

# Scales Corporation Limited

Condensed Consolidated Interim Financial Statements  
for the six months ended 30 June 2024

# Scales Corporation Limited

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# Scales Corporation Limited

## Directory

### Board of Directors

Mike Petersen (Chair)  
Andrew Borland (Managing Director)  
Tony Batterton  
Miranda Burdon  
Nick Harris  
Alan Isaac  
Qi Xin  
Nadine Tunley

### Audit and Risk Management Committee

Alan Isaac (Chair)  
Nick Harris  
Tony Batterton

### Nominations and Remuneration Committee

Tony Batterton (Chair)  
Mike Petersen

### Finance and Treasury Committee

Tony Batterton (Chair)  
Andrew Borland  
Mike Petersen

### Health & Safety and Sustainability Committee

Miranda Burdon (Chair)  
Andrew Borland

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### Website

[www.scalescorporation.co.nz](http://www.scalescorporation.co.nz)

### Auditor

Deloitte Limited  
Level 4  
151 Cambridge Terrace  
Christchurch 8013

### Bankers

ANZ Bank New Zealand Limited  
Level 3  
ANZ Centre  
267 High Street  
Christchurch 8011

### Coöperatieve Rabobank U.A., New Zealand Branch

Level 4  
32 Hood Street  
Hamilton 3204

### Westpac New Zealand Limited

Level 4  
The Terrace  
83 Cashel Street  
Christchurch 8011

### Solicitors

Anthony Harper  
Level 9  
Anthony Harper Tower  
62 Worcester Boulevard  
Christchurch 8013

### Chapman Tripp

23 Albert Street  
Auckland 1010

### Corporate Advisor

Maher & Associates  
17 Albert Street  
Auckland 1010

### Share Registry

Computershare Investor Services Limited  
Level 2  
159 Hurstmere Road  
Takapuna  
North Shore City  
Auckland 0622

# Scales Corporation Limited

Consolidated statement of comprehensive income for the six months ended 30 June 2024

	Note	Unaudited		Audited
		Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
		\$000's	\$000's	\$000's
Revenue	6	318,101	309,368	565,356
Cost of sales		(233,089)	(242,972)	(444,662)
		<u>85,012</u>	<u>66,396</u>	<u>120,694</u>
Administration and operating expenses		(29,123)	(31,415)	(64,123)
Impairment of property, plant and equipment		-	(4,015)	(4,729)
Impairment of goodwill		-	(8,531)	(8,531)
Share of profit of entities accounted for using the equity method		3,956	2,794	8,131
Other income		3,372	5,798	8,569
Other losses		(1,738)	(554)	(6,336)
EBITDA		<u>61,479</u>	<u>30,473</u>	<u>53,675</u>
Amortisation		(306)	(246)	(497)
Depreciation		(5,616)	(5,283)	(10,245)
Depreciation of right-of-use asset		(4,397)	(4,484)	(8,711)
EBIT		<u>51,160</u>	<u>20,460</u>	<u>34,222</u>
Finance revenue		1,401	879	2,056
Finance cost		(2,025)	(1,532)	(3,331)
Finance cost of lease liability		(1,749)	(1,515)	(3,144)
PROFIT BEFORE INCOME TAX EXPENSE		<u>48,787</u>	<u>18,292</u>	<u>29,803</u>
Income tax expense	5	(10,717)	(4,017)	(5,129)
PROFIT FOR THE PERIOD		<u>38,070</u>	<u>14,275</u>	<u>24,674</u>
Profit for the period is attributable to:				
Equity holders of the Company		28,149	3,896	5,235
Non-controlling interests		9,921	10,379	19,439
		<u>38,070</u>	<u>14,275</u>	<u>24,674</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Basic earnings per share (cents)	8	19.8	2.7	3.7
Diluted earnings per share (cents)	8	19.8	2.7	3.7

*The notes to the financial statements 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 2024 (continued)

	Unaudited Six months ended 30 June 2024 \$000's	30 June 2023 \$000's	Audited Year ended 31 December 2023 \$000's
PROFIT FOR THE PERIOD	38,070	14,275	24,674
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
(Loss) gain on cash flow hedges	(10,136)	(8,987)	11,231
Income tax relating to cash flow hedges	2,838	2,516	(3,145)
Share of other comprehensive income of joint ventures	(362)	(690)	1,554
Income tax relating to share of other comprehensive income of joint ventures	154	160	22
Foreign exchange gain on translating foreign operations	1,692	1,069	307
	<u>(5,814)</u>	<u>(5,932)</u>	<u>9,969</u>
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	-	(13,416)	(3,122)
Income tax relating to buildings	-	671	(740)
Revaluation of apple trees	-	(1,818)	936
Income tax relating to apple trees	-	509	(262)
Remeasurement of net defined benefit liability	-	-	238
Income tax relating to remeasurement of net defined benefit liability	-	-	(36)
	<u>-</u>	<u>(14,054)</u>	<u>(2,986)</u>
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>(5,814)</u>	<u>(19,986)</u>	<u>6,983</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>32,256</u>	<u>(5,711)</u>	<u>31,657</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company	22,335	(16,090)	12,123
Non-controlling interests	9,921	10,379	19,534
	<u>32,256</u>	<u>(5,711)</u>	<u>31,657</u>

*The notes to the financial statements 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 2024

	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
<b>Unaudited</b>							
Six months ended 30 June 2024							
At 1 January 2024		103,445	99,435	170,472	373,352	11,596	384,948
Profit for the year		-	-	28,149	28,149	9,921	38,070
Other comprehensive loss for the period		-	(5,814)	-	(5,814)	-	(5,814)
Total comprehensive income for the period		-	(5,814)	28,149	22,335	9,921	32,256
Recognition of share-based payments		-	339	-	339	-	339
Shares sold		-	-	-	-	-	-
Shares fully vested		1,289	(418)	(131)	740	-	740
Dividends	7	-	-	(6,042)	(6,042)	(8,536)	(14,578)
Balance at 30 June 2024		104,734	93,542	192,448	390,724	12,981	403,705
<b>Unaudited</b>							
Six months ended 30 June 2023							
At 1 January 2023		101,975	92,590	189,875	384,440	7,374	391,814
Profit for the year		-	-	3,896	3,896	10,379	14,275
Other comprehensive loss for the period		-	(19,986)	-	(19,986)	-	(19,986)
Total comprehensive loss for the period		-	(19,986)	3,896	(16,090)	10,379	(5,711)
Recognition of share-based payments		-	248	-	248	-	248
Shares sold		96	-	-	96	-	96
Shares fully vested		1,374	(499)	(145)	730	-	730
Dividends	7	-	-	(18,451)	(18,451)	(6,407)	(24,858)
Balance at 30 June 2023		103,445	72,353	175,175	350,973	11,346	362,319
<b>Audited</b>							
Year ended 31 December 2023							
At 1 January 2023		101,975	92,590	189,875	384,440	7,374	391,814
Profit for the year		-	-	5,235	5,235	19,439	24,674
Other comprehensive income for the period		-	6,888	-	6,888	95	6,983
Total comprehensive income for the period		-	6,888	5,235	12,123	19,534	31,657
Recognition of share-based payments		-	456	-	456	-	456
Shares sold		96	-	-	96	-	96
Shares fully vested		1,374	(499)	(145)	730	-	730
Dividends	7	-	-	(24,493)	(24,493)	(15,312)	(39,805)
Balance at 31 December 2023		103,445	99,435	170,472	373,352	11,596	384,948

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

# Scales Corporation Limited

Consolidated statement of financial position as at 30 June 2024

		Unaudited		Audited
		Six months ended		Year ended
		30 June	30 June	31 December
		2024	2023	2023
	Note	\$000's	\$000's	\$000's
<b>EQUITY</b>				
Share capital		104,734	103,445	103,445
Reserves	9	93,542	72,353	99,435
Retained earnings		192,448	175,175	170,472
Equity attributable to Scales Corporation Limited shareholders		390,724	350,973	373,352
Equity attributable to non-controlling interests		12,981	11,346	11,596
<b>TOTAL EQUITY</b>		<b>403,705</b>	<b>362,319</b>	<b>384,948</b>
<b>CURRENT ASSETS</b>				
Cash and bank balances		39,878	37,733	77,638
Trade and other receivables		116,775	97,315	34,029
Current tax assets		1,488	528	3,938
Other financial assets	10	3,306	2,383	5,989
Agricultural produce		65,734	62,709	24,222
Inventories		39,883	46,703	29,543
Prepayments		4,555	5,492	4,337
		271,619	252,863	179,696
Assets held for sale	14	28,950	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>300,569</b>	<b>252,863</b>	<b>179,696</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		243,237	203,090	221,219
Investments accounted for using the equity method		60,102	56,893	63,902
Goodwill		38,406	38,251	36,972
Defined benefit plan net asset		62	-	60
Other financial assets	10	35,218	15,526	29,077
Computer software		995	1,184	1,160
Right-of-use asset		61,222	51,893	49,572
<b>TOTAL NON-CURRENT ASSETS</b>		<b>439,242</b>	<b>366,837</b>	<b>401,962</b>
<b>TOTAL ASSETS</b>		<b>739,811</b>	<b>619,700</b>	<b>581,658</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		86,800	74,383	26,446
Dividend declared	7	6,048	13,491	6,041
Borrowings		25,500	-	-
Current tax liabilities		7,454	2,922	616
Other financial liabilities	10	20,135	20,309	18,524
Lease liability		12,666	10,788	10,963
<b>TOTAL CURRENT LIABILITIES</b>		<b>158,603</b>	<b>121,893</b>	<b>62,590</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		96,273	67,535	65,647
Deferred tax liabilities	5	15,389	5,911	17,104
Defined benefit plan net liability		-	178	-
Other financial liabilities	10	11,120	14,909	6,699
Lease liability		54,721	46,955	44,670
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>177,503</b>	<b>135,488</b>	<b>134,120</b>
<b>TOTAL LIABILITIES</b>		<b>336,106</b>	<b>257,381</b>	<b>196,710</b>
<b>NET ASSETS</b>		<b>403,705</b>	<b>362,319</b>	<b>384,948</b>

The notes to the financial statements 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 2024

	Unaudited		Audited
	Six months ended 30 June 2024	30 June 2023	Year ended 31 December 2023
Note	\$000's	\$000's	\$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from customers	242,046	260,660	571,987
Insurance proceeds	-	-	4,809
Government grants received	25	1,388	1,986
Dividends and distributions received	-	500	751
Interest received	1,215	768	1,814
	<u>243,286</u>	<u>263,316</u>	<u>581,347</u>
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees	(238,510)	(279,741)	(502,201)
Interest paid	(3,774)	(3,047)	(6,475)
Income tax paid	(3,557)	(4,424)	(7,971)
	<u>(245,841)</u>	<u>(287,212)</u>	<u>(516,647)</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(2,555)</u>	<u>(23,896)</u>	<u>64,700</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Advances repaid	131	156	255
Sale of property, plant and equipment	7	-	(424)
	<u>138</u>	<u>156</u>	<u>(169)</u>
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	(44,508)	(4,795)	(16,808)
Purchase of computer software	(141)	(98)	(325)
Acquisition of subsidiary, net of cash acquired	(10,947)	-	-
Advances to joint ventures	(10,269)	(2,745)	(11,869)
	<u>(65,865)</u>	<u>(7,638)</u>	<u>(29,002)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(65,727)</u>	<u>(7,482)</u>	<u>(29,171)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Drawdowns of seasonal facility borrowings	25,500	-	-
Drawdowns of term facility borrowings	56,000	27,306	27,306
Treasury stock sold	-	96	96
	<u>81,500</u>	<u>27,402</u>	<u>27,402</u>
<i>Cash was applied to:</i>			
Dividends paid	(6,035)	(13,463)	(26,955)
Dividends paid to non-controlling interests	(8,536)	(6,407)	(15,312)
Repayments of borrowings - seasonal	(3,437)	-	-
Repayments of borrowings - term	(29,087)	-	-
Repayments of lease liabilities	(4,258)	(4,419)	(8,420)
	<u>(51,353)</u>	<u>(24,289)</u>	<u>(50,687)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>30,147</u>	<u>3,113</u>	<u>(23,285)</u>
<b>NET (DECREASE) INCREASE IN NET CASH</b>	<u>(38,135)</u>	<u>(28,265)</u>	<u>12,244</u>
Net foreign exchange difference	375	222	(382)
Cash and cash equivalents at the beginning of the period	77,638	65,776	65,776
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>39,878</u>	<u>37,733</u>	<u>77,638</u>
Represented by:			
Cash and bank balances	39,878	37,733	77,638
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>39,878</u>	<u>37,733</u>	<u>77,638</u>

The notes to the financial statements 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 2024 (continued)

	Note	Unaudited		Audited
		Six months ended 30 June 2024 \$000's	Six months ended 30 June 2023 \$000's	Year ended 31 December 2023 \$000's
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>				
Reconciliation of profit for the year to net cash generated by operating activities:				
Profit for the year		38,070	14,275	24,674
<i>Non-cash items:</i>				
Depreciation (including on right-of-use asset)		10,013	9,767	18,956
Share of equity accounted results		(3,956)	(2,794)	(8,131)
Gain on fair value equity investment		(3,304)	-	-
Hedging instruments		1,809	2,361	(416)
Deferred tax		(1,085)	(8,159)	(4,867)
Fair value loss on interest-free related party loans, net of interest income		1,463	-	1,913
Share-based payments		339	248	456
Amortisation		306	246	497
Change in value of call and put options		89	554	4,121
(Gain) loss on lease modification		(36)	(162)	(177)
Foreign exchange on related party loans		7	-	232
Gain on disposal of property, plant and equipment		(7)	(3,159)	(118)
Impairment on revaluation		-	4,015	4,729
Impairment of goodwill		-	8,531	8,531
Interest capitalised into loans		-	(111)	(111)
JV purchase price receivable		-	(1,089)	(1,307)
<i>Operating cash receipts not included in profit for the period:</i>				
Dividends received from equity accounted entities		-	500	750
<i>Changes in net assets and liabilities:</i>				
Trade and other receivables		(78,151)	(50,994)	9,662
Agricultural produce		(41,512)	(37,560)	927
Inventories		7,908	(3,739)	13,040
Prepayments		183	(700)	445
Trade and other payables		57,064	36,322	(11,131)
Current tax assets and liabilities		8,245	7,752	2,025
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		<b>(2,555)</b>	<b>(23,896)</b>	<b>64,700</b>

For and on behalf of the Board of Directors who authorised the issue of these interim financial statements on 27 August 2024.

Mike Petersen, Chair

Andy Borland, Managing Director

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2024

## 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 manufacture and trade food ingredients, grow apples, provide logistics services, export products, provide insurance services to companies within the Group and operate processing facilities.

## 2. 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 to 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 2023.

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

## 3. SEASONALITY OF BUSINESS

Higher volumes are processed through the Global Proteins plants in the first half of the year due to the seasonal nature of the meat industry.

There is greater utilisation of Logistics services over the first half of the year as seasonal products are shipped to export markets.

The Horticulture business segment is subject to seasonal fluctuation. The apple crop has been picked, with packing and the export programme well underway, as at 30 June. 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.

## 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, Australia, the Netherlands and the United States of America.

The Group's operations comprise the following operating segments:

Global Proteins: processing and marketing of proteins such as petfood ingredients, edible meat and offal products.

Meateor Foods Limited, Meateor Foods Australia Pty Limited, Meateor Group Limited, Meateor US LLC,

Shelby JV LLC Group (Shelby Cold Storage LLC, Shelby Exports Inc, Shelby Foods LLC, Shelby JV LLC, Shelby Properties LLC,

Shelby Trucking LLC), Meateor GP Limited, Meateor Pet Foods Limited Partnership, Scales FI Group Holdings Pty Limited,

Meateor Australia Pty Limited, FI Group Holdings Pty Limited Group (FI Group Holdings Pty Limited,

Fayman International Group Pty Limited and Fayman New Zealand Limited), ANZ Exports Pty Limited and Esro Petfood B.V.

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

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2024

## 4. SEGMENT INFORMATION (CONTINUED)

	Global Proteins \$000's	Horticulture \$000's	Logistics \$000's	Other \$000's	Eliminations \$000's	Total \$000's
Unaudited						
Six months ended 30 June 2024						
Total segment revenue	141,733	134,471	56,341	2,796	(17,240)	318,101
Inter-segment revenue	-	-	(15,542)	(1,698)	17,240	-
Revenue from external customers	141,733	134,471	40,799	1,098	-	318,101
Segment profit (loss) before income tax	28,062	22,328	2,886	(4,489)	-	48,787
Segment assets	169,000	520,111	29,840	20,860	-	739,811
Segment liabilities	29,972	166,015	20,129	119,990	-	336,106
Unaudited						
Six months ended 30 June 2023						
Total segment revenue	151,128	122,551	54,363	1,802	(20,476)	309,368
Inter-segment revenue	-	-	(19,157)	(1,319)	20,476	-
Revenue from external customers	151,128	122,551	35,206	483	-	309,368
Segment profit (loss) before income tax	30,277	(2,093)	2,273	(12,165)	-	18,292
Segment assets	179,903	405,809	22,026	11,962	-	619,700
Segment liabilities	30,081	139,721	11,945	75,634	-	257,381
Audited						
Year ended 31 December 2023						
Total segment revenue	298,547	209,939	92,568	3,007	(38,705)	565,356
Inter-segment revenue	-	-	(35,684)	(3,021)	38,705	-
Revenue from external customers	298,547	209,939	56,884	(14)	-	565,356
Segment profit (loss) before income tax	51,655	(15,938)	3,236	(9,150)	-	29,803
Segment assets	177,176	324,689	20,797	58,996	-	581,658
Segment liabilities	30,301	88,696	12,657	65,056	-	196,710

## 5. TAXATION

The Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Act, which received Royal Assent on 28 March 2024, removes the ability to depreciate most buildings with a life over 50 years for income tax deduction purposes. For the Group, the application of this legislative change under NZ IAS 12 *Income Taxes* sets the tax base for certain buildings owned by New Zealand domiciled business units to nil from 1 January 2024 onwards. This increases the deferred taxation liability by \$2.1m and creates a one-off non-cash adjustment to the taxation expense for deferred tax on buildings for the six months ended 30 June 2024 of the same amount. The application of NZ IAS 12 which creates this deferred taxation liability does not reflect income tax payable if the buildings were sold.

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2024

## 6. REVENUE

	Unaudited		Audited
	Six months ended	30 June	Year ended
	30 June	30 June	31 December
	2024	2023	2023
	\$000's	\$000's	\$000's
By nature:			
Revenue from the sale of goods	266,102	264,884	492,874
Revenue from the rendering of services	53,143	46,172	77,271
Fees and commission	-	(5)	16
Net foreign exchange (loss) gain	(4,160)	(4,708)	(9,450)
Rental revenue	3,016	3,025	4,645
	<u>318,101</u>	<u>309,368</u>	<u>565,356</u>
By segment and type:			
Global Proteins - sale of petfood ingredients	135,686	146,923	290,216
Global Proteins - other	6,047	4,205	8,331
Horticulture - sale of agricultural produce	125,212	112,726	193,759
Horticulture - agricultural produce related services	6,243	6,805	11,543
Horticulture - other	3,016	3,020	4,637
Logistics services	40,799	35,206	56,884
Other	1,098	483	(14)
	<u>318,101</u>	<u>309,368</u>	<u>565,356</u>

## 7. DIVIDENDS

During the six months ended 30 June 2024 the Company paid an interim dividend of 4.25 cents per share and declared a final dividend of 4.25 cents per share in respect of the year ended 31 December 2023. This final dividend was paid on 12 July 2024.

During the six months ended 30 June 2023 the Company paid interim dividends totalling 9.5 cents per share and declared a final dividend of 9.5 cents per share in respect of the year ended 31 December 2022. This final dividend was paid on 7 July 2023.

## 8. EARNINGS PER SHARE

	Unaudited		Audited
	Six months ended	30 June	Year ended
	30 June	30 June	31 December
	2024	2023	2023
Profit attributable to equity holders of the Company (\$000's):	<u>28,149</u>	<u>3,896</u>	<u>5,235</u>
Weighted average number of shares:			
Ordinary shares	142,062,077	141,729,183	141,831,545
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	26,524	-	116,268
Weighted average number of ordinary shares for diluted earnings per share	<u>142,088,601</u>	<u>141,729,183</u>	<u>141,947,813</u>
Earnings per share (cents):			
Basic	19.8	2.7	3.7
Diluted	19.8	2.7	3.7

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2024

## 9. 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 2024							
At 1 January 2024	90,357	5,400	2,094	1,039	469	76	99,435
Other comprehensive income (loss)	-	(7,298)	(208)	-	1,692	-	(5,814)
Recognition of share-based payments	-	-	-	339	-	-	339
Shares fully vested	-	-	-	(418)	-	-	(418)
Balance at 30 June 2024	90,357	(1,898)	1,886	960	2,161	76	93,542
Unaudited							
Six months ended 30 June 2023							
At 1 January 2023	93,545	(2,686)	518	1,082	162	(31)	92,590
Other comprehensive (loss) income	(14,054)	(6,471)	(530)	-	1,069	-	(19,986)
Recognition of share-based payments	-	-	-	248	-	-	248
Shares fully vested	-	-	-	(499)	-	-	(499)
Balance at 30 June 2023	79,491	(9,157)	(12)	831	1,231	(31)	72,353
Audited							
Year ended 31 December 2023							
At 1 January 2023	93,545	(2,686)	518	1,082	162	(31)	92,590
Other comprehensive (loss) income	(3,188)	8,086	1,576	-	307	107	6,888
Recognition of share-based payments	-	-	-	456	-	-	456
Shares fully vested	-	-	-	(499)	-	-	(499)
Balance at 31 December 2023	90,357	5,400	2,094	1,039	469	76	99,435

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2024

## 10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

	Unaudited		Audited
	Six months ended		Year ended
	30 June	30 June	31 December
	2024	2023	2023
	\$000's	\$000's	\$000's
<b>Current financial assets at fair value:</b>			
Foreign currency derivative instruments	2,503	1,644	5,217
Interest rate swap contracts and forward rate agreements	803	739	772
	<u>3,306</u>	<u>2,383</u>	<u>5,989</u>
<b>Non-current financial assets:</b>			
<i>At fair value:</i>			
Foreign currency derivative instruments	10,114	6,583	13,678
Interest rate swap contracts and forward rate agreements	238	793	262
Joint venture call option	149	-	171
Shares in unlisted companies	375	184	184
<i>At amortised cost:</i>			
Employee loans	2,712	2,202	2,103
Related party loans	21,630	5,764	12,679
	<u>35,218</u>	<u>15,526</u>	<u>29,077</u>
<b>Current financial liabilities at fair value:</b>			
Foreign currency derivative instruments	5,500	9,497	4,554
Put option	14,635	10,812	13,970
	<u>20,135</u>	<u>20,309</u>	<u>18,524</u>
<b>Non-current financial liabilities at fair value:</b>			
Foreign currency derivative instruments	11,120	14,909	6,699
	<u>11,120</u>	<u>14,909</u>	<u>6,699</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 2024 to 2029 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 2024

## 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 interest rate 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 of 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		Audited Year ended
	30 June 2024	30 June 2023	31 December 2023
	\$000's	\$000's	\$000's
Short-term employee benefits and directors' fees	5,817	2,403	8,622
Share-based payments	206	133	295
Post-employment benefits	168	75	263
	<u>6,191</u>	<u>2,611</u>	<u>9,180</u>

### (c) Transactions with equity accounted entities

Revenue from sale of goods	3,127	2,052	4,079
Revenue from services	6,417	3,973	7,388
Loss on related party loans	1,649	-	2,044
Dividends and distributions received	-	500	750
Interest received	646	111	323
Materials and services received	(3,011)	(479)	(1,001)
Trade payables at balance date	(264)	-	-
Trade receivables at balance date	2,260	267	1,628
Related party loans	21,630	5,764	12,679

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2024

## 12. ACQUISITION OF APPLE ORCHARDS AND PROFRUIT (2006) LIMITED

On 16 May 2024 the Group entered into an agreement to acquire certain assets from Bostock Group Limited ("Bostock"). The total acquisition price of \$47.5m included \$35.9m for approximately 240 hectares of planted orchard area comprised of approximately 114 hectares of owned orchards and the assignment of approximately 126 hectares of leased orchards, as well as \$11.6m for the purchase of 50% of Profruit (2006) Limited ("Profruit") held by Bostock (collectively the Transaction). The acquisition settled on 13 June 2024.

The acquired orchards have a high concentration of premium apple variety plantings and are optimally located, with strong strategic alignment to existing Mr Apple orchards.

The purchase of orchards was treated as an acquisition of assets. The purchase of 50% of Profruit was treated as a business combination.

Details of the Profruit acquisition are as follows (note the fair values on acquisition have been determined provisionally given the proximity of the acquisition to the balance date):

	Carrying value on acquisition \$000's	Fair value on acquisition (provisional) \$000's
Current assets		
Cash and bank balances	653	653
Trade and other receivables	4,120	4,120
Derivatives	155	155
Inventory	14,776	17,874
Right-of-use asset	239	239
Other assets	390	390
Non-current assets		
Land and buildings	3,082	3,920
Plant and equipment	2,971	7,608
Derivatives	102	102
Current liabilities		
Trade and other payables	(1,906)	(1,906)
Current tax payable	(1,196)	(1,196)
Derivatives	(76)	(76)
Lease liability	(118)	(118)
Other liabilities	(932)	(932)
Borrowings	(3,437)	(3,437)
Non-current liabilities		
Deferred tax liabilities	(39)	(2,206)
Derivatives	(41)	(41)
Lease liability	(122)	(122)
Borrowings	(2,007)	(2,007)
Net assets acquired	<u>16,614</u>	<u>23,022</u>
Fair value of identifiable assets acquired and liabilities assumed		23,022
Consideration paid in cash		11,600
Fair value of the previously held equity interest		11,600
Goodwill		<u>178</u>



# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2024

## 12. ACQUISITION OF APPLE ORCHARDS AND PROFRUIT (2006) LIMITED (CONTINUED)

A gain of \$3.3m was recognised as a result of measuring at fair value the 50% equity interest in Profruit held prior to the business combination. The gain is included in other income in the consolidated statement of comprehensive income for the six months ended 30 June 2024.

The revenue included in the consolidated statement of comprehensive income since acquisition contributed by Profruit was \$2.6m. Profruit was break even over the same period.

Had Profruit been consolidated from 1 January 2024 the consolidated statement of comprehensive income would have included revenue of \$13.6m and profit of \$1.10m.

## 13. CAPITAL COMMITMENTS

	Unaudited		Audited
	Six months ended		Year ended
	30 June	30 June	31 December
	2024	2023	2023
	\$000's	\$000's	\$000's
Commitments entered into in respect of apple trees	1,295	1,830	1,540
Commitments entered into in respect of property, plant and equipment	-	363	469
	<u>1,295</u>	<u>2,193</u>	<u>2,009</u>

## 14. ASSETS HELD FOR SALE

As at 30 June 2024, Blyth and Te Papa apple orchards, owned by the Group subsidiary Mr Apple New Zealand Limited ("Mr Apple"), were classified as held for sale. The orchard assets are included in the Horticulture segment.

Subsequent to 30 June 2024, Mr Apple entered into an agreement to sell the Blyth and Te Papa apple orchards to a fund managed by Craigmores Sustainables for a combined acquisition price of \$34.0 million. The transaction is subject to approval by the Overseas Investment Office.

As part of the transaction, applicable fruit from both orchards will be supplied to Mr Apple for packing, storage and marketing under a long-term agreement. In addition, to assist with orchard transition, Blyth orchard will be leased back to Mr Apple until the end of the 2027 season and Mr Apple will provide short-term management services for the Te Papa orchard.

## 15. EVENTS OCCURRING AFTER BALANCE DATE

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