivative instruments	423	2,846	366
Interest rate swap contracts and forward rate agreements	298	842	554
Put option	1,137	1,413	1,602
	<u>1,858</u>	<u>5,101</u>	<u>2,522</u>

Foreign currency derivative instruments

The Group is exposed to currency risk as a result of normal trading transactions denominated in foreign currencies. The Group uses foreign currency derivative financial instruments to manage its currency risk. The fair value of foreign currency derivative financial instruments at the reporting date is determined on a discounted cash flow basis whereby future cash flows are estimated based on forward exchange rates and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The Group's forward foreign exchange contracts and foreign exchange options are classified as Level 2 in the fair value hierarchy.

These foreign currency instruments are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from movements in foreign currency exchange rates on anticipated future transactions. It is anticipated that the sales will take place during the 2021 to 2025 financial years at which stage the amount deferred in equity will be released into profit or loss.

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES (CONTINUED)

Interest rate swap contracts and forward rate agreements

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Management monitors the level of interest rates on an ongoing basis and uses interest rate swaps and forward rate agreements to manage interest rate risk.

Under interest rate swap contracts and forward rate agreements, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts, some of which may commence in future reporting years, enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued floating rate debt. The fair value of these contracts at the reporting date is determined by discounting the future cash flows using the forward interest rate curves at reporting date and the credit risk inherent in the contracts. The average contracted fixed interest rate is based on the notional principal amount at balance date. The Group's interest rate swap contracts and forward rate agreements are classified as Level 2 in the fair value hierarchy.

These interest rate swap contracts and forward rate agreements, exchanging floating rate interest amounts for fixed rate interest amounts, are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from floating interest rates on borrowings. The interest rate swap and forward rate agreement payments, and the interest payments on the loans occur simultaneously, and the amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.

11. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

Certain Directors or senior management have relevant interests in companies with which Scales has transactions in the normal course of business. A number of Scales directors are also non-executive directors of other companies. Any transactions undertaken with these entities have been entered into in the ordinary course of business on a third party arm's-length basis.

(b) Key management personnel remuneration

The compensation of the directors and executives, being the key management personnel of the Group, is as follows:

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	\$000's	\$000's	\$000's
Short-term employee benefits and directors' fees	1,751	1,555	2,784
Share-based payments	213	87	367
Post-employment benefits	51	51	95
	<u>2,015</u>	<u>1,693</u>	<u>3,246</u>

(c) Transactions with equity accounted entities

Revenue from sale of goods	725	1,058	1,189
Revenue from services	1,981	2,277	3,910
Materials and consumables purchased	-	(886)	(1,219)
Dividends received	1,000	500	1,500
Trade receivables at balance date	336	399	257
Dividends receivable	-	500	-

Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2021

12. CAPITAL COMMITMENTS

	Unaudited		Audited
	Six months ended		Year ended
	30 June 2021	30 June 2020	31 December 2020
	\$000's	\$000's	\$000's
Commitments entered into in respect of apple trees as at balance date	2,566	1,013	289
Commitments entered into in respect of coolstore construction as at balance date	-	10,305	-
	<u>2,566</u>	<u>11,318</u>	<u>289</u>

13. CONTINGENT LIABILITY

In December 2018 an insurance claim was notified to Selacs Insurance Limited, a wholly owned subsidiary of Scales Holdings Limited, which in turn is a wholly owned subsidiary of Scales Corporation Limited.

The claim arises as a consequence of the collapse of the roof of a leased coldstore located in Hastings, Hawke's Bay.

Two of the claim elements have been settled. Payments related to these elements have been recorded as claim expense and reinsurance income - included respectively in other expenses and other income.

The remaining element of the claim continues to be investigated and has not yet been accepted as a claim.

The risk remains fully reinsured, and in the event that all elements are accepted there will be no impact on net income or net assets of the Group.

14. EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring subsequent to balance date which require adjustment to, or disclosure, in the financial statements.



Independent Auditor's Review Report

To the Shareholders of Scales Corporation Limited

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Scales Corporation Limited ('the Company') and its subsidiaries ('the Group'), which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 4 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2021 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in Scales Corporation Limited and its subsidiaries ('the Group'), except that partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Directors' responsibilities for the interim financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the interim financial statements.

**Restriction on use**

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

Deloitte Limited

**Nicole Dring, Partner
for Deloitte Limited**

Christchurch, New Zealand

24 August 2021

This review report relates to the unaudited interim financial statements of Scales Corporation Limited and its subsidiaries ('the Group') for the six months ended 30 June 2021 included on the Groups website. The Group's Board of Directors is responsible for the maintenance and integrity of the Groups website. We have not been engaged to report on the integrity of the Groups website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements since they were initially presented on the website. The review report refers only to the unaudited interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited interim financial statements and related review report dated 24 August 2021 to confirm the information included in the unaudited interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.