Scales
growing New Zealand

Annual Report December 2014

OUR BUSINESS IS AGRIBUSINESS

DIVERSE SEGMENTS AND ASSETS: A WHOLE WORLD OF POTENTIAL.

THERE'S THREE THINGS WE ABSOLUTELY BELIEVE:

1.

New Zealand's agribusiness sector can be the most productive and the most competitive in the world.

2.

This country produces premium products that hold their own anywhere.

Scales is a great company

For more than 100 years, we've worked with New Zealand producers to get our goods out into the world. This is our place in the economy. We're passionate about it. We're growing it. We're deepening and broadening our involvement in it. And we know that, alongside others, by taking the biggest view we can and investing smartly, we can bring home returns that our shareholders can be proud of.

Contents

3.

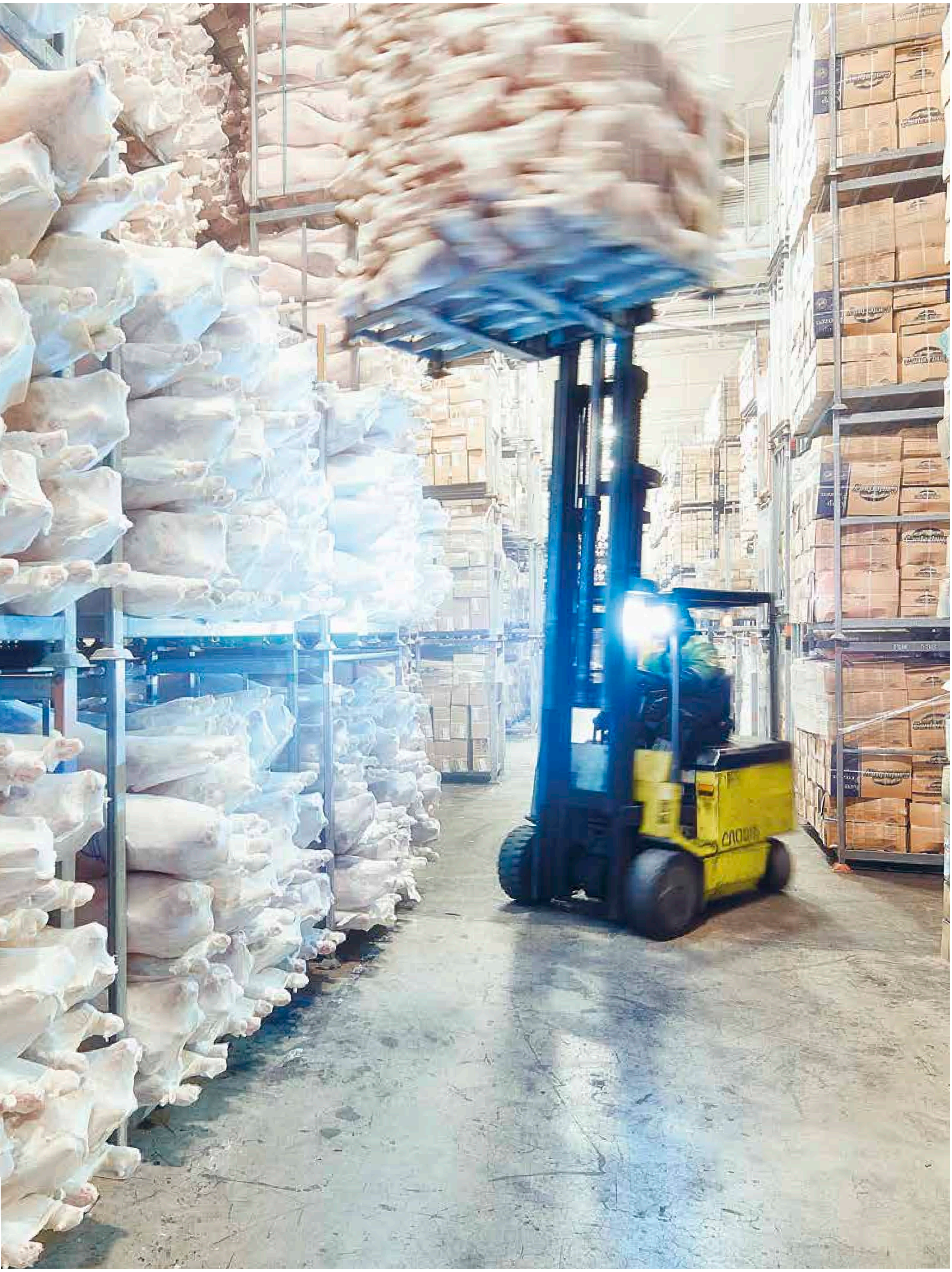
And when a diversified agribusiness portfolio like ours thinks big, we're doing justice to this country's farmers and their capabilities.

MORE THAN 420 MILLION APPLES PICKED THIS YEAR

- **1037 Ha of planted orchard.**
- **Fully integrated grower, packer, storer and marketer of apples to the world.**
- **By 2018, we expect to have an additional 450,000 TCEs of premium apples available to sell.**

>1.1 MILLION CUBIC METRES OF PRODUCT LOADED INTO OUR COLDSTORES

- **New Zealand's largest independent cold storage provider.**
- **Comprehensive North and South Island coverage.**
- **Investing in growth to meet expanding storage requirements and to drive cost efficiencies.**



>16,000 TONNES OF MEATEOR PRODUCT SOLD

- **Exceptional performance during 2014, with divisional EBITDA more than 40% ahead of our IPO forecasts.**
- **We've expanded our supply options to meet strong customer demand.**

KEY 2014 HIGHLIGHTS

14.8%

2014 ROCE

4.6M

Litres of juice concentrate sold by Profruit

22.2K MT

Capacity of our bulk liquid storage tanks

1.4M

TCEs of apples sold to Asia and the Middle East

2.7%

Underlying EBITDA 39.8m, 2.7% above IPO forecast

17K

TEU container equivalents organised for international transit by Scales Logistics

YEAR IN REVIEW

This, our 103rd year of operations, marks yet another new beginning for Scales. We are pleased to present Scales' first Annual Report as an NZX listed company following a year of considerable success and milestones.

We are also very pleased to report an Underlying EBITDA of $39.8 million and Net Profit from Continuing Operations of $18.1 million. These results are 2.7 per cent and 15.5 per cent ahead of our IPO forecasts, respectively.

$'000	**2014 Actual**	2014 IPO forecast	Variance
Underlying EBITDA*	**39,849**	38,811	↑ 2.7%
Underlying Net Profit*	**19,763**	18,530	↑ 6.7%
Net Profit From Continuing Operations	**18,076**	15,655	↑ 15.5%

* Underlying Net Profit and EBITDA are considered by Management and the Board to reflect the ongoing performance of Scales. Underlying Net Profit adjusts Net Profit for the post-tax implications of any non-cash IFRS adjustments (such as asset revaluations), discontinued operations, and costs associated with our NZX listing. Underlying EBITDA is calculated by adding back to Underlying Net Profit: Net Finance Costs; Tax; Depreciation and Amortisation expenses. A full reconciliation to Net Profit is provided in the sections below.

This result reflects the expertise, passion, and depth of capability within the Scales' team. We continue to be very proud of the people who come to work for Scales each and every day. The migration to a listed entity required a considerable effort and significant changes to the business. The team embraced the challenge, achieving both a successful listing whilst also continuing to meet financial, operational, and strategic goals.

This result also highlights, once again, the strength of our diversified agribusiness portfolio. Our Horticulture and Food Ingredients divisions significantly exceeded their prospectus forecasts, with stronger than anticipated volumes and market prices. Our Storage & Logistics division was impacted by a late start to the cropping and meat processing seasons in Q4 (due to the colder and wetter spring) and higher than usual load-outs driven by strong international food demand.

Operating a diversified agribusiness portfolio lies at the heart of what Scales is, and the value it delivers. Within, and across, our divisions we are geographically spread, supply multiple markets and customers, and have exposure to unique and separate components of the New Zealand agribusiness sector.

Other highlights for the year include:

A restructure of the Scales' Board, welcoming Alan Isaac, Tim Goodacre, and Nick Harris as Independent Directors. Both Tim and Nick had previously been Directors of Scales' subsidiary companies.

The successful conclusion to negotiations and start of construction of a 95,700m^3 coldstore at Port of Auckland's Wiri site.

Reaffirming our 2015 prospectus forecasts.

Our Mr Apple brand continues to gain tangible premiums following investment in brand and market positioning.

The listing of Scales on 25 July 2014 gave our existing 405 shareholders improved share liquidity as well as raising $30 million in capital for us to pursue growth opportunities.

A better than forecast debt position allowed us to declare and pay an interim fully imputed dividend of 3 cents per share in December.

SCALES' STRATEGY

Through the IPO, $30 million was raised to help pursue growth opportunities. This section provides an overview of our investment strategy, beginning with a reflection of the broader industry in which we operate, who we are, our goals, and how we plan to achieve those goals.

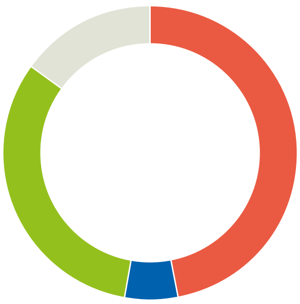
Scales has unique investment exposure to New Zealand agribusiness. New Zealand is a highly successful agricultural based economy with considerable scope for further improvement.

New Zealand is Agribusiness

Most of our land is set aside for agricultural production...

Of New Zealand's 268,000 km² of land, 47% is used for farming, crops, orchards and vineyards.

New Zealand – land use[1]



Farming, orchards and vineyards	47%
Private forests	6%
National parks, reserves and other DOC land	32%
Other	15%

Forming the heart of the New Zealand export engine...

This land is used to generate more than $29 billion in Food and Beverage exports; representing 58% of all merchandise trade.

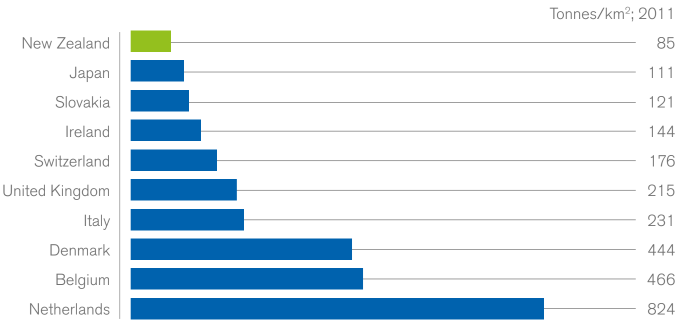
New Zealand – merchandise exports 2014[2]

	NZ$b / %
Food and beverages	29.3 / 58%
Other merchandise exports	20.8 / 42%

But compared to our climatic peers, our land is relatively unproductive...

New Zealand's agricultural lands are dominantly grassland. There is considerable scope for further intensification through irrigation and changes in land use.

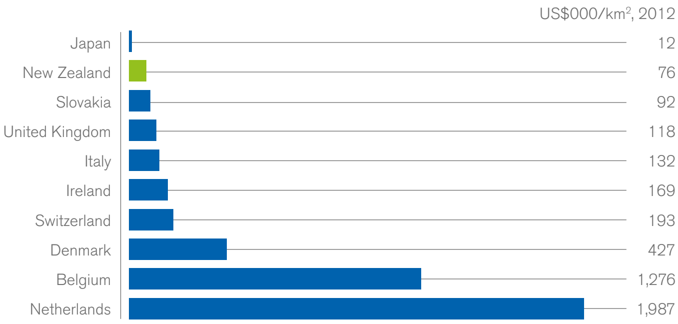
Food produced/km² (total country)[3]



Small changes in productivity have scope to drive substantial increases in export revenues...

The economic yield we are achieving from our land shows significant upside potential through appropriate and careful investment.

Food and beverage exports/km² (total country)[3]



[1] Source: Coriolis, "What Does Asia Want for Dinner?" July 2014.
[2] Source: Statistics New Zealand, Infoshare database.
[3] Source: Coriolis, "An Investor's Guide to the New Zealand Food & Beverage Industry" February 2014.

Scales is Agribusiness

Scales will benefit considerably from improvements in New Zealand's agricultural productivity:

– Increased planted orchard area or yields will drive volume increases for our Horticulture division.
– Increased agricultural production will require storage and / or logistics support.
– Increased food by-products that can be converted into valuable food ingredients.

We are dedicated to growing and sourcing agribusiness opportunities. We believe that we have the expertise, experience and financial capability to help transform New Zealand into a global agribusiness super-power amongst the world's temperate climates.

Scales' diversified agribusiness portfolio comprises three divisions (Horticulture, Storage & Logistics, and Food Ingredients) in adjacent primary sectors. Scales has been endowed with:

– Diversified, strategically located, highly productive, and vertically-integrated agribusiness **assets**.
– Passionate, innovative, and experienced **people** operating in an empowering **culture**.
– Access to rapidly growing export **markets**.

With these endowments, Scales:

– **Adds value to its portfolio** by providing specialist governance, strategic direction, capital support, and critical mass to generate group-wide synergies through an efficient and lean corporate function.
– Has **specialist networks and insights** to direct future investment – either organically or through acquisition.
– Has **extensive industry experience**. Within each of Scales' divisions we have assembled a broad range of industry veterans with world-leading expertise to pioneer developments and remain at the forefront of their industry.
– Provides its shareholders with **unique access and investment exposure to growth-focused, New Zealand-based, primary production and servicing businesses**.

WHO WE ARE | OUR GOALS | HOW WE PLAN TO GET THERE

Scales' vision:

To be the foremost investor in, and grower of, New Zealand agribusinesses by leveraging our unique insights, experience, and access to collaborative synergies.

Our long-term goal:

To generate a long-run average 15% Return on Capital Employed across the portfolio.[4]

WHO WE ARE | OUR GOALS | HOW WE PLAN TO GET THERE

Strategies to Create Value

– **Strengthen existing business:**
  - Continue to strengthen existing divisions and businesses within those divisions by providing appropriate operating and financial support.
  - Expand existing divisions through appropriate investment in growth (e.g. development of the Auckland coldstore).
  - Invest in new equipment to drive cost efficiencies.

– **Develop existing divisions or extend agribusiness reach through disciplined and patient investment:**
  - Investment may either take place by:
    – Acquiring appropriate 'bolt-on' businesses to support existing divisions.
    – Developing new divisions or market sectors.
  - We believe that the best and most consistent returns are achieved through operating, or providing a nationwide service to, businesses that are fully vertically integrated. Accordingly, investment must be consistent, or help us to better align, with this core belief. In addition, investment:
    – Should fit with our core competencies and deliver collaborative synergies.
    – Meet, or be able to meet, minimum Return on Capital Employed targets appropriate for their operations. Scales will seek to achieve a minimum of 15% ROCE across its portfolio.
    – Either have scale, be able to reach scale, or enhance the scale of our existing divisions.
    – Retain a focus predominantly, but not exclusively, on New Zealand.

[4] Calculated as Underlying EBIT / Capital Employed, where Underlying EBIT is calculated as Underlying Net Profit plus Net Financing Costs and Tax, and Capital Employed is calculated as Non Current Assets plus Current Assets (excluding any Cash or Cash Equivalent balances) less Current Liabilities (excluding any Overdraft or Short-Term Debt balances).

- Investment opportunities that do not meet these criteria will not be developed. Furthermore our holding in any division, or business within a division, that no longer meets our objectives will be subject to review.

– **Avoid unnecessary risk.**

- Scales will focus on long-term shareholder return and financial performance. We will not take unnecessary risks for short-term gains. We will invest to improve diversification.

– **Lead the market with transparent, regular, and easy-to-understand communications.**

- For each division, we will report key operating metrics and trends in these metrics. Whilst commercial sensitivities will preclude us from sharing all information, we'll provide as much as we can when we can.

Near and Medium Term Targets

The table below demonstrates our specific targets at a group and divisional level over the near and medium term:

Division	Near Term Objectives (<2 years)	Medium Term Objectives (2–5 years)
Group	Align Health & Safety practices across the group to meet global best practice	Be recognised as one of New Zealand's safest companies to work for
	Meet or exceed Financial Performance projections in our Prospectus	Deliver meaningful growth in our existing, or potentially new, divisions through organic investment and / or acquisition
	Enhance current business activities by continuing to invest in their growth and unlock their potential	
Horticulture	Continue development of the Mr Apple and Diva brands and in-market investment to support increasing premium volumes	Export over 3m cartons of our own grown apples by 2018
	Deliver on redeveloped orchard production targets utilising proprietary information systems	Continue efforts to encourage co-operation, co-ordination, and consolidation in the New Zealand pipfruit sector
	Continue to develop the fledgling Fruit Production Apprenticeship Programme to extend Mr Apple's people talent pool	Develop proprietary varieties targeted for Asian and Middle East markets
	Continue to foster and develop Mr Apple's leadership of New Zealand's Recognised Seasonal Employer scheme	
	Increase market penetration into China through services company 'Primary Collaboration New Zealand' (refer divisional overview pages)	
Storage & Logistics	Commission Auckland coldstore on time and on budget	Continue expansion of coldstore network to encompass additional major New Zealand infrastructure hubs
	Roll out FMCG capable Warehouse Management software to Polarcold	Expand Liqueo (our bulk liquid storage operation) and capabilities to reach appropriate critical mass
	Extend current FMCG business to Auckland and the South Island	Expand our logistics offering to service the Auckland and Waikato catchments
	Merge Whakatu Coldstores and Polarcold into a single integrated operation	
	Complete infrastructure build for long-term bulk edible oil storage at Liqueo's Timaru facility	
	Bring recent initiative Balance Cargo to profit in 2015 as originally forecast	
Food Ingredients	Further diversify sources of protein through expansion	Achieve increase in scale through a meaningful expansion of product volumes
	Investigate new product processing opportunities in Profruit	Expand and diversify market reach and product range
		Expand processing operations outside of New Zealand

GROUP FINANCIALS

Financial Performance

We are very pleased to present group Underlying EBITDA of $39.8 million, $1.0 million (or 2.7 per cent) ahead of our prospectus forecasts. With stronger than expected performance from our Horticulture and Food Ingredients divisions, Scales exceeded all key prospectus forecast profit measures for 2014. The individual performance of each division is discussed further in the next section.

	2014			2013
Income Statement ($'000)	**Actual**	**Prospectus**		**Actual**
Revenue	263,262	253,927		272,216
Cost of Sales	(181,989)	(176,671)		(190,644)
Gross Margin	**81,273**	**77,256**		**81,572**
Gross Margin %	31%	30%		30%
Underlying EBITDA	**39,849**	**38,811**		**42,823**
Underlying EBIT	**30,299**	**29,488**		**33,984**
Underlying Net Profit	**19,763**	**18,530**		**19,990**
After tax impact of:				
Offer costs	(3,022)	(2,875)		–
Non-cash IFRS adjustments	1,335	–		(431)
Net Profit from Continuing Operations	**18,076**	**15,655**		**19,559**
Net Profit from Discontinued Operations	299	270		879
Profit for the Year	**18,375**	**15,925**		**20,438**
Capital employed	204,402	198,727		197,578
Return on capital employed	15%	15%		17%

Directors and management use non-GAAP profit measures when discussing financial performance in this document. The Directors and management believe that these measures provide information that is useful to stakeholders along with GAAP measures. International financial reporting standards require us to value our orchards and foreign exchange contracts at the end of each year. Changes in the values of these assets are recognised as a gain or loss in our accounts. However, because we do not intend to sell our orchards, and because we intend to hold our foreign exchange contracts to completion (taking any associated gain or loss on those contracts at the point at which they are closed out), our approach is to focus on profit or loss prior to these adjustments. Furthermore, the non-GAAP profit measures discussed above are also used internally to evaluate performance of our divisions, to establish operational goals, and to allocate resources. They also represent some of the performance measures required by Scales' debt providers.

Non-GAAP profit measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by Scales in accordance with NZ IFRS.

The table below shows how Underlying EBITDA and Underlying Net Profit reconcile to Net Profit in our Financial Statements (which is prepared in accordance with NZ IFRS). Note that our financial statements are prepared on a fully compliant basis.

	2014		2013
Reconciliation of Underlying EBITDA to Net Profit ($'000)	**Actual**	**Prospectus**	**Actual**
Underlying EBITDA	**39,849**	**38,811**	**42,823**
RECONCILIATION TO GAAP INFORMATION			
– Depreciation	(8,609)	(8,875)	(8,147)
– Amortisation	(941)	(448)	(692)
– Finance revenue	460	–	532
– Finance costs	(3,729)	(4,156)	(7,214)
– Taxation	(7,267)	(6,802)	(7,312)
Underlying Net Profit	**19,763**	**18,530**	**19,990**
Offer costs	(3,022)	(2,875)	–
Impact of IFRS revaluations:			
– Biological asset revaluation	1,409	–	16
– FX contract revaluations and other adjustments	445	–	(615)
– Taxation	(519)	–	168
	1,335	–	(431)
Profit (loss) for the year of demerged George H Investments Limited group:			
– Revenue	870	764	2,177
– Other income	–	–	931
– Other losses	–	–	(658)
– Impairment of non-current assets	–	–	(2,044)
– Cost of sales and expenses	(455)	(389)	(423)
– Taxation	(116)	(105)	(478)
	299	270	(495)
Profit for the year of Cashreal Properties Limited (liquidated during 2014):			
– Revenue	–	–	20
– Gain on sale of land	–	–	1,360
– Taxation	–	–	(6)
	–	–	1,374
Net Profit as Reported in Financial Statements and PFI	**18,375**	**15,925**	**20,438**

Capital Management

Performance against Benchmarks

We monitor the Return on Capital Employed and EBITDA margin of each division and the group.

ROCE is a measure of how efficiently we are generating a return on our assets. It lies at the heart of how we monitor the performance of the portfolio as well as decisions around capital expenditure (i.e. prior to committing to an investment in assets, we need to be confident that we will generate a return that meets or exceeds our targets). The ROCE targets vary by division, given each division's specific asset and risk profiles, however as a group we target a combined ROCE of 15%.

EBITDA margin is a measure of profitability of each division. Over time we use it to monitor the competitive dynamics and cost control of each business within the Scales portfolio. EBITDA margin targets vary significantly by business (for example our freight forwarding business is a high-turnover, low-margin business, whilst our asset intensive cold storage businesses tend to operate a higher EBITDA margin), however as a group we target a combined EBITDA margin of 13%.

At a group level, ROCE was in line with, albeit slightly below our target (at 14.8%). We expect to exceed our ROCE benchmark in the short-to-medium term as current growth initiatives mature.

At a group level, Underlying EBITDA margin was ahead of our target.

Scales Net Tangible Assets as at 31 December 2014 were $1.00 per share following 3:1 share split and IPO (31 December 2013, $4.22 per share).

Scales' basic and diluted earnings per share were 14.3 cents in 2014 (16.8 cents per share in 2013).

	2014			2013
Capital Management Benchmarks	**Actual**	**Prospectus**		**Actual**
ROCE				
Horticulture	20%	19%	▲	24%
Storage & Logistics	10%	11%	▼	12%
Food Ingredients	38%	23%	▲	29%
Group	**15%**	**15%**		**17%**
Target	15%	15%		15%
Underlying EBITDA margin (excluding share of profit from associate company and joint venture)				
Horticulture	16%	15%	▲	15%
Storage & Logistics	14%	15%	▼	15%
Food Ingredients	12%	9%	▲	11%
Group	**15%**	**15%**		**16%**
Target	13%	13%		13%

Financing

Average Net Debt[5] for the year was $40.8 million, $3.3 million below our prospectus forecast average net debt of $44.1 million. This lower debt figure was primarily due to enhanced management of our working capital and enabled us to declare an interim dividend of 3 cents per share (which was paid in December 2014) earlier than indicated in our prospectus. But for this accelerated dividend, Average Net Debt would have been $38.7 million.

Furthermore, the lower average net debt figure coupled with lower than forecast interest rates, meant that financing costs were 10% lower than forecast coming in at $3.7million.

Hedging Strategy

We sell to the world. This means that we have a significant exposure to movements in foreign exchange rates – most specifically in Mr Apple. Our freight forwarding businesses, Scales Logistics and Balance Cargo, and our Food Ingredients division are also impacted by foreign exchange rate movements. These businesses are normally able to pass through some of the impact of foreign exchange rate changes to our suppliers or customers. As such, the most significant impact at a group level is through Mr Apple.

In 2014, Mr Apple made approximately 44% of its apple sales in US dollars, 33% in Euros, 20% in British pounds, and 3% in Canadian dollars. We have a natural hedge covering some of our US dollar exposure as all international shipping is payable in US dollars also. This covers about 40% of our US dollar exposure. We take cover on the remaining expected net US dollar, Euro, British pound, and Canadian dollar exposures.

We also take out interest rate swaps and forward rate agreements which provide some certainty on interest costs on Scales term and short-term borrowings.

Scales has a Board approved Treasury Management Policy within which all foreign exchange, interest rate and related activities are conducted. This policy is reviewed biennially. Under this policy:

- We take foreign exchange cover for up to 48 months using a variety of foreign exchange instruments (including options and contracts). Scales maintains a blend of instruments. For the next 12 months, slightly more than 75% of Mr Apple's expected net foreign exchange exposure has been hedged.
- We also have interest rate swaps covering interest on our term borrowings.

[5] Average Net Debt is calculated as the post IPO term debt balance of $30 million plus the average net working capital facility balance (calculated as the average of the net working capital facility balance as at 30 June 2014 and 31 December 2014).

Dividend

Per our Prospectus and Investment Statement our intention is to declare and pay a final dividend in respect of 2014 in or about May 2015 to bring dividends to our IPO forecast. A final dividend of $13,567,000 (11.3 cents per share) was paid on 17 July 2014 in respect of 2013, and an interim dividend of $4,136,000 (3 cents per share) was paid on 19 December 2014 in respect of 2014. The final dividend is subject to Board approval. It is standard practice for the Directors to consider all aspects of the Group's performance and financial position prior to declaring any dividend.

Capital Expenditure

As shown in the table below, maintenance and growth capital expenditure were broadly consistent, albeit marginally higher than our prospectus forecasts. In 2015 we are likely to exceed our growth capital expenditure forecast as we pursue growth initiatives in the Storage & Logistics division. We do not expect this to impact on dividends as projected in our prospectus.

	2014			2013
Capital expenditure ($'000)	**Actual**	**Prospectus**		**Actual**
Operational capital expenditure				
Horticulture	2,519	2,026	▼	5,507
Storage & Logistics	1,776	1,840	▲	2,242
Food Ingredients	227	297	▲	66
Other	38	55	▲	92
Total operational capital expenditure	**4,560**	**4,218**	▼	**7,907**
Growth capital expenditure				
Horticulture	2,692	1,789	▼	4,068
Storage & Logistics	3,798	4,487	▲	1,032
Food Ingredients	–	–		–
Total growth capital expenditure	**6,490**	**6,276**	▼	**5,100**
Total capital expenditure	**11,050**	**10,494**	▼	**13,007**

Health and Safety

Safety is more than the responsibility of every Director, manager and team member – it is our number one priority.

We are uncompromising in our commitment to the health and safety of our team and the communities within which we operate. Our pledge is to continually review and improve our processes, demonstrate best practice, empower individuals, lead by example, and promote safety – so that everyone who comes to work for Scales can be confident of their well-being.

People

We are extremely proud of the people who come to work every day for Scales and its subsidiaries on a full or part time basis. These people maintain a 102 year tradition of a commitment to quality and excellent customer service.

The Scales' way is about valuing everyone's input, remaining humble and always striving for the best. We like to think that Scales has a people-first culture focused on inclusion and valuing everyone's input – and we think the best indicator of this is the numerous individuals who have worked with the company for 10, 20, 30, 40 and in some cases even 50 years. In May this year, Kevin Cahill, our CEO of Polarcold will retire from this position, maintaining a role as the Executive Director of Liqueo. Kevin joined Polarcold (which at the time was known as SC Co-op Cool Stores Ltd) in 1978. In June, Kevin will have dedicated 37 years to Polarcold and Liqueo. Kevin is highly respected and extremely well-liked by customers, suppliers and staff alike. We and the Scales Board are extremely grateful for Kevin's commitment and tireless efforts throughout his career.

Outlook

Scales' three divisions are positioned for long-term and sustained growth supported by current and historical investment. As discussed in the following Divisional Overview pages, where 2014 was a good year for Horticulture and Food Ingredients, we see the pendulum shifting in favour our Storage & Logistics division in 2015 – once again demonstrating the strength of our diversified portfolio.

Scales is in excellent shape. We have a strong Board committed to further improvements in our reporting, systems, and growth. We have excellent people committed to innovation and continual improvement. And we have a strong balance sheet to allow us to maintain our outlook towards long-term, sustainable growth.

Jon Mayson
Chairman

Andy Borland
Managing Director

25 February 2015

DIVISIONAL OVERVIEW

In this section we examine the divisional performance and key drivers of Scales' three divisions. As before, we focus on underlying performance of our business divisions, which excludes certain one-off or non-cash IFRS year-end adjustments. Where such adjustments have been made we identify the quantum.

HORTICULTURE

Our Horticulture division grows, packs, stores and markets New Zealand horticultural products to the world.

Our Horticulture division largely encompasses Mr Apple, New Zealand's largest fully-vertically integrated apple business in addition to a 50% stake in Fern Ridge Produce, a fresh produce exporter in Hawke's Bay.

We are pleased to present another strong performance from our Horticulture division. During 2014:

- The division achieved an Underlying EBITDA of $23.9 million, 6.2% above our prospectus forecast.
- Mr Apple sold nearly 4 million TCEs to more than 130 customers in 43 countries.
- The orchard team delivered another excellent crop, with total own-grown apple volumes 7.1% ahead of prospectus forecasts.
- The sales team delivered a weighted average sales price across all exported apples that was 2.3% ahead of prospectus forecasts.

Apple Orchard, Hawke's Bay

Orchard Redevelopment and Apple Volumes

Over the past 7 years a significant investment in orchard redevelopment has been made that, by 2018, is expected to result in Mr Apple growing and exporting a further 450,000+ TCEs of premium apples (or a 43% increase on current premium volumes) without any additional orchard investment. These varieties sold for prices that, on average, were 30% greater than traditional varieties in 2014.

Mr Apple has made a significant investment to reposition its orchard away from traditional apple varieties that historically were sold into the UK and European markets in favour of premium varieties being sought after by the Asian and Middle Eastern markets. New Zealand has a climatic, agricultural, and in some cases legally-protected advantage in producing these varieties. This should enable Mr Apple to take advantage of sustainable price increases as well as the added advantages of securing a diverse customer and varietal exposure.

This investment has seen Mr Apple plant or redevelop 300 hectares of apple orchard over the last 7 years. With newly planted orchard taking approximately 6 years to reach full maturity, this effectively meant that the equivalent of ~170 hectares (~16% of the total orchard) did not bear any fruit at all.

Year	2008	2009	2010	2011	2012	2013	2014	Total
Orchard replanted (Ha)*	**49.6**	**37.7**	**9.0**	**72.7**	**62.3**	**36.0**	**33.7**	**301.0**
Fully mature equivalent production for 2014 season (Ha)***	49.6	28.3	4.5	18.2	–	–	33.7**	134.3
Ineffective orchard (Ha)***	–	9.4	4.5	54.5	62.3	36.0	–	166.7

* Actual planted hectares of orchard. Roads, driveways, service buildings, and grass verges are not included in these numbers.
** Replanting is done after the harvest and during the winter. Accordingly, orchard replanted during 2014 will have contributed to the 2014 crop.
*** Estimate only. The actual time for an orchard to reach maturity will differ based on climatic, positioning, geographical, and varietal variations.

As these trees reach full maturity, Mr Apple's own orchard export volumes are expected to increase by 450,000 TCEs (or more) increasing our total export volume to 3m+ cartons by 2018, if not sooner.

These additional volumes are largely targeted at Asian and Middle Eastern markets. Accordingly, we are actively investing in our marketing efforts and brand awareness in these markets. Specific activities undertaken during 2014 included:

- A very successful inaugural stand at Fruit Logistica Hong Kong, the world's largest fruit industry trade show.
- Established a China services company which pools the resources and networks of a number of leading New Zealand agribusinesses to collectively improve market presence and connectivity into China. This entity is chaired by our Managing Director, Andy Borland.

Financial Performance and Key Operating Statistics

Summary Performance

The table below shows the financial performance of our Horticulture division for 2013 and 2014 as well as the 2014 prospectus forecasts.

Horticulture	2014			2013
Financial Performance ($'000)	**Actual**	**Prospectus**		**Actual**
Revenue	158,808	154,967	▲	174,171
Sea freight & transport costs	(23,191)	(25,070)	▲	(29,489)
Post-harvest processing	(22,606)	(21,414)	▼	(22,382)
Payments to external growers	(31,094)	(31,950)	▲	(35,092)
Orchard costs	(24,643)	(22,864)	▼	(25,987)
Other direct costs	(11,193)	(10,203)	▼	(14,441)
Cost of Sales	**(112,727)**	**(111,501)**	▼	**(127,391)**
Gross Profit	**46,081**	**43,466**	▲	**46,780**
Gross Profit Margin	29%	28%	▲	27%
Other income, administration and operating expenses	(22,624)	(21,264)	▼	(21,070)
Mr Apple Underlying EBITDA	**23,457**	**22,202**	▲	**25,710**
Share of Fern Ridge Produce net profit after tax	459	310	▲	490
Underlying Horticulture EBITDA	**23,916**	**22,512**	▲	**26,200**
Depreciation and amortisation	(4,360)	(3,979)	▼	(3,815)
Underlying Horticulture EBIT	**19,556**	**18,533**	▲	**22,385**
IFRS Biological asset and FX contract revaluations	2,029	–		(673)
Horticulture EBITDA	**25,945**	**22,512**	▲	**25,527**
Horticulture EBIT	**21,585**	**18,533**	▲	**21,712**
Capital Employed	99,454	97,758	▼	93,429
Return on Capital Employed	20%	19%		24%

Our Horticulture division delivered another very strong performance in 2014. Both volumes and prices were above expectations resulting in an Underlying EBITDA more than 6% above our prospectus forecast. This excellent result reflects the hard work of the Mr Apple team who are successfully building our brand and reputation on a global scale. Investment in marketing, people, additional cool storage space, and maintenance of plant and equipment resulted in some additional cost, however on a per TCE basis Mr Apple is a highly efficient and effective vertically integrated apple producer, packer, and marketer.

Non-cash IFRS adjustments of $2.0m (–$0.7m 2013) relate to revaluation of the orchards ($1.4m) and revaluation of the ineffective portion of FX contracts ($0.6m, –$0.7m 2013). Note that gains and losses on FX contracts closed out during the year are a normal part of our business and are included in the calculation of Underlying EBITDA.

The following tables highlight various Key Operating Statistics that we monitor and report against. During 2014, key variations from our prospectus forecasts were:

- Favourable variations:
  - Better than forecast prices – specifically for our premium varieties which achieved a weighted average price that was more than $2/TCE above forecast.
  - Higher than expected export volumes of Mr Apple own-grown fruit (~180k TCEs, or 7.1% above forecast).
  - Costs of sale that were broadly in line with, if not better than, expected (when calculated on a per TCE basis).
- Unfavourable variations:
  - Lower than anticipated external grower volumes (100k TCEs below forecast).
  - Investment in marketing, people, plant and equipment (in the form of repairs and maintenance), and additional cool storage space for 25,000 bins resulted in higher fixed costs but positions the business well for additional volumes anticipated in the future.

Apple Orchard, Hawke's Bay

Orchard Productivity

Horticulture							
		2014		2013	2012	2011	2010
Vital Orchard Statistics		Actual	Prospectus				
Orchard & Productivity							
Orchard							
Total planted orchard (at time of harvest)	Ha	1,037	1,037	1,028	852	803	802
Fully mature equivalent planted orchard	Ha	871	871	858	716	703	684
Apples picked (Mr Apple orchards)	TCE 000s	3,668	3,430	3,890	2,921	3,168	2,701
Apples packed (Mr Apple + External Growers (Hawke's Bay))	TCE 000s	3,327	3,207	3,419	2,786	2,721	2,431
Exported Volume							
Mr Apple	TCE 000s	2,752	2,569	2,833	2,144	2,001	1,868
External Growers	TCE 000s	1,218	1,318	1,340	1,500	1,682	1,429
Total	**TCE 000s**	**3,970**	**3,887**	**4,173**	**3,645**	**3,683**	**3,297**
Total NZ Production	TCE 000s	17,259		17,776	15,836	16,904	14,749
Mr Apple own grown volume share of NZ production		15.9%		15.9%	13.5%	11.8%	12.7%

Orchard productivity

Over 420 million apples were picked this year from over 1,000 hectares of Mr Apple's planted apple orchard. This equates to gross production of almost 3.7m TCEs (on average there were 115 apples in a TCE), from which 2.75m TCEs were exported. This is 7.1% above our prospectus forecast and 47% more fruit than we exported in 2010. This additional volume has been transformative for Mr Apple:

– Increased scale has delivered meaningful cost efficiencies – especially in post-harvest operations.
– Large volumes of on-spec, high quality, export fruit has and will continue to underwrite a premium for Mr Apple apples.
– Has resulted in us taking our share of New Zealand production from ~13% to ~16%.

Volumes and Prices

The table below shows volumes and prices (on a NZD FOB basis) for 2013 and 2014 as well as the 2014 prospectus forecasts.

Horticulture	2014		2013
Varietal Performance – Mr Apple Volumes	Actual	Prospectus	Actual
Volumes by Variety (TCE 000s)			
Premium Varieties			
NZ Queen	134	139	124
Pink Lady	245	186	245
Red Sports (Fuji and Royal Gala)	574	586	585
Other	83	73	105
Total	**1,036**	**984**	**1,059**
Growth	**–2%**		**43%**
% premium	38%	38%	37%
Traditional Varieties			
Braeburn	789	724	723
Royal Gala	506	463	510
Other	421	398	540
Total	**1,716**	**1,585**	**1,773**
Growth	–3%		26%
Total Mr Apple Owned and Leased Orchards	**2,752**	**2,569**	**2,833**
Growth	–3%		32%
Prices by Variety (FOB, NZD/TCE)			
Weighted average price for premium varieties	**32.8**	**30.5**	**31.7**
Weighted average price for traditional varieties	**24.8**	**25.1**	**26.9**
Total weighted average price	**27.8**	**27.2**	**28.7**

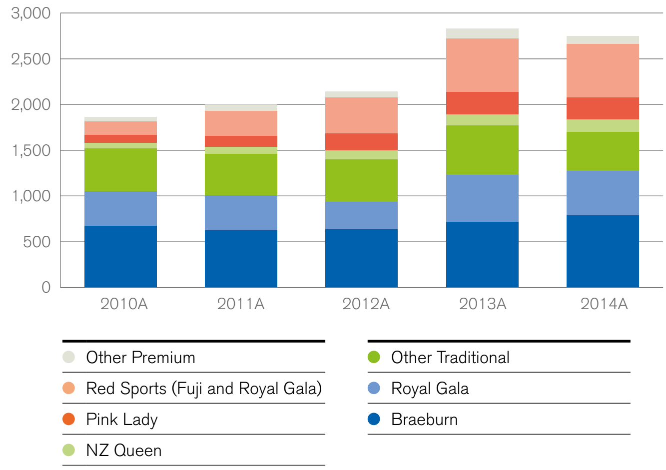
Premium varieties

During 2014 we exported over 1 million TCEs of premium fruit for a weighted average price that was more than 30% above the weighted average traditional price. Consistent improvements in prices against a backdrop of substantial volume increases (total premium volumes have tripled since 2010) bodes particularly well for our horticultural division with a further 450,000+ TCEs of premium volume anticipated to come into production by 2018. This represents a 43% increase on current premium apple volumes. The Mr Apple team is particularly focused on continuing to develop the market for our premium varieties with focus on branding, markets, penetration, and growing techniques to deliver the apple characteristics (size, brix, and colour) sought after by the most discerning customers.

Traditional varieties

Traditional varieties also performed strongly, with prices for Fuji, Jazz, and Granny Smith maintaining or exceeding prices achieved in 2013. Whilst Braeburn prices were down from 2013 highs, the 2014 prices compare favourably against long-term averages. During 2014 more than 1.7 million TCEs of traditional varieties were exported, comprising 62% of total volume. Over time production of traditional varieties is likely to either remain at, or decrease below (should further redevelopment take place), 2014 levels.

Volumes by Variety



Other Performance Drivers

The table below summarises weighted average exchange rates and costs per unit for 2013 and 2014 as well as the 2014 prospectus forecasts. The chart to the right shows a 5 year trend in controllable costs (excludes shipping).

Exchange rates

Exchange rates were in line with, if not slightly better than, our prospectus forecasts. This continues a four-year trend of relatively steady exchange rates. However, Mr Apple has been able to capitalise on recent downwards shifts in exchange rates to take cover at better rates that should deliver a gain on our 2015 forecast.

Costs

As shown on the chart below, controllable costs (post-harvest processing, orchard, and other direct costs) have either remained steady or trended down over the past 5 years on a per TCE basis. These trends demonstrate the value of increased scale as well as full vertical control of growing and post-harvest operations to maximise the effectiveness and efficiency of our operations.

2015 Outlook

The Mr Apple brand continues to be highly sought after in international markets with demand frequently outstripping supply. This reflects the excellent work, consistent effort and investment made by the Mr Apple team in branding, fruit varieties, fruit quality, production, and market penetration.

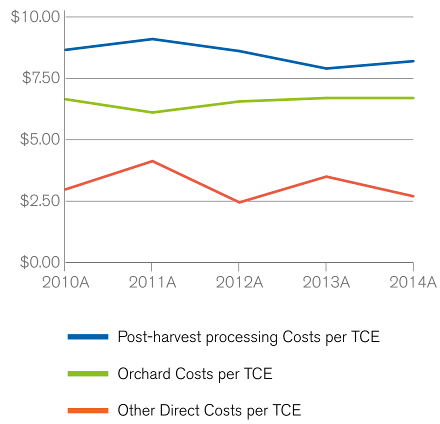
Market prices for the 2015 crop have yet to be confirmed. Whilst the impact of the large Northern Hemisphere crop and Russian food import ban are difficult to determine, our result will be supported by:

– The counter-seasonal southern hemisphere fresh fruit selling window into northern hemisphere markets.
– Our strong brand presence, customer relationships, and varietal depth.
– Current reductions in the NZD:USD exchange rate.
– Current reductions in international shipping rates.
– Expected reductions in NZ export volumes particularly amongst traditional varieties. At the time of writing, Mr Apple remains confident of achieving 2015 prospectus forecast export volumes.

Horticulture

	2014			2013
Other Performance Drivers	**Actual**	**Prospectus**		**Actual**
Exchange Rates				
NZD:USD	0.82	0.83	▲	0.81
NZD:EUR	0.60	0.60		0.61
NZD:GBP	0.49	0.50	▲	0.52
NZD:CAD	0.90	0.90		0.83
Cost Control				
Costs per Unit (NZD / TCE)				
Sea freight & transport costs (per total export volume)	5.8	6.4	▲	7.1
Post-harvest processing (per Mr Apple export volume)	8.2	8.3	▲	7.9
Orchard costs (per Mr Apple total apples grown)	6.7	6.7		6.7
Other direct costs (per total export volume)	2.8	2.6	▼	3.5

Costs per TCE



STORAGE & LOGISTICS

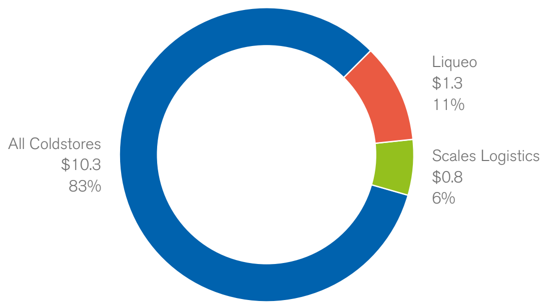
Our Storage & Logistics division provides an end-to-end solution for our customers' perishable produce.

We specialise in the hygienic and temperature controlled storage of produce and can also arrange international freight giving our customers confidence that their product will arrive fresh, on time, and compliant with import rules. This division comprises our coldstore businesses Polarcold and Whakatu Coldstores, bulk liquid storage company Liqueo, and our freight forwarding businesses Scales Logistics and Balance Cargo.

We've stepped up our investment in this division over the past few years and are now on a growth incline. The Auckland coldstore, for which construction has begun, takes us one step further to completing a comprehensive and national cold storage network touching the country's largest agricultural regions and many of the country's largest ports. Furthermore it solidifies our offering as both a bulk and FMCG storage solution for our customers. We're in the process of a major upgrade of our bulk liquid storage business, Liqueo, and are rapidly growing our freight forwarding businesses, Scales Logistics and Balance Cargo.

Whilst our Storage & Logistics divisional revenues are split evenly between freight forwarding and storage, on an asset and profit basis, our coldstores dominate. We operate the largest independent coldstore network in the country and coldstores account for more than 80% of divisional profit[6]:

Divisional Components of EBITDA ($ millions)

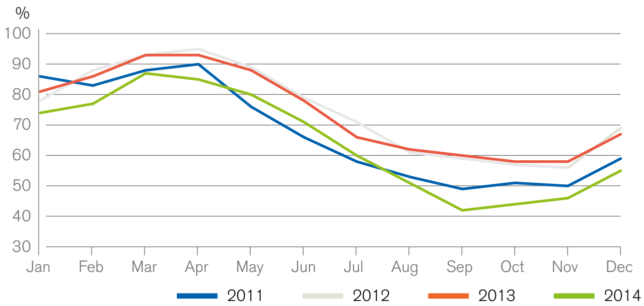


Napier Port

2014 financial performance started strongly, especially in our coldstore businesses, which were running at more than 10% ahead of our prospectus forecasts by the end of the first half of the year. However, as indicated above, a late start to the cropping and meat processing seasons in Q4 (due to the colder and wetter spring) and higher than usual load-outs driven by strong international food demand resulted in lower profit:

- We actually received more product into our stores than we had forecast (a total of 1,168,000 m^3 of product compared with 1,121,000 m^3 in our prospectus forecasts. Our prospectus forecasts had assumed a reduction in meat storage volumes that pleasingly turned out to be conservative). The impact of the late start to the cropping season is clearly demonstrated on the chart below.

End of Month Utilisation – All Stores



As shown in the chart above, coldstore utilisation between September and December was notably lower than recent years. Note that utilisation has been measured at the end of each month and ignores intra-month product movements.

- However, whilst we received more product than forecast, product only spent an average 2.3 months in store, down from 2.7 months in 2013 and 2.8 months in our prospectus forecasts. Putting this into perspective, this is the lowest average storage duration since we began collating data on this metric in 2008.
- This means that a higher proportion of our revenues were earned from lower margin activity based charges (compared to higher margin storage charges).
- In addition, a decision was made to maintain staffing levels where possible during the quieter off-season rather than run the risk of losing trained and efficient team members prior to a new season.

EBITDA for the division was $12.3 million, 12% below our prospectus forecast. Whilst the year had a difficult end, we have identified areas for improvement and nevertheless consider that this result demonstrates the resilience of our Storage & Logistics division, which managed to maintain strong profitability against a backdrop of record product turnaround. Furthermore, this result affirms the value of our diversified portfolio. The same international dynamic which drove higher throughput of product through the coldstores generated more favourable market conditions benefitting our Horticulture and Food Ingredients divisions, both of which exceeded their prospectus forecasts.

[6] Measured by Underlying EBITDA.

Divisional Developments

The long-term trend in agricultural production is positive with considerable scope for further increases. Tangible developments, such as the Central Plains Water irrigation scheme (the first stage of which is due to complete in late 2015), coupled with general production increases following improvements in agri-tech and private investment, will continue to drive uplift in production that our Storage & Logistics division is well positioned to benefit from. To remain competitive and relevant to our customers, this division continues to grow its capacity and make investment in efficiencies:

- We made considerable progress with the rollout of an upgraded warehouse management system across our coldstores. This multi-year project has been successfully implemented across all North Island coldstores. This software extends our growing FMCG capabilities.
- A new bulk storage tank in Napier Port became operational in April doubling Liqueo's storage capacity there and providing much needed capacity for the strong growth that we are enjoying in the North Island.
- Liqueo also commissioned a new boiler for its Timaru facilities, increasing the capacity of the plant and reducing the reliance on expensive heating alternatives.
- Liqueo's Timaru facilities are also being upgraded to provide increased capacity to handle substantial edible oil volumes which will be stored on a long-term (20 year) contracted basis to a substantial and long-standing customer.
- A significant project to replace and upgrade refrigeration equipment at Polarcold Timaru also commenced during 2014 and is expected to be completed near the end of 2015. This upgrade is anticipated to deliver meaningful energy savings and other capacity related efficiencies.
- Construction has now commenced for the new Auckland coldstore facility which is backed by a long-term contract with Fonterra as to 50% of the capacity with the remaining space to be utilised by FMCG customers.

Divisional Performance Drivers and Financial Performance

As mentioned above, lower margin activity based revenues offset lost storage revenues in our coldstore businesses. However storage revenues are higher margin and as such profit from our coldstore businesses was lower than forecast.

Liqueo generated an EBITDA that was up on 2013, albeit slightly below prospectus forecasts due to delays in commencing new storage contracts. This can be seen from the lower annual average capacity under fixed lease metric in the table over the page, which, at 10,530 MT was 6.5% below forecast.

Scales Logistics also contributed an EBITDA that was higher than 2013 but below forecast. Whilst revenues and gross margins aligned with prospectus forecasts, an increase in overheads reflects additional personnel cost.

2015 Outlook

Our internal budgeting, completed in late 2014, affirmed the reasonableness of key assumptions for all Storage & Logistics businesses and accordingly overall financial performance expected from the division.

Coolstores, Hawke's Bay

Storage & Logistics

		2014			2013
Key Operational Metrics		**Actual**	**Prospectus**		**Actual**
Polarcold and Whakatu Coldstores					
Total available refrigerated coldstore space (at end of year)	m3 000s	606.6	606.6		599.7
Liqueo					
Installed capacity of all tanks	MT 000s	22,200	22,200		20,000
Average capacity under fixed lease	MT 000s	10,530	11,259	▼	9,780

	2014			2013
Financial Performance ($'000)	**Actual**	**Prospectus**		**Actual**
Storage & Logistics – Total Revenue	90,609	90,227	▲	91,662
Storage & Logistics – Total Cost of Sales	(62,317)	(61,664)	▼	(62,783)
Gross Profit	**28,292**	**28,563**	▼	**28,879**
Gross Profit Margin	31%	32%	▼	32%
Administration, operating expenses and other gains and losses	(15,969)	(14,588)	▼	(15,016)
EBITDA				
All Coldstores	10,260	11,616	▼	11,833
Liqueo	1,278	1,364	▼	1,251
Scales Logistics	784	995	▼	754
Total Storage & Logistics EBITDA	**12,323**	**13,975**	▼	**13,838**
Total Storage & Logistics EBIT	**7,754**	**9,302**	▼	**9,494**
Capital employed	78,065	82,027	▲	77,617
Return on capital employed	10%	11%	▼	12%

Note that there are no Non-cash IFRS adjustments in the Storage & Logistics division.

FOOD INGREDIENTS

Our Food Ingredients division converts agricultural by-products into valuable food commodities.

Meateor processes and sells pet food ingredients for the global pet food industry; and Profruit (in which Scales has a 50% shareholding), is an apple and kiwifruit juice concentrate manufacturer located in Hawke's Bay.

Our Food Ingredients division performed very well during 2014. The team has achieved an excellent result to preserve product margins in a challenging marketplace.

Meateor delivered an EBITDA that was 43% higher than our prospectus forecast. This was an excellent result largely due to higher than expected volumes out of New Zealand (across a broader range of species and products). Furthermore, sales, especially to the US market remained strong across a broad range of customers.

Profruit, the fruit juice concentrate business, also enjoyed another solid performance with our share of profit from this business 43% higher than our prospectus forecast. Prices for organic apple juice and kiwifruit juice concentrate were strong, whilst prices for conventional apple juice concentrate were more subdued. Total volumes processed (over 40,000 tonnes) and sold (more than 4.6m litres of juice concentrate) were also in line with expectations.

2015 Outlook

Our internal budgeting affirmed our 2015 prospectus forecasts for both Meateor and Profruit.

Food Ingredients

	2014			2013
Key Operational Metrics	**Actual**	**Prospectus**		**Actual**
Meateor				
Sales volumes (Tonnes)	16,399	15,843	▲	15,345

	2014			2013
Financial Performance ($'000)	**Actual**	**Prospectus**		**Actual**
Meateor Revenue	37,217	35,489	▲	33,113
Meateor Cost of Sales	(30,308)	(30,122)	▼	(27,178)
Gross Profit	**6,909**	**5,367**	▲	**5,935**
Gross Profit Margin	19%	15%	▲	18%
Administration, operating expenses and other gains and losses	(2,267)	(2,186)	▼	(2,305)
Meateor Underlying EBITDA	**4,642**	**3,181**	▲	**3,630**
Share of Profruit Net Profit	1,042	728	▲	1,077
Underlying Food Ingredients EBITDA	**5,684**	**3,909**	▲	**4,707**
Depreciation & Amortisation	(559)	(599)	▲	(643)
Underlying Food Ingredients EBIT	**5,125**	**3,310**	▲	**4,064**
IFRS FX Hedge revaluations	(75)	–		–
Food Ingredients EBITDA	**5,609**	**3,909**	▲	**4,707**
Food Ingredients EBIT	**5,050**	**3,310**	▲	**4,064**
Capital employed	13,512	14,228	▲	13,799
Return on capital employed	38%	23%	▲	29%

LEADERSHIP PROFILES

Board Profiles

Jon Mayson, Non-Executive Independent Chairman

Jon was elected to the Board as Chairman in 2012, having been appointed Chairman of Scales' Storage & Logistics division in 2011. Jon was previously the CEO of the Port of Tauranga for 9 years from 1997 to 2005 and oversaw the Port's expansion to become New Zealand's largest export port. He is also Chairman of Fronde Systems Group Limited, C 3 Limited, Ziwipeak Limited, Trevelyan's Pack and Cool Limited, Martin Aircraft Company Limited and Titanium Technologies, and has previously been Chairman of New Zealand Trade and Enterprise. Jon is also a Director of Ports of Auckland Limited, Chiefs Limited and Te Arawa Group Holdings Limited. He was made a Companion of the New Zealand Order of Merit (CNZM) in 2006 for his services to the shipping industry and export.

Andy Borland, Executive Director

Andy joined Scales in 2007 and became Managing Director in 2011. Prior to joining Scales he had a 20 year career in banking, with his final role being Head of Corporate at Westpac New Zealand. Andy has overall responsibility for the strategic direction and day-to-day management of Scales. In addition to his directorships of the Group, Andy is currently a Director of apple and pear industry body Pipfruit New Zealand Incorporated, a Director of George H Investments Limited, Chairman of both Primary Collaboration New Zealand Limited and Primary Collaboration New Zealand (Shanghai) Co. Limited, and has had an 18 year involvement with Central Otago deer and beef cattle breeding and fattening farming company Loganbrae Limited. Andy is not an Independent Director.

Tim Goodacre, Non-Executive Independent Director

Tim was elected to the Board in 2014, having been appointed Chairman of Scales' Horticulture division in 2011. He has been involved in agribusiness for nearly forty years and was CEO of Zespri International from 2003 to 2007. Tim is currently a Director of HSR Group Pty Limited, Featherston Resources Limited and Prevar Limited which is a joint New Zealand and Australian apple and pear industry varietal commercialisation body. Tim has recently been appointed Chairman of The Nutritious Kiwifruit Company Limited, which is a consortium of New Zealand kiwifruit suppliers selling under a new single brand based around nutrition and health on the Australian market.

Nick Harris, Non-Executive Independent Director

Nick was elected to the Board in 2014, having been appointed a Director of both Scales' Storage & Logistics division and Meateor in 2011. Nick was previously the Managing Director, and is one of the founding shareholders of Hellers Limited, New Zealand's largest bacon, ham and small goods company. Nick is a shareholder and Director of several private companies. He also Chairs Enterprise North Canterbury Trust and is Deputy Chair of the Canterbury Hockey Association.

Mark Hutton, Non-Executive Director

Mark was elected to the Board in 2011, initially as Interim Chairman. He is a founding Director and Chairman of the investment committee for Direct Capital funds, and has a background in private equity, specialising in portfolio management, investments, acquisitions and capital funding. Mark is currently a Director of a number of Direct Capital entities and portfolio companies, George H Investments Limited, Energyworks Holdings Limited, Hiway Group Limited, Stratex Group Limited and New Zealand King Salmon Investments Limited. Mark is also Chair of Scales' Nominations and Remuneration Committee. Mark is not an Independent Director.

Alan Isaac, Non-Executive Independent Director

Alan was elected to the Board in 2014. Alan was the President of the International Cricket Council until June 2014 and is currently Chairman of Acurity Health Group Limited, Chairman of McGrathNicol and Partners NZ, a Director of Opus International Consultants Limited, AKA Investments Limited, Murray Capital General Partner Limited, New Zealand Vault Limited, Rakaia Finance Limited and Rakaia Investments Limited. In addition, he is the Chair of or advisor to a number of independent committees. Alan has an extensive background in the accounting and finance field and is a former national Chairman of KPMG. He was made a Companion of the New Zealand Order of Merit (CNZM) in 2013 for services to cricket and business. Alan is also Chair of Scales' Audit and Risk Management Committee.

Management Profiles

Andy Borland, Managing Director

Andy joined Scales in 2007 and became Managing Director in 2011. Andy's full biography is set out above.

Steve Kennelly, Chief Financial Officer

Steve has been with Scales since 1993 in a variety of accounting and financial roles. As CFO, Steve is responsible for finance, funding, legal, company secretarial and information technology. Steve is a member of the New Zealand Institute of Chartered Accountants.

Andrew van Workum, CEO Mr Apple

Andrew has worked in the apple industry for nearly 30 years. He joined Mr Apple at its inception in 2001 and prior to that was General Manager of Mr Apple's predecessor Grocorp Pacific Limited, where he worked for 16 years. He has extensive experience in the production aspects of the apple industry, and was previously a Director of Pipfruit New Zealand.

Stephen Foote, CEO Whakatu Coldstores and Meateor

Stephen has been with the Whakatu Coldstores' group of companies in various management roles for 20 years. Prior to joining Whakatu Coldstores, Stephen worked for Dominion Breweries and had interests in orcharding in Hawke's Bay.

Kevin Cahill, CEO Polarcold and Liqueo

Kevin originally joined the staff of Polarcold in 1978 as Works Manager, when the company was known as SC Co-op Cool Stores Limited. Prior to this he was employed by Waitaki Farmers Freezing Co.

Kent Ritchie, CEO Scales Logistics

Kent joined Scales in 1998, and has spent over 30 years in the shipping industry. He has been involved in setting up shipping services from New Zealand, has experience in all aspects of the transport industry and has led Scales' expansion into the logistics arena.

FINANCIAL STATEMENTS

Contents

Deloitte.

Independent Auditor's Report to the Shareholders of Scales Corporation Limited

Report on the Financial Statements

We have audited the financial statements of Scales Corporation Limited and group on pages 36 to 78, which comprise the consolidated and separate statements of financial position of Scales Corporation Limited, as at 31 December 2014, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an 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, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 entity's preparation of 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall 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.

Other than in our capacity as auditor and the provision of taxation advice and other advisory services relating to the Initial Public Offering, we have no relationship with or interests in Scales Corporation Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Opinion

In our opinion, the financial statements on pages 36 to 78:
comply with generally accepted accounting practice in New Zealand;

- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Scales Corporation Limited and group as at 31 December 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2014:

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

Deloitte

Chartered Accountants
25 February 2015

Christchurch, New Zealand

This audit report relates to the financial statements of Scales Corporation Limited and group for the year ended 31 December 2014 included on Scales Corporation Limited's website. The Board of Directors is responsible for the maintenance and integrity of Scales Corporation Limited's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these 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 audited financial statements and related audit report dated 25 February 2015 to confirm the information included in the audited 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.

Directors' Responsibility Statement

FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors are pleased to present the financial statements of Scales Corporation Limited for the year ended 31 December 2014 on pages 36 to 78.

The Directors are responsible for the preparation, in accordance with New Zealand law and Generally Accepted Accounting Practice, of financial statements which give a true and fair view of the financial position of Scales Corporation Limited and Group as at 31 December 2014 and the results of their operations and cash flows for the year ended 31 December 2014.

The Directors consider that the financial statements of the Company and the Group have been prepared using accounting policies appropriate to the Company and Group circumstances, are consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

This Annual Report is dated 25 February 2015 and is signed in accordance with a resolution of the Directors made pursuant to section 211 of the Companies Act 1993.

For and on behalf of the Directors

Jon Mayson
Chairman

Andy Borland
Managing Director

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
CONTINUING OPERATIONS:					
Revenue	2	263,262	272,216	255	108
Cost of sales	5	(181,989)	(190,644)	–	–
		81,273	**81,572**	**255**	**108**
Share of profits of associate company and joint venture accounted for using the equity method	3	1,501	1,567	–	–
Other income	4	2,089	46	138,560	165
Other losses	4	–	(712)	(34)	(5)
Administration and operating expenses	5	(43,160)	(40,249)	(3,191)	(2,472)
Offer costs	5	(3,022)	–	(3,022)	–
EBITDA		38,681	42,224	132,568	(2,204)
Amortisation	22	(941)	(692)	(43)	(46)
Depreciation	18	(8,609)	(8,147)	(19)	(22)
EBIT		29,131	33,385	132,506	(2,272)
Finance revenue		460	532	808	1,003
Finance cost	6	(3,729)	(7,214)	(3,967)	(7,341)
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		**25,862**	**26,703**	**129,347**	**(8,610)**
Income tax expense (credit)	7	7,786	7,144	(1,670)	(2,300)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**18,076**	**19,559**	**131,017**	**(6,310)**
Discontinued operations:					
Net profit for the year from discontinued operations	8	299	879	–	–
PROFIT (LOSS) FOR THE YEAR		**18,375**	**20,438**	**131,017**	**(6,310)**
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss – continuing operations:					
Revaluation of land and buildings		–	8,562	–	–
Income tax relating to land and buildings		–	(1,703)	–	–
		–	**6,859**	**–**	**–**
Items that may be reclassified subsequently to profit or loss – continuing operations:					
Gain on cash flow hedges	11	2,490	1,218	(1,091)	4,381
Income tax relating to cash flow hedges	11	(668)	(341)	305	(1,227)
		1,822	**877**	**(786)**	**3,154**
Items that will not be reclassified to profit or loss – discontinued operations:					
Gain on shares in listed company	8	1,206	1,206	–	–
Revaluation of land and buildings	8	–	(1,464)	–	–
Income tax relating to land and buildings	8	–	130	–	–
		1,206	**(128)**	**–**	**–**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**3,028**	**7,608**	**(786)**	**3,154**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**21,403**	**28,046**	**130,231**	**(3,156)**
EARNINGS PER SHARE:	34				
Basic and diluted earnings per share (cents) – continuing operations		14.1	16.1		
Basic and diluted earnings per share (cents) – discontinued operations		0.2	0.7		
Basic and diluted earnings per share (cents) – total		14.3	16.8		

The notes to the financial statements on pages 42 to 78 form part of and should be read in conjunction with this statement.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	Share Capital $'000	Properties Revaluation Reserve $'000	Hedging Reserve $'000	Equity-settled Employee Benefits Reserve $'000	Retained Earnings $'000	Total $'000
GROUP							
Balance at 1 January 2013		63,656	22,849	(454)	–	71,022	157,073
Profit for the year – continuing operations		–	–	–	–	19,559	19,559
Profit for the year – discontinued operations	8	–	–	–	–	879	879
Other comprehensive income for the year – continuing operations		–	6,859	877	–	–	7,736
Other comprehensive income (loss) for the year – discontinued operations	8	–	(1,334)	–	–	1,206	(128)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–**	**5,525**	**877**	**–**	**21,644**	**28,046**
Transfers		–	(966)	–	–	966	–
Dividends paid – 20 cents per share	13	–	–	–	–	(8,107)	(8,107)
Issue of share capital	9	900	–	–	–	–	900
Shares repurchased and cancelled	9	(2,599)	–	–	–	–	(2,599)
BALANCE AT 31 DECEMBER 2013		**61,957**	**27,408**	**423**	**–**	**85,525**	**175,313**
Profit for the year – continuing operations		–	–	–	–	18,076	18,076
Profit for the year – discontinued operations	8	–	–	–	–	299	299
Other comprehensive income for the year – continuing operations		–	–	1,822	–	–	1,822
Other comprehensive income for the year – discontinued operations	8	–	–	–	–	1,206	1,206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–**	**–**	**1,822**	**–**	**19,581**	**21,403**
Transfers		–	(1,800)	–	–	1,800	–
Recognition of share-based payments	12	–	–	–	65	–	65
Dividends paid – 14.33 cents per share	13	–	–	–	–	(17,703)	(17,703)
Issue of share capital	9	30,000	–	–	–	–	30,000
Share issue costs	9	(1,042)	–	–	–	–	(1,042)
Demerger of George H Investments Limited group	8	–	(319)	–	–	(61,387)	(61,706)
BALANCE AT 31 DECEMBER 2014		**90,915**	**25,289**	**2,245**	**65**	**27,816**	**146,330**

The notes to the financial statements on pages 42 to 78 form part of and should be read in conjunction with this statement.

Statement of Changes in Equity (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	Share Capital $'000	Properties Revaluation Reserve $'000	Hedging Reserve $'000	Equity-settled Employee Benefits Reserve $'000	Retained Earnings $'000	Total $'000
COMPANY							
Balance at 1 January 2013		63,656	–	(2,552)	–	(34,180)	26,924
Loss for the year		–	–	–	–	(6,310)	(6,310)
Other comprehensive income for the year		–	–	3,154	–	–	3,154
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**–**	**–**	**3,154**	**–**	**(6,310)**	**(3,156)**
Dividends paid – 20 cents per share	13	–	–	–	–	(8,107)	(8,107)
Issue of share capital	9	900	–	–	–	–	900
Shares repurchased and cancelled	9	(2,599)	–	–	–	–	(2,599)
BALANCE AT 31 DECEMBER 2013		**61,957**	**–**	**602**	**–**	**(48,597)**	**13,962**
Profit for the year		–	–	–	–	131,017	131,017
Other comprehensive income (loss) for the year		–	–	(786)	–	–	(786)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**–**	**–**	**(786)**	**–**	**131,017**	**130,231**
Recognition of share-based payments	12	–	–	–	65	–	65
Dividends paid – 14.33 cents per share	13	–	–	–	–	(17,703)	(17,703)
Issue of share capital	9	30,000	–	–	–	–	30,000
Share issue costs	9	(1,042)	–	–	–	–	(1,042)
Demerger of George H Investments Limited group		–	–	–	–	(62,265)	(62,265)
BALANCE AT 31 DECEMBER 2014		**90,915**	**–**	**(184)**	**65**	**2,452**	**93,248**

The notes to the financial statements on pages 42 to 78 form part of and should be read in conjunction with this statement.

Statement of Financial Position

AS AT 31 DECEMBER 2014

	NOTE	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
EQUITY					
Share capital	9	90,915	61,957	90,915	61,957
Properties revaluation reserve	10	25,289	27,408	–	–
Hedging reserve	11	2,245	423	(184)	602
Equity-settled employee benefits reserve	12	65	–	65	–
Retained earnings (losses)	13	27,816	85,525	2,452	(48,597)
TOTAL EQUITY		**146,330**	**175,313**	**93,248**	**13,962**
Represented by:					
CURRENT ASSETS					
Cash and bank balances		988	4,461	–	292
Trade and other receivables	14	13,298	12,911	527	2,037
Other financial assets	15	4,778	2,058	–	23
Inventories	16	14,021	11,096	–	–
Current tax assets	7	–	–	6,691	7,981
Property held for sale	19	–	2,125	–	–
Prepayments		2,678	2,216	148	13
TOTAL CURRENT ASSETS		**35,763**	**34,867**	**7,366**	**10,346**
NON-CURRENT ASSETS					
Investments accounted for using the equity method	3	3,565	5,052	–	–
Other financial assets	15	3,016	24,457	134,057	87,981
Property, plant and equipment	18	145,982	152,104	44	52
Investment property	19	–	22,334	–	–
Biological assets	20	31,368	26,853	–	–
Deferred tax asset	7	–	–	120	–
Goodwill	21	5,319	5,319	–	–
Other intangible assets	22	1,397	1,672	58	75
TOTAL NON-CURRENT ASSETS		**190,647**	**237,791**	**134,279**	**88,108**
TOTAL ASSETS		**226,410**	**272,658**	**141,645**	**98,454**
CURRENT LIABILITIES					
Trade and other payables	23	17,940	15,523	753	843
Borrowings	24	11,000	–	12,262	–
Current tax liabilities	7	1,921	2,100	–	–
Other financial liabilities	25	873	599	5,096	23,251
TOTAL CURRENT LIABILITIES		**31,734**	**18,222**	**18,111**	**24,094**
NON-CURRENT LIABILITIES					
Borrowings	24	30,000	60,000	30,000	60,000
Deferred tax liabilities	7	17,873	17,458	–	153
Other financial liabilities	25	473	1,665	286	245
TOTAL NON-CURRENT LIABILITIES		**48,346**	**79,123**	**30,286**	**60,398**
TOTAL LIABILITIES		**80,080**	**97,345**	**48,397**	**84,492**
NET ASSETS		**146,330**	**175,313**	**93,248**	**13,962**

The notes to the financial statements on pages 42 to 78 form part of and should be read in conjunction with this statement.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		262,844	272,347	220	395
Dividends received		3,010	2,020	138,560	–
Interest received		460	532	808	1,003
		266,314	**274,899**	**139,588**	**1,398**
Cash was disbursed to:					
Payments to suppliers and employees		229,307	228,721	4,828	3,478
Interest paid		3,729	7,214	3,967	7,341
Income tax paid (received)		7,033	5,050	(2,993)	5,010
		240,069	**240,985**	**5,802**	**15,829**
NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	26	**26,245**	**33,914**	**133,786**	**(14,431)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Advances to subsidiaries repaid		–	–	–	36,038
Employee loans repaid		1,206	–	1,206	–
Other advances repaid		64	–	–	–
Sale of investment properties		–	8,244	–	–
Sale of NZ Government Stock		–	1,021	–	–
Sale of property, plant and equipment and other intangible assets		298	3,470	–	13
		1,568	**12,735**	**1,206**	**36,051**
Cash was applied to:					
Advances to subsidiaries		–	–	48,250	–
Advances to joint venture		1,530	–	–	–
Advances to other entities		–	1,059	–	–
Cash transferred with demerged companies		313	–	–	–
Capitalisation of George H Investments Limited group prior to demerger		–	–	51,500	–
Investment in biological assets		1,950	1,074	–	–
Purchase of associate company		56	1,782	–	–
Purchase of investment properties		–	3,745	–	–
Purchase of NZ Government Stock		–	520	–	–
Purchase of other intangible assets		675	1,016	26	58
Purchase of shares in unlisted companies		43	23	–	–
Purchase of property plant and equipment		10,414	12,387	11	34
		14,981	**21,606**	**99,787**	**92**
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		**(13,413)**	**(8,871)**	**(98,581)**	**35,959**

The notes to the financial statements on pages 42 to 78 form part of and should be read in conjunction with this statement.

	NOTE	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from borrowings		11,000	–	11,000	–
Shares issued		30,000	600	30,000	600
		41,000	**600**	**41,000**	**600**
Cash was applied to:					
Advances from subsidiary companies repaid		–	–	18,251	114
Borrowings repaid		30,000	10,001	30,000	9,082
Distribution on demerger of George H Investments Limited group		8,560	–	10,763	–
Dividends paid		17,703	8,107	17,703	8,107
Share issue costs		1,042	–	1,042	–
Shares repurchased		–	2,599	–	2,599
		57,305	**20,707**	**77,759**	**19,902**
NET CASH USED IN FINANCING ACTIVITIES		**(16,305)**	**(20,107)**	**(36,759)**	**(19,302)**
NET (DECREASE) INCREASE IN NET CASH		**(3,473)**	**4,936**	**(1,554)**	**2,226**
Cash and cash equivalents at the beginning of the year		4,461	(475)	292	(1,934)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**988**	**4,461**	**(1,262)**	**292**
Represented by:					
Cash and bank balances		988	4,461	–	292
Bank overdraft		–	–	(1,262)	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**988**	**4,461**	**(1,262)**	**292**

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

Scales Corporation Limited (the Company) is a profit-oriented company incorporated in New Zealand and registered under the Companies Act 1993. The Group consists of Scales Corporation Limited, its subsidiaries, associate company and joint venture. The principal activities of the Group are to provide logistics services, grow apples, export products, provide insurance services to companies within the Group and operate storage and processing facilities. The Company listed on the New Zealand Stock Exchange on 25 July 2014 and for the purposes of these financial statements is an issuer in terms of the Financial Reporting Act 1993. The Company is also subject to the Financial Markets Conduct Act 2013 and financial statements in future reporting periods will be prepared in accordance with that Act.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities.

External Reporting Board Standard A1: Accounting Standards Framework (For-profit Entities Update) XRB A1.
XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must comply with. The Group is a Tier 1 entity.

Basis of Financial Statement Preparation

The financial statements are presented in New Zealand dollars, being the functional currency, and values are rounded to the nearest thousand dollars.

The financial statements have been prepared on the historical cost basis except for certain assets and financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of NZ IFRS 2 Share-based Payments, leasing transactions that are within the scope of NZ IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in NZ IAS 2 Inventories or value in use in NZ IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The levels are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Accounting Judgements and Major Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

The Group determines whether goodwill is impaired on an annual basis and whenever there is an indication of impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 21.

The fair values of biological assets (note 20), land and buildings (note 18), investment property (note 19), derivative financial instruments (notes 15, 25 and 32) and other non-current financial assets at fair value through other comprehensive income (note 15) are determined in accordance with the applicable policies set out below.

Summary of Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of Consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries are recorded at cost less any impairment in the Company's financial statements.

(b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with NZ IAS 12 Income Taxes and NZ IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with NZ IFRS 2 Share-based Payments at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with NZ IFRS 9 Financial Instruments or NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(c) Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Dividends or distributions received from an associate or joint venture reduce the carrying amount of the investment in that associate or joint venture in the Group financial statements. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture until the date it ceases to be an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of NZ IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Investments in an associate or joint venture are accounted for in the company's financial statements using the cost method and dividends or distributions received are recorded in profit or loss.

(d) Goods and Services Tax

Revenues, expenses, assets, liabilities and cash flows are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority is classified as operating cash flows and shown net in the statement of cash flows.

(e) Revenue Recognition

Sale of Goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the amount of revenue and costs incurred can be measured reliably, management have effectively ceased involvement or control over the goods sold and it is probable that the economic benefits associated with the transaction will flow to the Group.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract at reporting date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Rental Income

The Group's policy for recognition of revenue from operating leases is described in Note 1(h).

Dividend

Dividend revenue from subsidiaries and other companies is recognised when the Group's right to receive payment has been established.

Interest

Interest revenue is accrued on a time basis using the effective interest method.

Commission

Commission is recognised as revenue when the Group's right to receive payment becomes unconditional.

(f) Finance Costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Interest expense is accrued on a time basis using the effective interest method.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

(g) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash flows to be made by the entities in respect of services provided by employees up to the reporting date.

Contributions to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(h) Leased Assets

The Company and Group lease certain property, plant and equipment. Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the term of the lease.

The Group as Lessee

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised as an expense on a straight-line basis over the lease term.

(i) Income Tax

Income tax expense in relation to the profit for the period comprises current tax and deferred tax.

Current Tax

Current tax is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computations of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences or unused tax losses and tax offsets can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiary and associate companies except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets and current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Year

Current tax and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(j) Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based payments are set out in note 35.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(k) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through other comprehensive income' (FVTOCI), 'at fair value through profit or loss' (FVTPL), 'at cost' and 'measured at amortised cost'.

The classification depends on the business model for managing the financial asset and the cash flow characteristics of the financial asset and is determined at the time of initial recognition or when a change in the business model occurs.

Financial assets at fair value through other comprehensive income

Listed shares held by the Group are classified as investments in equity instruments at fair value through other comprehensive income (FVTOCI) on the basis that these instruments are not held for trading. The shares are valued at quoted bid prices in an active market.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with NZ IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are not measured at cost or amortised cost. Gains and losses on a financial asset designated in this category and not part of a hedging relationship are recognised in profit or loss.

Financial assets measured at amortised cost

The Group's financial assets held in order to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortised cost. Cash and cash equivalents and trade receivables are classified in this category.

Financial assets measured at cost

Shares in subsidiary companies are measured at cost in the Company's financial statements.

Impairment of financial assets

Financial assets, other than those at FVTOCI and FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost means the actual cost of the inventory and in determining cost the first in first out basis of stock movement is followed, with due allowance having been made for obsolescence. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(m) Non-current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the asset, or disposal group, is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such an asset, or disposal group, and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(n) Property, Plant and Equipment

Land and buildings are included in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Office equipment, motor vehicles, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and capital work in progress. Depreciation is charged so as to write off the cost or valuation of assets, other than land and capital work in progress, over their estimated useful lives, using either the straight-line or the diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The following estimated useful lives are used in the calculation of depreciation:

Buildings	20 to 50 years
Office Equipment and Motor Vehicles	2 to 20 years
Plant and Equipment	2 to 25 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

(o) Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

(p) Biological Assets

Biological assets are stated at their fair value less estimated sale costs. Changes in the fair value of biological assets are recognised in profit or loss.

(q) Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(r) Intangible Assets

Computer software
Acquired computer software licences are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Usually this period does not exceed 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(s) Impairment of Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax 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 asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(t) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at amortised cost.

(u) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest method.

(v) Foreign Currency Transactions

Foreign Currency Transactions

In preparing the financial statements of the individual entities, the transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Exchange differences are recognised in profit or loss in the period in which they arise.

Foreign Operations

For the purposes of presenting the Group's financial statements, the assets and liabilities of the Group's foreign operations are translated into the Group's functional currency using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(w) Derivative Financial Instruments

The Group may enter into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward foreign exchange contracts and interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value with reference to observable market data at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

At the inception of a hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item, attributable to the hedged risk.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in 'other income' or 'other losses'.

Amounts recognised in the hedging reserve are reclassified from equity to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in the hedging reserve is recognised immediately in profit or loss.

(x) Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash and bank balances and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

The following terms are used in the statement of cash flows:

- **Operating activities** are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.
- **Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- **Financing activities** are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources,

1. SUMMARY OF ACCOUNTING POLICIES (continued)

assessing performance of the operating segments and making strategic decisions for the Group, has been identified as the Managing Director.

Adoption of New and Revised Standards and Interpretations

i. Standards and Interpretations Effective in the Current Period

The adoption of Standards, Interpretations and Amendments that became effective in the current year has not led to any changes in the Group's accounting policies with measurement or recognition impact on the periods presented in these financial statements.

ii. Standards and Interpretations in Issue not yet Effective

The Group has reviewed all Standards, Interpretations and Amendments to existing Standards in issue not yet effective and, with the exception of NZ IFRS 9 (2014) *Financial Instruments* which is effective for the financial year ending 31 December 2018, NZ IFRS 15 *Revenue from Contracts with Customers* which is effective for the year ending 31 December 2017 and amendments to NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 41 Agriculture which are effective for the financial year ending 31 December 2016, does not expect these Standards to have a material effect on the financial statements of the Group.

NZ IFRS 9 (2014) *Financial Instruments* establishes the principles for hedge accounting and impairment of financial assets. NZ IFRS 15 *Revenue from Contracts with Customers* establishes principles for reporting useful information about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The amendments to NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 41 Agriculture require biological assets that meet the definition of a bearer plant (apple trees) to be accounted for as property, plant and equipment in accordance with NZ IAS 16. The Group has not yet determined the potential impact of these Standards.

2. REVENUE

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue from the sale of goods	179,188	189,633	–	–
Revenue from the rendering of services	74,024	77,151	104	108
Fees and commission	433	278	151	–
Net foreign exchange gains	4,427	1,377	–	–
Net hail insurance proceeds	2,178	757	–	–
Rental revenue	3,012	3,020	–	–
	263,262	**272,216**	**255**	**108**

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	GROUP	
	2014 $'000	2013 $'000
SHARE OF PROFITS FOR THE YEAR:		
Associate company	459	490
Joint venture	1,042	1,077
	1,501	**1,567**
CARRYING VALUE AT END OF THE YEAR:		
Associate company	2,000	2,000
Joint venture	1,565	3,052
	3,565	**5,052**
ASSOCIATE COMPANY		
Share of profit before taxation	638	702
Share of income tax	(179)	(212)
SHARE OF NET PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	**459**	**490**
Carrying value at beginning of the year	2,000	2,000
Dividend paid	(459)	(490)
INVESTMENT IN ASSOCIATE COMPANY	**2,000**	**2,000**

The Scales Corporation Limited Group share of capital commitments of associate companies existing at 31 December 2014 is $nil (31 December 2013 $nil).

The Scales Corporation Limited Group share of contingent liabilities of associate companies existing at 31 December 2014 is $nil (31 December 2013 $nil).

	Principal Activity	Country of Incorporation	Holding 2014	Holding 2013	Balance Date
Fern Ridge Produce Limited	Fruit & Produce Exporting	New Zealand	50%	50%	31 October

The balance date of 31 October is in accordance with that of the other shareholders. Due to the seasonal nature of the business there is no significant effect on the share of the results of the Group.

	GROUP 2014 $'000	GROUP 2013 $'000
JOINT VENTURE		
Share of profit before taxation	1,436	1,495
Share of income tax	(394)	(418)
SHARE OF NET PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	**1,042**	**1,077**
Carrying value at beginning of the year	3,052	3,475
Dividend paid	(2,529)	(1,500)
INVESTMENT IN JOINT VENTURE	**1,565**	**3,052**

The Scales Corporation Limited Group share of capital commitments of joint ventures existing at 31 December 2014 is $nil (31 December 2013 $nil).

The Scales Corporation Limited Group share of contingent liabilities of joint ventures existing at 31 December 2014 is $nil (31 December 2013 $nil) and its share of the guarantee of bank loan facilities is $456,000 (2013 $564,000).

	Principal Activity	Country of Incorporation	Holding 2014	Holding 2013	Balance Date
Profruit (2006) Limited	Juice Production & Sales	New Zealand	50%	50%	31 December

4. OTHER INCOME AND LOSSES

	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
Change in fair value of biological assets (note 20)	1,409	16	–	–
Dividends:				
Subsidiaries	–	–	138,560	–
Other companies	22	29	–	–
Gain (loss) on disposal of property, plant and equipment	148	(96)	–	(5)
Hedge ineffectiveness on cash flow hedges	510	(615)	(34)	165
	2,089	**(666)**	**138,526**	**160**
Disclosed as:				
Other income	2,089	46	138,560	165
Other losses	–	(712)	(34)	(5)
	2,089	**(666)**	**138,526**	**160**

5. COST OF SALES, ADMINISTRATION AND OPERATING EXPENSES

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Auditor's remuneration:				
Audit of the financial statements	108	99	62	20
Audit of solvency certificate for Selacs Insurance Limited	5	5	–	–
Independent auditor's report for IPO	88	–	88	–
Investigating accountant's report for IPO	478	–	478	–
Review of interim financial statements	48	–	48	–
Tax compliance services	32	43	32	43
Tax services re demerger	82	130	82	130
Bad debts	701	13	–	–
Change in inventories	(2,925)	86	–	–
Direct expenses	29,701	34,375	3,762	1,021
Directors' fees	287	210	217	70
Donations	29	23	–	–
Electricity	7,070	6,878	–	–
Employee benefits expense:				
Post employment benefits – defined contribution plans	1,020	879	54	44
Salaries, wages and related benefits	49,980	48,764	1,190	1,045
Other employee benefits	65	–	65	–
Grower payments	31,094	35,698	–	–
Insurance	3,296	3,476	104	86
Management fees	129	48	–	–
Materials and consumables	28,356	22,413	–	–
Ocean and air freight	48,791	49,344	–	–
Operating lease expenses	10,459	8,721	20	12
Packaging	12,213	12,136	–	–
Repairs and maintenance	7,064	7,552	11	1
	228,171	**230,893**	**6,213**	**2,472**
Disclosed as:				
Cost of sales	181,989	190,644	–	–
Administration and operating expenses	43,160	40,249	3,191	2,472
Offer costs	3,022	–	3,022	–
	228,171	**230,893**	**6,213**	**2,472**

6. FINANCE COST

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Interest on loans	3,313	6,504	3,313	6,504
Other interest	185	101	423	228
Bank facility fees	231	609	231	609
	3,729	**7,214**	**3,967**	**7,341**

7. TAXATION

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(A) INCOME TAX RECOGNISED IN PROFIT OR LOSS				
Income tax expense comprises:				
Current tax expense (credit)	6,951	6,616	(1,704)	(2,969)
Adjustments recognised in the current year in relation to the current tax of prior years	373	–	1	–
Deferred tax expense relating to the origination and reversal of temporary differences	462	528	33	669
TOTAL INCOME TAX EXPENSE RECOGNISED IN PROFIT OR LOSS	**7,786**	**7,144**	**(1,670)**	**(2,300)**
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit (loss) from continuing operations	25,862	26,703	129,347	(8,610)
Income tax expense calculated at 28%	7,241	7,477	36,217	(2,411)
Non-assessable income	(421)	(448)	(38,797)	–
Non-deductible expenses	950	123	908	95
Under provision of income tax in previous year – current tax	373	–	1	–
(Over) under provision of income tax in previous year – deferred tax	(357)	(8)	1	16
	7,786	**7,144**	**(1,670)**	**(2,300)**

The tax rate used in the above reconciliation is the corporate tax rate of 28% payable by New Zealand companies under New Zealand tax law.

	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
(B) CURRENT TAX LIABILITY (ASSET)				
Balance at beginning of the year	2,100	(2)	(7,981)	(2)
Current taxation expense – continuing operations	7,324	6,616	(1,703)	(2,969)
Current taxation expense – discontinued operations	–	536	–	–
Taxation (paid) refund	(7,503)	(5,050)	2,993	(5,010)
BALANCE AT END OF THE YEAR	**1,921**	**2,100**	**(6,691)**	**(7,981)**
(C) DEFERRED TAX BALANCES				
Net deferred tax liability comprises:				
TEMPORARY DIFFERENCES	**17,873**	**17,458**	**(120)**	**153**

Taxable and deductible temporary differences arise from the following:

	Opening Balance $'000	Charged to Income $'000	Charged to Other Comprehensive Income $'000	Demerger of George H Investments Ltd Group $'000	Closing Balance $'000
31 DECEMBER 2014			GROUP		
Deferred tax liabilities (assets):					
Trade and other receivables	–	2	–	–	2
Biological assets	5,122	718	–	–	5,840
Investment properties	295	–	–	(295)	–
Other intangible assets	11	–	–	–	11
Property, plant and equipment	12,375	(182)	–	(420)	11,773
Trade and other payables	(510)	(76)	–	–	(586)
Other financial assets and liabilities	165	–	668	–	833
NET DEFERRED TAX LIABILITY (ASSET)	**17,458**	**462**	**668**	**(715)**	**17,873**

7. TAXATION (continued)

	Opening Balance $'000	Charged to Income $'000	Charged to Other Comprehensive Income $'000	Demerger of George H Investments Ltd Group $'000	Closing Balance $'000
31 DECEMBER 2013			**GROUP**		
Deferred tax liabilities (assets):					
Trade and other receivables	45	(45)	–	–	–
Biological assets	5,150	(28)	–	–	5,122
Investment properties	141	154	–	–	295
Other intangible assets	22	(11)	–	–	11
Property, plant and equipment	11,009	(207)	1,573	–	12,375
Trade and other payables	(401)	(109)	–	–	(510)
Other financial assets and liabilities	(176)	–	341	–	165
Tax losses carried forward	(723)	723	–	–	–
NET DEFERRED TAX LIABILITY (ASSET)	**15,067**	**477**	**1,914**	**–**	**17,458**
Continuing operations		528			
Discontinued operations		(51)			
		477			
31 DECEMBER 2014			**COMPANY**		
Deferred tax liabilities (assets):					
Trade and other payables	(82)	33	–	–	(49)
Other financial liabilities	235	–	(305)	–	(71)
NET DEFERRED TAX LIABILITY (ASSET)	**153**	**33**	**(305)**	**–**	**(120)**
31 DECEMBER 2013					
Deferred tax liabilities (assets):					
Trade and other payables	(28)	(54)	–	–	(82)
Other financial liabilities	(992)	–	1,227	–	235
Tax losses carried forward	(723)	723	–	–	–
NET DEFERRED TAX LIABILITY (ASSET)	**(1,743)**	**669**	**1,227**	**–**	**153**

(D) IMPUTATION CREDIT ACCOUNT BALANCES

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
BALANCE AT END OF THE YEAR	**6,980**	**4,927**	**6,980**	**4,927**

The Scales Corporation Limited consolidated tax group for income tax includes Scales Corporation Limited and all New Zealand registered subsidiary companies other than Scales Employees Limited. George H Investments Limited, Silverstream Industrial Park Limited, Tiger Ventures NZ Limited and Whakatu Property Management Limited exited the consolidated tax group on 24 July 2014.

8. DISCONTINUED OPERATIONS

On 30 April 2014 the demerger of the Investments operating division was effected, with Scales shareholders at that time receiving shares in George H Investments Limited, the holding company for the Investments group. The other companies in the Investments group are Scales Property Development Limited, Silverstream Industrial Park Limited, Tiger Ventures NZ Limited and Whakatu Property Management Limited.

The results and cash flows of the discontinued operations are set out below:

	GROUP	
	2014 $'000	2013 $'000
Revenue	870	2,197
Cost of sales	(189)	(423)
GROSS PROFIT	**681**	**1,774**
Other income	–	2,291
Other losses	–	(658)
Depreciation and amortisation	(99)	(316)
Operating expenses	(167)	(1,728)
PROFIT BEFORE TAX	**415**	**1,363**
Current taxation	62	536
Deferred tax	54	(52)
PROFIT AFTER TAX	**299**	**879**
Other comprehensive income:		
Gain on shares in listed company	1,206	1,206
Revaluation of land and buildings	–	(1,464)
Income tax relating to other comprehensive income of discontinued operations	–	130
TOTAL COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	**1,505**	**751**
Cash flows from discontinued operations:		
Net cash flows from operating activities	685	
Net cash flows from investing activities	(2,997)	
Net cash flows from financing activities	–	
NET CASH FLOWS	**(2,312)**	
The demerger of the Investments operating division affected the Statement of Financial Position as follows:		
Cash and bank balances	(313)	
Cash distributed on demerger	(8,560)	
Trade and other receivables	(430)	
Property held for sale	(2,125)	
Other current assets	(83)	
Shares in listed company	(22,311)	
Property, plant and equipment	(7,686)	
Investment property	(22,335)	
Other intangible assets	(2)	
Trade and other payables	839	
Current tax liabilities	531	
Deferred tax liabilities	769	
NET ASSETS DISPOSED	**(61,706)**	
DISTRIBUTION OF GROUP RESERVES	**61,706**	

9. SHARE CAPITAL

	GROUP AND COMPANY			
	2014		2013	
	Number	Value $'000	Number	Value $'000
(A) ORDINARY CAPITAL				
Balance at beginning of the year	39,864,002	61,957	40,538,340	63,656
Employee share options exercised during the year	–	–	450,000	900
Shares repurchased and cancelled on 2 August 2013	–	–	(1,124,338)	(2,586)
Two for one share split on 30 April 2014	39,864,002	–	–	–
Shares repurchased and cancelled on 30 April 2014	(39,864,002)	–	–	–
Three for one share split on 18 June 2014	79,728,004	–	–	–
Shares issued on 24 July 2014 pursuant to the Public Offer	20,187,000	30,000	–	–
Share issue / buy-back costs	–	(1,042)	–	(13)
BALANCE AT END OF THE YEAR	**139,779,006**	**90,915**	**39,864,002**	**61,957**

The 20,187,000 shares issued on 24 July 2014 includes 1,437,000 issued in accordance with the senior executive share scheme.

	2014 $'000	2013 $'000
(B) AVAILABLE SUBSCRIBED CAPITAL		
Balance at beginning of the year	66,002	67,688
Shares repurchased and cancelled during the year	–	(2,586)
Demerger of George H Investments Limited group on 30 April 2014	(62,265)	–
Shares issued during the year	32,299	900
BALANCE AT END OF THE YEAR	**36,036**	**66,002**

The consideration for the 30 April 2014 repurchase and cancellation of ordinary shares was the distribution of the equivalent number of ordinary shares in George H Investments Limited.

The Available Subscribed Capital represents the amount of the shareholders equity that is available to be returned to shareholders on a tax-free basis.

Changes to the Companies Act 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July 1994. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

All ordinary shares are fully paid, have equal voting rights and share equally in dividends and net assets on winding up.

10. PROPERTIES REVALUATION RESERVE

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at beginning of the year	27,408	22,849	–	–
Increase on revaluation of land and buildings	–	7,098	–	–
Deferred tax on revaluation (note 7)	–	(1,573)	–	–
Transfer to retained earnings on disposal	(1,800)	(966)	–	–
Demerger of George H Investments Limited group	(319)	–	–	–
BALANCE AT END OF THE YEAR	**25,289**	**27,408**	**–**	**–**

The properties revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

11. HEDGING RESERVE

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at beginning of the year	423	(454)	602	(2,552)
Gain (loss) recognised on cash flow hedges	2,490	1,218	(1,091)	4,381
Income tax related to gains recognised as equity (note 7)	(668)	(341)	305	(1,227)
BALANCE AT END OF THE YEAR	**2,245**	**423**	**(184)**	**602**

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

12. EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at beginning of the year	–	–	–	–
Recognition of share-based payments (Note 35)	65	–	65	–
BALANCE AT END OF THE YEAR	**65**	**–**	**65**	**–**

13. RETAINED EARNINGS (LOSSES)

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at beginning of the year	85,525	71,022	(48,597)	(34,180)
Profit (loss) for the year	18,375	20,438	131,017	(6,310)
Other comprehensive income (Note 8)	1,206	1,206	–	–
Transfer from properties revaluation reserve	1,800	966	–	–
Dividends paid	(17,703)	(8,107)	(17,703)	(8,107)
Demerger of George H Investments Limited group	(61,387)	–	(62,265)	–
BALANCE AT END OF THE YEAR	**27,816**	**85,525**	**2,452**	**(48,597)**

14. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	11,106	10,274	64	–
Other receivables	629	550	69	9
Owing by entities accounted for using the equity method	70	123	–	–
Owing by subsidiary companies	–	–	–	88
Goods and services tax	1,493	1,964	394	1,940
	13,298	**12,911**	**527**	**2,037**

The average credit period on the sale of goods or services is one month. Amounts still outstanding after this period are considered to be 'past due'.

14. TRADE AND OTHER RECEIVABLES (continued)

Included in Trade Receivables are debtors which are past due at balance date and for which no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable. No collateral is held over these balances although trade credit insurance cover is obtained in respect of some specific receivables. Interest is not charged on overdue debtors. The ageing of these past due trade receivables is:

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
One month	2,305	1,768	–	–
Two months	606	482	–	–
More than two months	693	618	–	–
	3,604	**2,868**	**–**	**–**

15. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
CURRENT:				
At fair value:				
Forward foreign currency exchange contracts	2,254	977	–	–
Interest rate swap contracts and forward rate agreements	–	23	–	23
At amortised cost:				
Advances to entities accounted for using the equity method	1,530	–	–	–
Advances to other entities	994	1,058	–	–
	4,778	**2,058**	**–**	**23**
NON-CURRENT:				
At fair value:				
Forward foreign currency exchange contracts	2,334	540	–	–
Interest rate swap contracts and forward rate agreements	167	1,134	167	1,134
Shares in listed company	–	21,105	–	–
Shares in unlisted companies	172	128	–	–
At cost:				
Shares in subsidiary companies (Note 17)	–	–	26,910	26,911
At amortised cost:				
Non-interest bearing loans advanced to subsidiary companies	–	–	106,637	58,386
Employee loans (note 35)	343	1,550	343	1,550
	3,016	**24,457**	**134,057**	**87,981**

Loans advanced to subsidiary companies are on demand, but payment is not expected within 12 months.

16. INVENTORIES

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Raw materials	49	18	–	–
Finished goods	11,152	8,590	–	–
Other	2,820	2,488	–	–
	14,021	**11,096**	**–**	**–**

17. SHARES IN SUBSIDIARY COMPANIES

The Consolidated Financial Statements incorporate the following subsidiary companies :

Subsidiary Companies	Principal Activity	Country of Incorporation	Holding 2014	Holding 2013	Balance Date
George H Investments Limited	Non trading company	New Zealand	0%	100%	31 December
Geo. H. Scales Limited	Non trading company	New Zealand	100%	100%	31 December
Liqueo Bulk Storage Limited	Trading company	New Zealand	100%	100%	31 December
Meateor Foods Australia Pty Limited	Trading company	Australia	100%	100%	31 December
Meateor Foods Limited	Trading company	New Zealand	100%	100%	31 December
Mr Apple New Zealand Limited	Trading company	New Zealand	100%	100%	31 December
New Zealand Apple limited	Trading company	New Zealand	100%	100%	31 December
Polarcold Stores Limited	Coldstore operator	New Zealand	100%	100%	31 December
Scales Employees Limited	Custodial company	New Zealand	100%	100%	31 December
Scales Holdings Limited	Holding company	New Zealand	100%	100%	31 December
Scales Logistics Limited	Freight consolidator	New Zealand	100%	100%	31 December
Scales Property Development Limited	Property development	New Zealand	0%	100%	31 December
Selacs Insurance Limited	Insurance company	New Zealand	100%	100%	31 December
Silverstream Industrial Park Limited	Trading company	New Zealand	0%	100%	31 December
Tiger Ventures NZ Limited	Holding company	New Zealand	0%	100%	31 December
Whakatu Coldstores Limited	Coldstore operator	New Zealand	100%	100%	31 December
Whakatu Property Management Limited	Trading company	New Zealand	0%	100%	31 December

George H Investments Limited, Scales Property Development Limited, Silverstream Industrial Park Limited, Tiger Ventures NZ Limited and Whakatu Property Management Limited, being the Investments operating division, were demerged from the Group on 30 April 2014 (refer Note 8).

18. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings at Fair Value $'000	Plant and Equipment at Cost $'000	Capital Work in Progress at Cost $'000	Office Equipment & Motor Vehicles at Cost $'000	Total $'000
			GROUP		
GROSS CARRYING AMOUNT					
Balance 1 January 2013	108,216	77,862	9,065	15,710	210,853
Additions	3,508	13,055	(6,975)	2,799	12,387
Disposals	(1,703)	(4,477)	–	(3,337)	(9,517)
Impairment	(2,043)	–	–	–	(2,043)
Revaluation	2,419	–	–	–	2,419
BALANCE 31 DECEMBER 2013	**110,397**	**86,440**	**2,090**	**15,172**	**214,099**
Additions	895	3,412	4,678	1,429	10,414
Disposals	(31)	(1,326)	–	(637)	(1,994)
Demerger of George H Investments Limited group	(7,428)	(167)	(162)	(52)	(7,809)
BALANCE 31 DECEMBER 2014	**103,833**	**88,359**	**6,606**	**15,912**	**214,710**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Balance 1 January 2013	2,273	50,355	–	12,256	64,884
Depreciation expense	2,406	4,885	–	1,168	8,459
Disposals	–	(3,543)	–	(3,126)	(6,669)
Revaluation	(4,679)	–	–	–	(4,679)
BALANCE 31 DECEMBER 2013	**–**	**51,697**	**–**	**10,298**	**61,995**
Depreciation expense	2,265	5,003	–	1,440	8,708
Disposals	–	(1,290)	–	(562)	(1,852)
Demerger of George H Investments Limited group	(79)	(10)	–	(34)	(123)
BALANCE 31 DECEMBER 2014	**2,186**	**55,400**	**–**	**11,142**	**68,728**
NET BOOK VALUE					
AS AT 31 DECEMBER 2013	110,397	34,743	2,090	4,874	152,104
AS AT 31 DECEMBER 2014	**101,647**	**32,959**	**6,606**	**4,770**	**145,982**

	COMPANY	
	2014 $'000	2013 $'000
OFFICE EQUIPMENT AND MOTOR VEHICLES:		
Gross carrying amount		
Balance at beginning of the year	181	236
Additions	11	34
Disposals	–	(89)
BALANCE AT END OF THE YEAR	**192**	**181**
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
Balance at beginning of the year	129	180
Depreciation expense	19	22
Disposals	–	(73)
BALANCE AT END OF THE YEAR	**148**	**129**
NET BOOK VALUE	**44**	**52**

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
DEPRECIATION EXPENSE				
Continuing operations	8,609	8,147	19	22
Discontinued operations	99	312	–	–
	8,708	**8,459**	**19**	**22**

LAND AND BUILDINGS CARRIED AT FAIR VALUE

Land and buildings shown at valuation were valued at fair value as at 31 December 2013 by independent registered valuers Logan Stone Limited ($34,704,000), Macpherson Valuation Limited ($6,166,000) and Rawcliffe & Co Limited ($69,527,000). The valuations, which conform to the New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes, were arrived at by reference to market evidence of transaction prices for similar properties.

The 2013 impairment of land and buildings related mainly to additional costs in upgrading buildings at the same time as a major plant upgrade was commissioned and is included in discontinued operations. The basis of valuation of the building was its market value.

Details of the Group's land and buildings and information about the fair value hierarchy are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Land and buildings	–	–	101,617	101,617
2013				
Land and buildings	–	–	110,397	110,397

In 2013 the valuations were classified as Level 2. On a subsequent review of the valuation reports we consider that they fit within Level 3.

The fair value is calculated on the basis of market value. The assessment is calculated on a rental investment capitalisation basis which is then benchmarked against a depreciated replacement cost calculation.

The significant unobservable inputs, based on regional averages, for the land and building (mainly coldstores and packhouses) are potential market comparative rentals $15 – $115 per square metre and the market yields 9.25% – 15%. The higher the rental rates the higher the fair value. The higher the market yields the lower the fair value. Significant changes in either of these inputs would result in significant changes to the fair value measurement.

The carrying amount of land and buildings had it been recognised under the cost model is $71,761,000 (31 December 2013 $77,822,000).

IMPAIRMENT REVIEW

Office equipment, motor vehicles, plant and equipment are carried at cost less accumulated depreciation.

In accordance with NZ IAS 36, the Group has undertaken a review to determine whether the carrying amount of any items of land, buildings, office equipment, motor vehicles, plant or equipment might be impaired. Based on evidence from asset acquisitions and disposals, the Group does not consider that any such carrying values are materially impaired at 31 December 2014 (31 December 2013 $2,043,000).

19. INVESTMENT PROPERTY

	GROUP	
	2014 $'000	2013 $'000
AT FAIR VALUE:		
Balance at beginning of the year	22,334	25,827
Additions through subsequent expenditure	–	3,745
Disposals	–	(6,044)
Net gain from fair value adjustment	–	931
Transfer to property held for sale	–	(2,125)
Demerger of George H Investments Limited group	(22,334)	–
BALANCE AT END OF THE YEAR	**–**	**22,334**
DISCLOSED AS:		
Investment property	–	22,334
Property held for sale	–	2,125
Rental income	870	2,725
Operating expenses	356	1,181

The fair value of the Group's investment properties at 31 December 2013 was arrived at on the basis of valuations carried out by Macpherson Valuation Limited and Rawcliffe & Co Limited, independent valuers that are not related to the Group. Macpherson Valuation Limited and Rawcliffe & Co Limited are members of the Institute of Valuers of New Zealand, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations, which conform to the New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes, were arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's investment property was held under freehold interests.

20. BIOLOGICAL ASSETS

	GROUP	
	2014 $'000	2013 $'000
NON-CURRENT		
Balance at beginning of the year	26,853	25,879
Development expenditure	15,421	13,389
Decrease due to harvest	(12,315)	(12,431)
Gain arising from changes in fair value less estimated sale costs (note 4)	1,409	16
BALANCE AT END OF THE YEAR	**31,368**	**26,853**

The biological assets, on owned and leased orchards, consist of apple trees with the following planting profile at 31 December:

	Total Hectares Planted	
	2014	2013
PREMIUM VARIETIES:		
NZ Queen	194	179
Pink Lady	104	94
Red sports (Fuji and Royal Gala)	199	197
Other premium	43	40
TRADITIONAL VARIETIES:		
Braeburn	183	190
Royal Gala	174	175
Other traditional	155	164
	1,052	**1,039**

Valuation:

The valuation of the biological assets includes the fair value of the unharvested crop. This assessment was undertaken by management and represents development costs during the current growing cycle which are determined to approximate fair value less estimated point-of-sale costs of the unharvested crop on the trees at the reporting date. There is significant uncertainty regarding the value of semi-developed apple crops, however the estimation has reference to the estimated volume of fruit that will be produced, estimated market prices, and harvesting and processing costs.

The Group's apple orchards, being biological assets other than the existing crop on the trees, were valued at fair value by Boyd Gross B.Agr (Rural Val), Dip Bus Std, FNZIV, FPINZ of Logan Stone Limited as at 31 December 2014. The market valuations completed by Boyd Gross were based on a DCF analysis of forecast income streams and costs. This was benchmarked against a comparison of sales of other orchards adjusted to reflect the location, plantings, age and varieties of trees and productive capabilities of the orchards.

The significant unobservable inputs, based on district averages, for the biological asset valuations included in the valuer's report are the production levels 2,500 – 5,265 gross tray carton equivalent (tce) per hectare (2013: 1,905 – 2,224 gross tce), orchard gate returns $22.00 – $36.00 per tce (2013: $21.11 – $31.49), orchard costs $16.00 – $21.00 per tce (2013: $12.00 – $17.50) and discount rate 17.5% – 22.8% (2013: 20.9% – 24.9%). The higher the production levels and orchard gate return the higher the fair value. The higher the orchard costs and discount rate the lower the fair value. Significant changes in any of these inputs would result in significant changes to the fair value measurement.

Details of the Group's biological assets and information about the fair value hierarchy are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Biological assets	–	–	31,368	31,368
2013				
Biological assets	–	–	26,853	26,853

There were no transfers between Levels 1, 2 and 3 during the year.

Financial Risk Management Strategy:

The Group is exposed to financial risks arising from changes in climatic conditions, market prices and the value of the New Zealand dollar. The Group mitigates these risks by installing hail and frost protection on orchards which have shown to be more susceptible to these risks, obtaining hail insurance cover, utilising foreign currency forward contracts and building close working relationships with key customers.

21. GOODWILL

	GROUP	
	2014 $'000	2013 $'000
GROSS CARRYING AMOUNT		
Balance at beginning and end of the year	5,319	5,319
Goodwill has been allocated for impairment testing purposes to the cash-generating units listed below which represent the lowest level at which the Directors monitor goodwill.		
Liqueo Bulk Storage Limited	1,989	1,989
Mr Apple New Zealand Limited	3,330	3,330
	5,319	5,319

As at 31 December 2014, the Directors have determined that there is no impairment of goodwill associated with Liqueo Bulk Storage Limited and Mr Apple New Zealand Limited.

The recoverable amounts (i.e. higher of value in use and fair value less costs to sell) of those units are determined on the basis of value in use calculations. The Directors have determined that the recoverable amount calculations are most sensitive to maintaining gross margins during a period of fluctuating market prices for pipfruit and cost increases driven by movements in foreign currency and cost inflation pressures during the forecast period.

The value in use calculation uses cash flow projections based on financial budgets approved by Directors covering a five year period. Annual growth rates reflect current historical growth rates; EBITDA returns based on current annual returns adjusted for long term expectations; capital expenditure based on five year capital replacement programmes; and pre tax discount rates of 10% (31 December 2013 10%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a steady 2% (31 December 2013 2%) growth rate. The Directors also believe that any reasonable possible change in the key assumptions would not cause the carrying amount of any of the cash generating units to exceed their recoverable amount.

22. OTHER INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
GROSS CARRYING AMOUNT				
Balance at beginning of the year	5,803	7,268	393	381
Additions	675	1,017	26	58
Disposals	(7)	(2,482)	–	(46)
Demerger of George H Investments Limited group	(27)	–	–	–
BALANCE AT END OF THE YEAR	6,444	5,803	419	393
ACCUMULATED AMORTISATION AND IMPAIRMENT				
Balance at beginning of the year	**4,131**	**5,898**	**318**	**317**
Amortisation expense	941	696	43	46
Disposals	–	(2,463)	–	(45)
Demerger of George H Investments Limited group	(25)	–	–	–
BALANCE AT END OF THE YEAR	5,047	4,131	361	318
NET BOOK VALUE	**1,397**	**1,672**	**58**	**75**

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables	11,682	9,991	207	148
Accruals	3,643	3,332	332	361
Employee entitlements	2,615	2,200	202	317
Owing to group companies	–	–	12	17
	17,940	**15,523**	**753**	**843**

24. BORROWINGS

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
CURRENT:				
Bank overdrafts	–	–	1,262	–
Bank loans	11,000	–	11,000	–
	11,000	**–**	**12,262**	**–**
NON CURRENT:				
Bank loans	30,000	60,000	30,000	60,000
	30,000	**60,000**	**30,000**	**60,000**

The group signed Multi-Option Facility Agreements with Rabobank and Westpac New Zealand Limited on 22 March 2013. The total facility is $102,000,000. At 31 December 2014 the undrawn amount under these facilities was $59,000,000 (2013 $36,914,000). The floating interest rates are 4.95% to 5.09% (2013: 4.71% to 4.96%) and the term borrowing facility roll-over date is 30 June 2017.

The bank facilities are secured by a registered first and exclusive general security agreement and mortgages over all Group land and buildings.

25. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
CURRENT FINANCIAL LIABILITIES AT FAIR VALUE:				
Forward foreign currency exchange contracts	737	559	–	–
Interest rate swap contracts and forward rate agreements	136	40	136	40
CURRENT FINANCIAL LIABILITIES AT AMORTISED COST:				
Non-interest bearing loans advanced from subsidiary companies	–	–	4,960	23,211
	873	**599**	**5,096**	**23,251**
NON-CURRENT FINANCIAL LIABILITIES AT FAIR VALUE:				
Forward foreign currency exchange contracts	187	1,419	–	–
Interest rate swap contracts and forward rate agreements	286	246	286	245
	473	**1,665**	**286**	**245**

Loans advanced from subsidiary companies are on demand, but payment is not expected within 12 months.

26. NET CASH GENERATED BY OPERATING ACTIVITIES

Reconciliation of profit (loss) for the year to net cash generated by (used in) operating activities:

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit (loss) for the year	18,375	20,438	131,017	(6,310)
Non-cash items:				
Amortisation of other intangible assets	941	696	43	46
Change in fair value of biological assets	(1,409)	(16)	–	–
Change in fair value of derivative financial instruments	(510)	615	34	(165)
Change in fair value of investment property	–	(931)	–	–
Deferred tax	516	477	33	670
Depreciation	8,708	8,459	19	22
Impairment of non-current assets	–	2,043	–	–
Share of equity accounted results	(1,501)	(1,567)	–	–
Share-based payment	65	–	65	–
Current assets and liabilities included in demerger transaction (2013 Other)	855	15	–	–
Items classified as investing and financing activities:				
Dividends received from equity accounted companies	2,989	1,990	–	–
Purchase of shares in associate company	56	1,782	–	–
(Gain) loss on disposal of property, plant and equipment	(148)	(604)	–	5
Changes in net assets and liabilities:				
Trade and other receivables	(388)	(3,020)	1,509	(654)
Inventories	(2,925)	(21)	–	–
Other current assets	(462)	227	(135)	56
Biological assets – unharvested crop	(1,156)	117	–	–
Trade and other payables	2,417	1,113	(90)	(121)
Current tax	(178)	2,102	1,291	(7,980)
NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	**26,245**	**33,915**	**133,786**	**(14,431)**

27. SEGMENT INFORMATION

The operating segments have been determined based on the reports reviewed by the chief operating decision-maker, being the Managing Director.

Inter-segment pricing is determined on an arm's length basis. 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.

OPERATING SEGMENTS:

The Group comprises the following operating segments:

- Food Ingredients: processing and marketing of food ingredients such as pet food ingredients and juice. Meateor Foods Limited, Meateor Foods Australia Pty Limited and Profruit (2006) Limited.
- Horticulture: orchards, fruit packing and marketing. Mr Apple New Zealand Limited, New Zealand Apple Limited and Fern Ridge Produce Limited.
- Storage & Logistics: Liqueo Bulk Storage Limited, Polarcold Stores Limited, Scales Logistics Limited and Whakatu Coldstores Limited.
- Other: Scales Corporation Limited, Geo. H. Scales Limited, Scales Employees Limited, Scales Holdings Limited and Selacs Insurance Limited.

2014	Food Ingredients $'000	Horticulture $'000	Storage & Logistics $'000	Other $'000	Eliminations $'000	Total $'000
Total segment revenue	37,217	158,808	90,609	3,212	(26,584)	263,262
Inter-segment revenue	–	–	(24,035)	(2,549)	26,584	–
Revenue from external customers	37,217	158,808	66,574	663	–	263,262
Gain (loss) on sale of non-current assets	–	190	(42)	–	–	148
Share of profits of entities accounted for using the equity method	1,042	459	–	–	–	1,501
EBITDA	5,609	25,945	12,323	(5,196)	–	38,681
Amortisation expense	(29)	(299)	(570)	(43)	–	(941)
Depreciation expense	(530)	(4,061)	(3,999)	(19)	–	(8,609)
Finance revenue	–	366	26	808	(740)	460
Finance costs	–	(685)	(56)	(3,728)	740	(3,729)
Segment profit (loss) before income tax	5,050	21,266	7,724	(8,178)	–	25,862
Segment assets	22,069	112,541	89,659	2,141	–	226,410
Segment liabilities	4,472	21,181	18,686	35,741	–	80,080
Segment carrying value of investments accounted for using the equity method	1,565	2,000	–	–	–	3,565
Segment acquisition of property, plant and equipment and other intangible assets	227	3,261	9,088	38	–	12,614
Fair value adjustments included in EBITDA	(75)	2,029	–	(100)	–	1,854

2013	Food Ingredients $'000	Horticulture $'000	Investments (Discontinued) $'000	Storage & Logistics $'000	Other $'000	Eliminations $'000	Total $'000
Total segment revenue	33,113	174,171	–	91,662	3,081	(29,811)	272,216
Inter-segment revenue	–	–	–	(26,886)	(2,925)	29,811	–
Revenue from external customers	33,113	174,171	–	64,776	156	–	272,216
(Loss) gain on sale of non-current assets	(29)	14	–	(77)	(5)	–	(97)
Share of profits of entities accounted for using the equity method	1,077	490	–	–	–	–	1,567
EBITDA	4,707	25,034	–	13,838	(1,355)	–	42,224
Amortisation expense	(29)	(247)	–	(370)	(46)	–	(692)
Depreciation expense	(614)	(3,568)	–	(3,943)	(22)	–	(8,147)
Finance revenue	–	493	–	25	1,015	(1,001)	532
Finance costs	–	(945)	–	(56)	(7,214)	1,001	(7,214)
Segment profit (loss) before income tax	4,064	20,767	–	9,494	(7,622)	–	26,703
Segment assets	27,319	105,924	53,958	104,806	64,258	(83,607)	272,658
Segment liabilities	3,991	26,936	32,530	46,200	71,295	(83,607)	97,345
Segment carrying value of investments accounted for using the equity method	3,052	2,000	–	–	–	–	5,052
Segment acquisition of property, plant and equipment and other intangible assets	66	8,502	1,470	3,274	92	–	13,404
Fair value adjustments and impairment losses included in EBITDA	(91)	(1,919)	–	–	165	–	(1,845)

	GROUP	
	2014 $'000	2013 $'000
The total revenues from external customers in New Zealand and other countries are:		
New Zealand	85,827	93,285
Asia	38,379	40,567
Europe	76,833	77,861
North America	40,490	39,477
Other	21,733	21,026
	263,262	**272,216**

28. CAPITAL COMMITMENTS

	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
Commitments entered into in respect of biological assets as at balance date were	2,127	318	–	–

29. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

Operating leases relate to coldstores, orchards, offices, vehicles and office equipment with lease terms of between 3 to 9 years, generally with options to extend for further periods. All operating lease contracts contain rental reviews that provide for reviews at regular intervals and in the event that the Group exercises its options to renew.

	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
Non-cancellable operating lease commitments:				
Not later than one year	8,611	6,970	20	19
Later than one year and not later than five years	26,085	23,662	28	57
Later than five years	28,375	17,860	–	–

THE GROUP AS LESSOR

Operating leases relate to coldstores and investment property owned by the Group with lease terms of between 3 to 9 years, generally with options to extend for further periods. All operating lease contracts contain review clauses that provide for reviews at regular intervals and in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
Non-cancellable operating lease receivables:				
Not later than one year	1,121	2,271	–	–
Later than one year and not later than five years	3,243	6,557	–	–
Later than five years	2,135	2,750	–	–

30. CONTINGENT LIABILITIES

Scales Corporation Limited and its subsidiaries are parties to a registered general security agreement and an interlocking guarantee in relation to borrowings by Group companies (note 24).

31. RELATED PARTY DISCLOSURES

(A) TRANSACTIONS WITH RELATED PARTIES

Mr Foote is a director and shareholder in New Zealand Cold Storage Limited
Mr Harris is a director and shareholder in Hellers Limited
Mr Mayson is a director of Ziwipeak Limited

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Rent paid to New Zealand Cold Storage Limited	403	293	–	–
Cold storage and related revenue received from Hellers Limited	1,079	668	–	–
Processing, cold storage and logistics revenue received from Ziwipeak Limited	959	694	–	–
Purchases from Ziwipeak Limited	586	125	–	–
Trade receivables at balance date	102	71	–	–
Trade payables at balance date	103	–	–	–

(B) TRANSACTIONS BETWEEN THE COMPANY AND SUBSIDIARIES

	COMPANY	
	2014 $'000	2013 $'000
Dividends received	138,560	–
Interest income	741	945
Rental income	89	–
Interest expense	239	164
Insurance premium expense	86	86
Loans from subsidiary companies	4,960	23,210
Loans to subsidiary companies	106,636	58,386

(C) KEY MANAGEMENT PERSONNEL REMUNERATION

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

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Short-term employee benefits	2,618	1,962	2,618	1,962
Post-employment benefits	114	85	114	85
	2,732	**2,047**	**2,732**	**2,047**

(D) TRANSACTIONS WITH EQUITY ACCOUNTED ENTITIES

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue from the sale of goods	1,750	1,614	–	–
Revenue from services	754	1,675	–	–
Interest income	30	7	30	–
Dividends received	2,989	1,990	–	–
Trade receivables at balance date	70	123	–	–

32. FINANCIAL INSTRUMENTS

(A) 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, creditor and customer confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Multi-Option Facility Agreements with the Group's banks require that at all times the Tangible Net Worth of the Group, being Tangible Assets less Total Liabilities (excluding deferred tax liabilities), be not less than $100,000,000. The Group has complied with this requirement since the facility was established. The Group policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes to the Group's management of capital during the year.

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it primarily to interest rate, foreign currency and credit risk. The Group may, in accordance with policies approved by the Board of Directors, enter into a variety of derivative financial instruments to manage its exposure to these risks.

(C) INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as it borrows funds at fixed or floating interest rates. Management monitors the level of interest rates on an ongoing basis and may use interest rate swaps and forward rate agreements to manage interest rate risk (refer note 32(d)).

At balance date financial assets and liabilities are subject to interest rate risk as follows:

	2014	2013	Interest Rate Review Period
Loans and short term borrowings	4.95% – 5.09%	4.71% – 4.96%	30 – 90 days

(D) INTEREST RATE SWAP CONTRACTS AND FORWARD RATE AGREEMENTS

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 enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and 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.

Details of interest rate swap contracts and forward rate agreements for the Group and Company are:

	Fixed Interest Rate		Notional Principal Amount		Fair Value	
Maturity Date	2014 %	2013 %	2014 $'000	2013 $'000	2014 $'000	2013 $'000
INTEREST RATE SWAP CONTRACTS:						
Within one year	5.00	4.32	10,000	10,000	(125)	(40)
Two to five years	4.14	4.98	30,000	20,000	(27)	(219)
After five years	4.62	3.72	10,000	20,000	(76)	1,108
FORWARD RATE AGREEMENTS:						
Within one year	3.87	3.00	30,000	23,000	(12)	23
Two to five years	4.01	–	10,000	–	(15)	–
					(255)	**872**

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.

(E) CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents and trade and other receivables. The Company also has credit risk on related party advances. The Group performs credit evaluations on trade customers, obtains trade credit insurance as appropriate but generally does not require collateral. The Group continuously monitors the credit quality of its major receivables and does not anticipate non-performance of those customers. Cash and cash equivalents are placed with high credit quality financial institutions.

There is a significant concentration of credit risk with 5 customers who represent 25.38% (2013 five customers who represent 32.78%) of trade and other receivables.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

(F) FOREIGN CURRENCY RISK MANAGEMENT

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of normal trading transactions denominated in foreign currencies. The currencies in which the Group primarily trades are the Australian dollar, Euro, Canadian dollar, Great Britain pound and United States dollar.

Currency risk is managed by the natural hedge of foreign currency receivables and payables and the use of foreign currency derivative financial instruments. The fair value of foreign currency derivative financial instruments at the reporting date is determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

	2014		2013	
	Contract Value $'000	Fair Value $'000	Contract Value $'000	Fair Value $'000
Details of foreign currency instruments at balance date for the Group are:				
Sale commitments forward foreign exchange contracts	105,911	2,627	107,022	(729)
Sale commitments foreign exchange options	61,383	1,037	38,734	268

These foreign currency instruments, which are all held by subsidiary companies, 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 2015 to 2018 financial years at which stage the amount deferred in equity will be released into profit or loss.

(G) LIQUIDITY RISK MANAGEMENT

The Group manages liquidity risk by maintaining adequate reserves and banking facilities (refer note 24), by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The maturity profile of financial liabilities is disclosed in note 33.

(H) CATEGORIES OF FINANCIAL INSTRUMENTS

	GROUP		COMPANY	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
FINANCIAL ASSETS:				
Fair value through profit or loss	172	128	–	–
Derivative instruments in designated hedge accounting relationships	4,755	2,674	167	1,157
Amortised cost	17,153	19,980	107,507	62,265
Fair value through other comprehensive income	–	21,105	–	–
	22,080	**43,887**	**107,674**	**63,422**
FINANCIAL LIABILITIES:				
Financial liabilities at amortised cost	58,940	75,523	47,975	84,054
Derivative instruments in designated hedge accounting relationships	1,346	2,264	422	285
	60,286	**77,787**	**48,397**	**84,339**

32. FINANCIAL INSTRUMENTS (continued)

(I) FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Financial Assets / Financial Liabilities	Fair Value as at 2014 $'000	Fair Value as at 2013 $'000	Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant Unobservable Inputs and their Relationship to Fair Value
GROUP					
Shares in listed companies	–	21,105	Level 1	Quoted bid prices in an active market	N/A
Foreign exchange contracts			Level 2	Discounted cash flow. 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.	N/A
Assets	4,588	1,517			
Liabilities	924	1,978			
GROUP AND COMPANY					
Net settled interest rate swaps and forward rate agreements			Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rate curves discounted at a rate that reflects the credit risk of various counterparties.	N/A
Assets	167	1,157			
Liabilities	422	286			

There were no transfers between levels 1, 2 and 3 in the year.

(J) FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS (BUT FAIR VALUE DISCLOSURES ARE REQUIRED)

The directors' consider that the carrying amounts of these financial assets and liabilities recognised in the financial statements approximate their fair value.

(K) SENSITIVITY ANALYSIS

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign currency and interest rates will have an impact on profit and equity.

At 31 December 2014 it is estimated that a general increase of one percent in interest rates would decrease the Group's profit after income tax and equity by approximately $286,000 (2013 $438,000).

It is estimated that a general increase of five cents in the value of the New Zealand dollar against other foreign currencies would have decreased the Group's profit after income tax by $5,947,000 (2013 $6,706,000).

A decrease in both interest and exchange rates would have the opposite impact on profit and equity to that described above.

33. MATURITY PROFILE OF FINANCIAL LIABILITIES

The following tables detail the Group and Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within Three Months $'000	Four Months to One Year $'000	One to Five Years $'000	Total $'000
		GROUP		
2014				
Trade and other payables	17,940	–	–	17,940
Borrowings	518	12,417	32,291	45,226
Interest rate swaps and forward rate agreements	33	85	353	471
Guarantee of associate company loan facility	–	–	456	456
	18,491	**12,502**	**33,100**	**64,093**
2013				
Trade and other payables	15,523	–	–	15,523
Borrowings	732	2,196	62,928	65,856
Interest rate swaps and forward rate agreements	130	317	1,559	2,006
Guarantee of associate company loan facility	–	–	564	564
	16,385	**2,513**	**65,051**	**83,949**
		COMPANY		
2014				
Trade and other payables	753	–	–	753
Other financial liabilities	–	–	4,959	4,959
Borrowings	518	12,417	32,291	45,226
Interest rate swaps and forward rate agreements	33	85	353	471
	1,304	**12,502**	**37,603**	**51,409**
2013				
Trade and other payables	843	–	–	843
Other financial liabilities	23,210	–	–	23,210
Borrowings	732	2,196	62,928	65,856
Interest rate swaps and forward rate agreements	130	317	1,559	2,006
	24,915	**2,513**	**64,487**	**91,915**

34. EARNINGS PER SHARE

	GROUP	
	2014 $'000	2013 $'000
Profit from continuing operations for the year – used in the calculation of total earnings per share	18,076	19,559
Profit from discontinued operations for the year – used in the calculation of total earnings per share	299	879
BASIC EARNINGS PER SHARE		
Weighted average number of ordinary shares	127,811,184	121,615,020
Basic earnings per share from continuing operations (cents)	14.1	16.1
Basic earnings per share from discontinued operations (cents)	0.2	0.7
DILUTED EARNINGS PER SHARE		
Weighted average number of ordinary shares	127,811,184	121,615,020
Diluted earnings per share from continuing operations (cents)	14.1	16.1
Diluted earnings per share from discontinued operations (cents)	0.2	0.7

The Company completed a 3 for 1 share split on 18 June 2014 which resulted in 119,592,006 shares being on issue at 30 June 2014. On 24 July 2014 the Company issued 20,187,000 shares in the initial public offer. The weighted average number of ordinary shares used in the calculation of earnings per share for each year presented has been adjusted to reflect the share split.

The shares issued under the Executive Share Scheme may potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the years presented.

35. EMPLOYEE SHARE SCHEMES

Scales Corporation Limited operate an employee share scheme for eligible employees and a senior executive share scheme for selected senior executives to purchase ordinary shares in the Company.

Employee Share Scheme:

Under this Scheme the Company offered each eligible employee an interest-free loan equivalent to 50% of the cost of the shares acquired up to a maximum loan amount of $5,000.

There is no restriction on the staff ability to sell the shares, but if they do sell they must repay the Scales loan at that time. The loan must be repaid in full upon termination of employment with the Scales Group or the loan may be repaid in part or in full at any earlier time. The obligation to repay the loan is limited to the value of the Scales shares held under the Scheme.

The employee receives the full amount of Scales' dividends declared on these shares and there is no requirement to apply dividends received in reduction of the interest-free loan.

Senior Executive Share Scheme:

The Scheme involves the Company making available interest-free loans to selected senior executives to acquire shares in the Company. A senior executive is invited to participate in the Scheme on an annual basis with a set percentage of their base salary being potentially available as an interest-free loan from the Company to enable the senior executive to acquire shares in the Company.

The senior executive will not gain any benefit with respect to the shares purchased under the Scheme unless they remain in employment with the Company for a period of three years from the date of acquisition of those shares.

The shares are held by a custodian during the restrictive period and are then transferred to the senior executive.

All net dividends or distributions received in respect of the shares must be applied to repayment of the interest-free loan.

Where a senior executive ceases to be an employee during the restrictive period, the shares will be sold and the proceeds applied to repayment of the interest-free loans and any surplus paid to the Company. Any shortfall in proceeds will be to the cost of the Company.

Where a senior executive ceases to be an employee after the restrictive period, the senior executive shall not be required to sell the shares but shall be required to repay the loan in full.

Where a senior executive is an employee and sells the shares within one month of the end of the restrictive period, the shares will be sold and the proceeds applied to repayment of the interest-free loans and any surplus remains with the executive. However, any shortfall in proceeds will be to the cost of the Company.

Where a senior executive is an employee and sells the shares after a date that is at least one month after the end of the restrictive period, the proceeds shall be applied to repayment of the interest-free loans with any surplus remaining with the executive. However, any shortfall in proceeds shall be immediately paid by the executive to the Company.

During the year 1,437,000 shares were issued in accordance with the Scheme and remain outstanding at reporting date. The number of shares issued was based on each executive's remuneration package. The shares will vest on 24 July 2017. The price that the executives pay for each share is the $1.60 issue price at grant date, reduced by any future dividends that are applied to the loans.

The shares issued have the characteristics of options that vest over three years. Each instrument was estimated to have a fair value of 32.7 cents at the grant date. The estimated value of the options has been determined using the Black-Scholes option pricing calculator and is being amortised over the restrictive period. This cost, which was $65,000 in the current year, is expensed with the corresponding credit included in the equity-settled employee benefits reserve. The inputs into the option pricing calculator are the acquisition date share price $1.60, expected share price volatility 22%, option life 3 years and risk-free interest rate 3.89%.

36. COMPARISON WITH PROSPECTIVE FINANCIAL INFORMATION

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP 2014 $'000 Actual	GROUP 2014 $'000 Prospectus
CONTINUING OPERATIONS:		
Revenue	263,262	253,927
Cost of sales	(181,989)	(176,671)
GROSS PROFIT	**81,273**	**77,256**
Share of profits of associate company and joint venture accounted for using the equity method	1,501	1,038
Other income	2,089	–
Administration and operating expenses	(43,160)	(39,483)
Offer costs	(3,022)	(2,875)
EBITDA	**38,681**	**35,936**
Depreciation and amortisation	(9,550)	(9,323)
EBIT	**29,131**	**26,613**
Finance revenue	460	–
Finance cost	(3,729)	(4,156)
PROFIT BEFORE INCOME TAX EXPENSE	**25,862**	**22,457**
Income tax expense	(7,786)	(6,802)
NET PROFIT FROM CONTINUING OPERATIONS	**18,076**	**15,655**
Net profit for the year from discontinued operations	299	270
PROFIT FOR THE YEAR	**18,375**	**15,925**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss – continuing operations:		
Gain on cash flow hedges	2,490	–
Income tax relating to cash flow hedges	(668)	–
Items that will not be reclassified to profit or loss – discontinued operations:		
Gain on shares in listed company	1,206	1,206
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**3,028**	**1,206**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,403**	**17,131**

When necessary, current year actuals have been regrouped to conform with the classification of the prospective financial information.

Explanation of variances:

Total comprehensive income at $21,403,000 is $4,272,000 higher than forecast. This is due to:

- better than forecast performances in the Horticulture and Food Ingredients segments as a result of higher volumes and prices: and
- gains on cash flow hedges. The Prospectus did not include any forecasts for gains or losses on cash flow hedges.

36. COMPARISON WITH PROSPECTIVE FINANCIAL INFORMATION (continued)

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP 2014 $'000 Actual	GROUP 2014 $'000 Prospectus
Equity at 1 January 2014	175,313	175,313
Profit for the year – continuing operations	18,076	15,655
Profit for the year – discontinued operations	299	270
Other comprehensive income for the year – continuing operations	1,822	–
Other comprehensive income for the year – discontinued operations	1,206	1,206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,403**	**17,131**
Recognition of share-based payments	65	–
Dividends paid	(17,703)	(13,681)
Demerger of George H Investments Limited group	(61,706)	(61,982)
Issue of share capital	30,000	30,000
Share issue costs	(1,042)	(1,125)
EQUITY AT 31 DECEMBER 2014	**146,330**	**145,656**

Explanation of variances:

Total equity at 31 December 2014 is $674,000 higher than forecast. This is the result of the increase in comprehensive income being partially offset by the payment of an interim dividend of 3 cents per share during December 2014.

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	GROUP 2014 $'000 Actual	GROUP 2014 $'000 Prospectus
EQUITY		
Share capital	90,915	90,832
Properties revaluation reserve	25,289	27,089
Hedging reserve	2,245	423
Equity-settled employee benefits reserve	65	–
Retained earnings	27,816	27,312
TOTAL EQUITY	**146,330**	**145,656**
Represented by:		
CURRENT ASSETS		
Cash and bank balances	988	–
Trade and other receivables	13,298	12,998
Other financial assets	4,778	1,904
Inventories	14,021	11,134
Other current assets	2,678	2,132
TOTAL CURRENT ASSETS	**35,763**	**28,168**
NON-CURRENT ASSETS		
Investments accounted for using the equity method	3,565	5,052
Other financial assets	3,016	3,051
Property, plant and equipment	145,982	145,210
Biological assets	31,368	28,465
Goodwill	5,319	5,319
Other intangible assets	1,397	1,251
TOTAL NON-CURRENT ASSETS	**190,647**	**188,348**
TOTAL ASSETS	**226,410**	**216,516**
CURRENT LIABILITIES		
Trade and other payables	17,940	14,925
Borrowings	11,000	4,716
Current tax liabilities	1,921	2,267
Other financial liabilities	873	599
TOTAL CURRENT LIABILITIES	**31,734**	**22,507**
NON-CURRENT LIABILITIES		
Borrowings	30,000	30,000
Deferred tax liabilities	17,873	16,688
Other financial liabilities	473	1,665
TOTAL NON-CURRENT LIABILITIES	**48,346**	**48,353**
TOTAL LIABILITIES	**80,080**	**70,860**
NET ASSETS	**146,330**	**145,656**

Explanation of variances:

The more significant changes in the components of the statement of financial position were the increases in current assets and liabilities.

The increase in current assets was mainly due to the inclusion of the fair value of foreign exchange contracts in the actual results. Fair value gains were not forecast in the prospectus.

The increase in current liabilities was due, in the main, to an increase in borrowings as a result of higher expenditure on biological assets and the decision to pay an interim dividend.

36. COMPARISON WITH PROSPECTIVE FINANCIAL INFORMATION (continued)

PROSPECTIVE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP 2014 $'000 Actual	GROUP 2014 $'000 Prospectus
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	262,844	253,407
Dividends received	3,010	1,038
Interest received	460	–
Cash was disbursed to:		
Payments to suppliers and employees	(229,307)	(219,641)
Interest paid	(3,729)	(4,156)
Income tax paid	(7,033)	(6,104)
NET CASH GENERATED BY OPERATING ACTIVITIES	**26,245**	**24,544**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Advances repaid	1,270	155
Sale of property, plant and equipment and other intangible assets	298	–
Cash was applied to:		
Advances to joint venture	(1,530)	–
Cash transferred with demerged companies	(313)	(313)
Investment in biological assets	(1,950)	(1,494)
Purchase of associate company	(56)	–
Purchase of other intangible assets	(675)	(30)
Purchase of shares in unlisted companies	(43)	–
Purchase of property plant and equipment	(10,414)	(8,970)
NET CASH (USED IN) INVESTING ACTIVITIES	**(13,413)**	**(10,652)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from borrowings	11,000	2,500
Shares issued net of share issue costs	28,958	29,175
Cash was applied to:		
Borrowings repaid	(30,000)	(30,000)
Distribution on demerger of George H Investments Limited group	(8,560)	(8,563)
Dividends paid	(17,703)	(13,681)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(16,305)**	**(20,569)**
NET INCREASE (DECREASE) IN NET CASH	(3,473)	(6,677)
Cash and cash equivalents at the beginning of the year	4,461	4,461
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**988**	**(2,216)**
Represented by:		
Cash and bank balances	988	–
Bank overdraft	–	(2,216)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**988**	**(2,216)**

Explanation of variances:

The improvement in the cash and cash equivalents at 31 December 2014 resulted from the increase in cash generated from operations, as a result of the increased performance for the year, and the increased borrowings offset by higher capital expenditure and the payment of the interim dividend.

PROSPECTIVE SEGMENTAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER 2014

	Food Ingredients			Horticulture		
	$'000			$'000		
	Actual	Prospectus	Variance	Actual	Prospectus	Variance
Revenue	37,217	35,489	1,728	158,808	154,967	3,841
Cost of sales	(30,308)	(30,122)	(186)	(112,727)	(111,501)	(1,226)
GROSS PROFIT	**6,909**	**5,367**	**1,542**	**46,081**	**43,466**	**2,615**
Share of profits of associate company and joint venture accounted for using the equity method	1,042	728	314	459	310	149
Other income	–	–	–	2,218	–	2,218
Other losses	(75)	–	(75)	–	–	–
Administration and operating expenses	(2,267)	(2,186)	(81)	(22,813)	(21,264)	(1,549)
EBITDA	**5,609**	**3,909**	**1,700**	**25,945**	**22,512**	**3,433**
Depreciation and amortisation	(559)	(599)	40	(4,360)	(3,979)	(381)
EBIT	**5,050**	**3,310**	**1,740**	**21,585**	**18,533**	**3,052**
Finance revenue	–	–	–	366	–	366
Finance cost	–	–	–	(685)	(861)	176
PROFIT BEFORE INCOME TAX EXPENSE	**5,050**	**3,310**	**1,740**	**21,266**	**17,672**	**3,594**
Income tax expense	(1,141)	(723)	(418)	(5,853)	(4,861)	(992)
NET PROFIT FOR THE YEAR	**3,909**	**2,587**	**1,322**	**15,413**	**12,811**	**2,602**
Current assets	16,464	11,117	5,347	7,615	6,147	1,468
Non-current assets	5,605	7,124	(1,519)	104,926	99,690	5,236
Current liabilities	(4,612)	(4,013)	(599)	(11,731)	(8,079)	(3,652)
Non-current liabilities	140	49	91	(9,450)	(8,744)	(706)
NET ASSETS	**17,597**	**14,277**	**3,320**	**91,360**	**89,014**	**2,346**

Explanation of variances:

The increase of $1,322,000 in the Food Ingredients net profit resulted from the better than forecast gross margin in Meateor Foods Limited and a higher than forecast contribution from the Profruit (2006) Limited joint venture.

The increase of $2,602,000 in the Horticulture net profit was due to higher export volumes and prices than forecast.

36. COMPARISON WITH PROSPECTIVE FINANCIAL INFORMATION (continued)

	Storage & Logistics			Other		
	$'000			$'000		
	Actual	Prospectus	Variance	Actual	Prospectus	Variance
Revenue	90,609	90,227	382	3,212	3,125	87
Cost of sales	(62,317)	(61,664)	(653)	85	–	85
GROSS PROFIT	**28,292**	**28,563**	**(271)**	**3,297**	**3,125**	**172**
Other income	23	–	23	–	–	–
Other losses	(43)	–	(43)	(34)	–	(34)
Administration and operating expenses	(15,949)	(14,588)	(1,361)	(5,437)	(4,710)	(727)
Offer costs	–	–	–	(3,022)	(2,875)	(147)
EBITDA	**12,323**	**13,975**	**(1,652)**	**(5,196)**	**(4,460)**	**(736)**
Depreciation and amortisation	(4,569)	(4,673)	104	(62)	(72)	10
EBIT	**7,754**	**9,302**	**(1,548)**	**(5,258)**	**(4,532)**	**(726)**
Finance revenue	26	–	26	808	–	808
Finance cost	(56)	(56)	–	(3,728)	(3,239)	(489)
PROFIT BEFORE INCOME TAX EXPENSE	**7,724**	**9,246**	**(1,522)**	**(8,178)**	**(7,771)**	**(407)**
Income tax expense	(2,172)	(2,589)	417	1,380	1,371	9
NET PROFIT FROM CONTINUING OPERATIONS	**5,552**	**6,657**	**(1,105)**	**(6,798)**	**(6,400)**	**(398)**
Current assets	10,156	8,117	2,039	1,528	3,134	(1,606)
Non-current assets	79,503	79,040	463	613	2,494	(1,881)
Current liabilities	(9,815)	(5,130)	(4,685)	(5,576)	(5,633)	57
Non-current liabilities	(8,871)	(9,261)	390	(30,165)	(30,397)	232
NET ASSETS	**70,973**	**72,766**	**(1,793)**	**(33,600)**	**(30,402)**	**(3,198)**

Explanation of variances:

The decrease of $1,105,000 in the Storage & Logistics segment was due to lower than forecast utilisation rates in our coldstores, as a result of the late start to the 2014/15 cropping and meat processing seasons.

The increased loss of $398,000 in the Other segment resulted from higher than forecast Offer costs and other overheads.

37. EVENTS OCCURRING AFTER BALANCE DATE

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

Statutory Information

Directors

The following persons were Directors of Scales and its subsidiaries during the year ended 31 December 2014:

Scales Corporation Limited	
Tony Batterton (resigned 18 June 2014)	Non-Independent Director
Andy Borland	Non-Independent Director
Tim Goodacre	Independent Director
Nick Harris	Independent Director
Mark Hutton	Non-Independent Director
Alan Isaac	Independent Director
Jon Mayson	Independent Chairman
Geo.H.Scales Limited	
Andy Borland	
Steve Kennelly	
Kent Ritchie	
Liqueo Bulk Storage Limited	
Andy Borland	
Kevin Cahill	
Meateor Foods Limited	
Andy Borland	
Stephen Foote	
Nick Harris	
Meateor Foods Australia Pty Limited	
Andy Borland	
Tim Goodacre	
Mr Apple New Zealand Limited	
Tony Batterton (resigned 18 June 2014)	
Andy Borland	
Tim Goodacre	
Mark Hutton	
Grant Sinclair (resigned 7 July 2014)	
New Zealand Apple Limited	
Andy Borland	
Tim Goodacre	
Grant Sinclair (resigned 7 July 2014)	
Polarcold Store Limited	
Tony Batterton (resigned 18 June 2014)	
Andy Borland	
Nick Harris	
Mark Hutton	
Jon Mayson	
Scales Employees Limited	
Andy Borland	
Mark Hutton	
Scales Holdings Limited	
Andy Borland	
Steve Kennelly	
Kent Ritchie	
Scales Logistics Limited	
Andy Borland	
Steve Kennelly	
Kent Ritchie	
Selacs Insurance Limited	
Andy Borland	
Alan Isaac	
Steve Kennelly	
Whakatu Coldstores Limited	
Andy Borland	
Kevin Cahill	
Stephen Foote	

Interests Register

The following entries were made in the interests register of Scales and its subsidiaries during the period 1 January 2014 to 31 December 2014:

Indemnification and Insurance of Directors

The Group has arranged, as provided for under its Constitution and in accordance with Section 162 of the Companies Act 1993, policies of directors' and officers' liability insurance which, with a Deed of Indemnity, entered into with all Directors, ensures that to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

Share Dealings by Directors

Dealings by Directors in relevant interests in Scales' ordinary shares during the period ending 31 December 2014 as entered in the Interests Register of Scales:

Andy Borland

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Acquisition/Disposal
220,800	Beneficial owner	Acquisition	$1.60 per share	24 July 2014

Tim Goodacre

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Acquisition/Disposal
15,625	Beneficial owner	Acquisition	$1.60 per share	24 July 2014

Nick Harris

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Acquisition/Disposal
100,000	Beneficial owner	Acquisition	$1.60 per share	24 July 2014

Mark Hutton

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Acquisition/Disposal
69,658,876	Power to control acquisition and disposal through Direct Capital Investments Limited	Disposal	$1.60 per share	24 July 2014
5,826,174	Power to control acquisition and disposal through Direct Capital Investments Limited	Disposal	$1.60 per share	24 July 2014

Alan Isaac

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Acquisition/Disposal
25,000	Beneficial owner	Acquisition	$1.60 per share	24 July 2014
3,000	Power to control acquisition and disposal through his relationship with Mary Isaac	Acquisition	$1.56 per share	26 September 2014

Jon Mayson

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Acquisition/Disposal
30,000	Beneficial owner	Acquisition	$1.60 per share	24 July 2014

General Notice of Disclosure of Interest in the Interests Register

Details of Directors' general disclosures entered in the relevant interests register for Scales or its subsidiaries during the period 1 January 2014 to 31 December 2014 are as follows:

Scales Corporation Limited

Andy Borland	
George H Investments Limited	Director
Pipfruit New Zealand Incorporated	Director
Tim Goodacre	
Featherston Resources Limited	Director
HSR Group Pty Limited	Chairman
Prevar Limited	Director
The Nutritious Kiwifruit Company Limited	Chairman
Nick Harris	
Hellers Limited	Director
Mark Hutton	
Direct Capital Investments Limited	Director
Direct Capital IV GP Limited	Director
Direct Capital IV Investments Limited	Director
Direct Capital IV Management Limited	Director
Direct Capital IV Partners Limited	Director
Energyworks Holdings Limited	Director
George H Investments Limited	Director
Hiway Group Limited	Director
New Zealand King Salmon Investments Limited	Director
Pohutukawa Delta Limited	Director
Stratex Group Limited	Director

It is also noted that Direct Capital Investments Limited is the owner of 18.046% of the shares on issue in Scales Corporation Limited, as custodian for various Direct Capital investment vehicles, and is under the management of Direct Capital IV Management Limited.

Alan Isaac	
Acurity Health Group Limited	Chairman
AKA Investments Limited	Director
AMP Capital Property Trust Governance Committee	Member
Department of Corrections Audit Committee	Chairman
McGrath Nicol and Partners	Chairman
Murray Capital General Partners Limited	Director
New Zealand Vault Limited	Director
NZ Community Trust	Trustee
Opus International Consultants Limited	Director
Opus Partners' Trust Limited	Director
Rakaia Finance Limited	Director
Rakaia Fund Investments Limited	Director
Jon Mayson	
C3 Limited	Chairman
Chiefs Limited	Director
Chiefs Rugby Club GP Limited	Director
Fronde Systems Group Limited	Chairman
Martin Aircraft Company Limited	Chairman
Ports of Auckland Limited	Director
Te Arawa Group Holdings Limited	Director
Titanium Technologies (New Zealand)	Chairman
Trevelyan Pack & Cool Limited	Chairman
Ziwipeak Limited	Chairman
Stephen Foote	
New Zealand Cold Storage Limited	Director

Relevant Interests

Set out in the table below are the Scales ordinary shares in which each Director of Scales had a relevant interest as at 31 December 2014.

Director	Number of Ordinary Shares – Beneficial	Number of Ordinary Shares – Non-Beneficial
Andy Borland	220,800	1,575,000
Tim Goodacre	15,625	Nil
Nick Harris	100,000	Nil
Mark Hutton	Nil	25,223,978
Alan Isaac	25,000	3,000
Jon Mayson	30,000	Nil

Use of Company Information by Directors

No notices were received from Directors pursuant to section 145 of the Companies Act 1993 to use company information, received in their capacity as Directors, which would otherwise not have been available to them.

Remuneration

Directors' Remuneration

The Directors' remuneration is paid in the form of fees. Additional fees are payable in respect of work carried out on board committees. The total pool of fees payable to Directors is subject to shareholder approval. The current pool, set on 18 June 2014, is $400,000.

The following total remuneration and value of other benefits received by each non-executive Director who held office as a Director of Scales and its subsidiaries during the period 1 January 2014 to 31 December 2014 was as follows:

Tony Batterton	Nil[1]
Tim Goodacre	$67,356[2]
Nick Harris	$43,746
Mark Hutton	Nil[1]
Bruce Jans	$8,750
Alan Isaac	$57,494[3]
Jon Mayson	$74,103
Grant Sinclair	$12,979[4]

In addition, Directors are entitled to be reimbursed for costs associated with carrying out their duties.

1 Direct Capital IV Management Limited (DCIVM), of which Tony Batterton and Mark Hutton are also Directors, received the following fees:
- $63,747 on account of Director's services performed by Mark Hutton and Tony Batterton;
- $75,000 for services by Tony Batterton in relation to the demerger of the investments division of Scales; and
- $125,000 for services by Tony Batterton and Mark Hutton in relation to the due diligence and other related committee work for the initial public offering and listing of Scales.

2 Tim Goodacre's remuneration includes $12,000 in consultancy fees for work carried out for Mr Apple New Zealand Limited.
3 Alan Isaac's remuneration includes fees of $20,000 for his services in relation to the due diligence for the initial public offering and listing of Scales.
4 Grant Sinclair also received director's fees of $9,250 from Profruit (2006) Limited for the period 1 January to 7 July 2014.

Remuneration and other benefits from Scales and its subsidiaries to Executive Directors

Scales Corporation Limited made an interest free loan to Andy Borland under the Scales Senior Executive Long Term Incentive (LTI) Scheme of $353,280 to purchase 220,800 Scales' shares. As at 31 December 2014 the balance owing under the loan was $347,116.

The total remuneration and value of other benefits (including the benefit under the LTI scheme above) paid to Andy Borland was $609,226.

Executive Directors and employees acting as Directors do not receive Director's fees.

Executives' Remunerations

The number of employees of the Group (including former employees), not being a Director mentioned above, who received remuneration and other benefits in excess of $100,000 for the period 1 January 2014 to 31 December 2014 is set out in the remuneration bands detailed below:

Amount of Remuneration	Employees
$100,000 – $110,000	8
$110,001 – $120,000	10
$120,001 – $130,000	8
$130,001 – $140,000	4
$150,001 – $160,000	4
$160,001 – $170,000	2
$190,001 – $200,000	2
$210,001 – $220,000	1
$250,001 – $260,000	1
$260,001 – $270,000	2
$270,001 – $280,000	1
$280,001 – $290,000	1
$310,001 – $320,000	1
$530,001 – $540,000	1

Auditor's Fees

Deloitte has continued to act as auditor of Scales and its subsidiaries. The amount payable by Scales and its subsidiaries to Deloitte as audit fees during the year ended 31 December 2014 was $113,000. The amount of fees payable to Deloitte for non-audit work during the year ended 31 December 2014 was $727,362. A full breakdown of fees payable to the auditor is provided on page 50.

Shareholder Information

Spread of Shares

Set out below are details of the spread of shareholders of Scales as at 31 January 2015:

	Number of Shareholders	Number of Shares Held	% Shares Held
Under 1,999	360	359,133	0.3
2,000 to 4,999	507	1,597,287	1.1
5,000 to 9,999	455	2,988,012	2.1
10,000 to 49,999	549	10,486,985	7.5
50,000 to 99,999	83	5,532,123	4.0
Over 100,000	83	118,815,466	85.0

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of Scales as at 31 January 2015:

Shareholder	Number of Shares	% of Shares
NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED	42,080,656	30.1
DIRECT CAPITAL INVESTMENTS LIMITED	25,019,712	17.89
CUSTODIAL SERVICES LIMITED <A/C 3>	7,458,251	5.33
FNZ CUSTODIANS LIMITED	4,744,332	3.39
CLUDENBANK TRUST	3,307,500	2.36
CUSTODIAL SERVICES LIMITED <A/C 16>	2,478,706	1.77
CUSTODIAL SERVICES LIMITED <A/C 2>	2,357,185	1.68
JOHN GRANT & CAMILLE ELIZABETH SINCLAIR	2,241,000	1.6
CUSTODIAL SERVICES LIMITED <A/C 4>	1,895,398	1.35
J B HASTINGS NO 1 LIMITED	1,878,750	1.34
CUSTODIAL SERVICES LIMITED <A/C 18>	1,820,721	1.3
JOHN GRANT SINCLAIR	1,753,134	1.25
BORLAND DELLABARCA FAMILY TRUST	1,575,000	1.12
INVESTMENT CUSTODIAL SERVICES LIMITED <A/C R>	1,438,500	1.02
SCALES EMPLOYEES LIMITED	1,437,000	1.02
INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	1,374,177	0.98
CUSTODIAL SERVICES LIMITED <A/C 1>	1,225,664	0.87
FIRST NZ CAPITAL SECURITIES LIMITED	1,207,017	0.86
DAVID RUSSELL DICKS & DOROTHEA CLARE MILLEN & ANDREW FRANCIS VAN WORKUM <CANAAN TRUST>	810,000	0.57
LEVERAGED EQUITIES FINANCE LIMITED	659,450	0.47
Total	**106,762,153**	**76.27**

Substantial Product Holders

Set out below are details of the substantial product holders of Scales as advised by notice to Scales at 31 December 2014. The number of shares shown below is as advised in the most recent substantial product holder notices given to Scales and may not be their holding as at 31 December 2014.

Name	Number of Shares	Class of Shares
Direct Capital Investments Limited	25,223,978	Ordinary
Westpac Banking Corporation	7,673,460	Ordinary
Salt Funds Management Limited	7,882,793	Ordinary
Accident Compensation Corporation	8,365,124	Ordinary
First NZ Capital Group Limited	7,497,021	Ordinary

The total number of Scales Corporation Limited ordinary shares on issue as at 31 December 2014 was 139,779,006.

Other Information

NZX Waivers

Scales did not rely upon any waivers granted by NZX Limited during the year ended 31 December 2014.

Exercise of NZX Disciplinary Powers

NZX Limited did not exercise any of its powers under Listing Rule 5.4.2 in relation to Scales during the year ended 31 December 2014.

Donations

Donations of $29,010 were made by Scales during the year ended 31 December 2014.

Corporate Governance

The Board of Scales Corporation Limited ('Scales') is committed to ensuring that the company meets best practice governance principles and maintains the highest ethical standards. The Board has agreed to regularly review and assess Scales' governance structures to ensure that they are consistent with best practice.

Scales complies with the corporate governance principles set out in the *NZX Corporate Governance Best Practice Code*.

The full content of Scales' corporate governance policies, practices and procedures can be found in the company's Corporate Governance Code, which is available in the "Corporate Governance" section of the company's website, www.scalescorporation.co.nz. The code was adopted in June 2014 and is reviewed annually.

Responsibilities of the Board

The Board has overall responsibility for all decision making within Scales. In this regard the Board is responsible for laying solid foundations for the direction, management and oversight of the company in the support of its objective to generate growth, corporate profit and shareholder gain. It has delegated day to day management of the company to the Managing Director.

The main functions of the Board include:

- Review and approve the strategic, business and financial plans prepared by management.
- Monitor performance against the strategic, business and financial plans.
- Appoint, provide counsel to and review the performance of the Managing Director.
- Approve major investments and divestments.
- Ensure ethical behaviour by the company, Board and management and employees.
- Assess its own effectiveness in carrying out its functions.

The Board monitors these matters by receiving reports and plans from management, maintaining an active programme of divisional visits and through its annual work programme.

The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board has a statutory obligation to reserve to itself responsibility for certain matters. It also deals directly with issues relating to the company's mission, appointments to the Board, strategy, business and financial plans.

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in Scales' Corporate Governance Code, which is available in the "Corporate Governance" section of the company's website.

Board of Directors

The Board is structured to add value. A profile of each of the Directors is on page 31 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

Jon Mayson is the Independent Chairman of Scales, and Tim Goodacre, Nick Harris and Alan Isaac are Independent Directors. Mark Hutton is associated with Direct Capital Investments Limited, holder of an 18.046% shareholding in the company.

Andy Borland is Managing Director of Scales.

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Scales.

Director independence is considered on a case by case basis and is monitored on an ongoing basis.

Board Committees

The Board has two formally constituted committees – the Audit and Risk Management Committee and the Nominations and Remuneration Committee. Each committee has a charter that sets out its mandate. These two charters can be found as two separate appendices within the company's Corporate Governance code.

Audit and Risk Management Committee

The primary functions of the Audit and Risk Management Committee are:

- To oversee the financial reporting process to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.
- To provide the Board with an independent assessment of the company's financial position and accounting affairs.
- To keep under review the effectiveness of the company's procedures for the identification, assessment and reporting of material risks.

Members of the committee are appointed by the Board and must comprise a majority of Independent Directors. The current members of the committee are Alan Isaac (Chairman), Nick Harris and Mark Hutton. All members of the Audit and Risk Management Committee are non-executive Directors. Alan Isaac is a former national Chairman of KPMG.

The committee met twice between Scales' NZX listing in July and the end of the financial year.

Nominations and Remuneration Committee

The primary functions of the Nominations and Remuneration Committee are:

- To establish a clear framework for oversight and management of the company's remuneration structure, policies, procedures and practices to ensure Scales' remuneration is fair and reasonable.
- Defining the roles and responsibilities of the Board and senior management.
- Reviewing and making recommendations on Board composition and succession.

Members of the committee are appointed by the Board and must comprise a majority of Independent Directors. The current members of the committee are Mark Hutton (Chairman), Tim Goodacre and Jon Mayson.

Scales' governance policies and practices were fully considered and implemented prior to the company's initial public offering in July 2014. There were no matters that arose that required the committee to meet in the period between the NZX listing and the end of the financial year.

Attendance at Meetings

During the year ended 31 December 2014, the Board held fifteen meetings and the Audit and Risk Management Committee held three meetings. The following table sets out attendance at meetings for all Directors.

	BOARD		AUDIT AND RISK MANAGEMENT COMMITTEE	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Tony Batterton	7	7	–	–
Andy Borland	15	14	–	–
Tim Goodacre	8	8	–	–
Nick Harris	8	7	3	3
Mark Hutton	15	15	3	3
Alan Isaac	8	7	2	2
Jon Mayson	15	14	–	–

Code of Ethics

Scales' Board sets a framework of ethical standards for the company via its **Code of Ethics**, which is contained in the company's Corporate Governance code. These standards are expected of Directors and employees of Scales and its subsidiaries.

The **Code of Ethics** covers a wide range of areas including the following: standards of behaviour; conflicts of interest; proper use of company information and assets; gifts; delegated authorities; compliance with laws and policies; reporting concerns; and corporate opportunities.

The code is subject to annual review by the Board.

Auditor Independence

Oversight of the company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Audit and Risk Management Committee. Scales maintains an **External Auditor Independence Policy** to ensure that audit independence is maintained, both in fact and appearance.

The policy covers the following areas:

- Approval of the external auditor.
- Provision of other assurance services by the external auditor.
- Pre-approval process for the provision of other assurance services.
- External auditor rotation.
- Hiring of staff from the external auditor.
- Relationships between the external auditor and the company.

The role of the external auditor is to audit the financial statements of the company in accordance with generally accepted auditing standards in New Zealand and to report on its findings to the Board and shareholders of the company.

All services provided by the company's external auditor are considered on a case by case basis by management and the Audit and Risk Management Committee to ensure there is no actual or perceived threat to independence in accordance with the policy.

The effectiveness, performance and independence of the external auditors are reviewed by the Audit and Risk Management Committee.

The **External Auditor Independence Policy** is available in the "Corporate Governance" section of the company's website.

Board Performance Evaluation

The Board is required to assess annually its effectiveness in carrying out its functions and responsibilities.

The Chairman of the Board is tasked with ensuring that rigorous, formal processes are in place for evaluating the performance of the Board, Board committees and individual Directors.

Directors' Remuneration

Directors' remuneration levels are set as to be fair and reasonable in a competitive market for the skills, knowledge and experience required by the company.

The Board determines the level of remuneration paid to individual Directors from the shareholder approved pool of fees. Remuneration is reviewed annually by the Board. Fees are reviewed against comparable peer groups and take into account the size and complexity of Scales' business.

Fees paid to Directors are disclosed at page 82.

Market Disclosure and Shareholder Communications

Scales is committed to making timely and balanced disclosures and respecting the rights of shareholders. It achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market.

The company has in place procedures designed to ensure disclosure is made in a timely and balanced manner and that there is compliance with the NZX Listing Rules such that:

- All investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced way.

Accountability for compliance with disclosure obligations is with the Managing Director and Chief Financial Officer. Significant market announcements, including the preliminary announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast are approved by the Board.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

A programme of clear, meaningful, timely and effective communications with shareholders is centred around a comprehensive set of information regarding Scales' operations and results being available on the company's website together with the content of shareholder reports.

Shareholder meetings will be held at a time and location to encourage participation by shareholders. Annual meetings are currently held in Christchurch, reflecting the head office location for the company, and the historical shareholder base.

Trading by Company Directors and Officers

The Board has implemented formal procedures to handle trading in the company's securities by Directors, employees and advisors of the company with the approval of the Chief Financial Officer being required before trading can occur. The full procedures are outlined in the **Securities Trading Policy and Guidelines**, which is contained in the company's Corporate Governance Code.

The fundamental rule in the policy is that insider trading is prohibited at all times. The requirements of the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand.

Risk Management

The Board is responsible for ensuring that key business and financial risks are identified and that appropriate controls and procedures are in place to effectively manage those risks.

The Board has delegated responsibility to the Audit and Risk Management Committee to establish and regularly review the company's risk management framework. As part of this framework the committee is tasked with identifying situations and circumstances in which the company may be materially at risk, and initiating appropriate action through the Board or Managing Director.

In managing the company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

Scales has insurance policies in place covering most areas of risk to its assets and business and also operates a captive insurance subsidiary, Selacs Insurance Limited. Selacs accesses reinsurance, for the benefit of the company, in the London insurance market.

The Managing Director and Chief Financial Officer have provided the Board, through the Audit and Risk Management Committee, with assurances in connection with the financial statements, including that they have been founded on a sound system of internal controls and risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

Scales is currently working to align its Health & Safety policies to embed a best practice culture across the group.

Independent Professional Advice

With the approval of the Audit and Risk Management Committee, Directors are entitled to seek independent professional advice on any issue related to the fulfillment of his or her duties, at the company's expense.

Interests Register

The Board maintains an Interests Register. Any Director who is interested in a transaction with the company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed, but may not vote in respect of the transaction.

Particulars of entries made in the Interests Register for the year ended 31 December 2014 are included in the Statutory Information section.

Directors' and Officers' Insurance

Scales has arranged, as provided for under its Constitution and in accordance with Section 162 of the Companies Act 1993, policies of Directors' and Officers' Liability Insurance which, with a Deed of Indemnity, entered into with all Directors, ensures that to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

Diversity

Scales values individuals' differences and seeks to ensure that the Board and workforce both comprise members reflecting diversity.

Scales recruits, promotes and compensates on the basis of merit, regardless of gender, ethnicity, religion, age, nationality, sexual orientation, union membership or political opinion. Scales requires that people in the workplace are treated with respect in accordance with the company's philosophies of equal employment opportunities, and anti-harassment and discrimination policies.

The gender composition of Scales' Directors and Officers was as follows:

	AS AT 31 DECEMBER 2014		AS AT 31 DECEMBER 2013	
Position	**Female**	**Male**	**Female**	**Male**
Director	0 (0%)	6 (100%)	0 (0%)	4 (100%)
Officer	0 (0%)	6 (100%)	0 (0%)	6 (100%)

Glossary

~	Approximately
Capital Employed	Capital employed by our operations calculated as: Non current assets plus current assets (excluding any cash or cash equivalent balances) less current liabilities (excluding any overdraft or short term debt balances)
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fern Ridge Produce	Fern Ridge Produce Limited
FMCG	Fast moving consumer goods
FOB	Free on Board, a term which means that the price for goods includes delivery at the seller's expense on to a vessel at a named port and no further. The buyer bears all costs thereafter (including costs of sea freight).
FY	Financial year. If followed by 'F' this indicates prospective information from the Scales Registered Prospectus and Investment Statement dated June 2014
Group	Scales and each of its subsidiaries
Ha	Hectare, a metric unit of measurement defined as 10,000 square metres
Investment Statement	Scales registered investment statement dated 27 June 2014
IPO	The initial public offering of shares in Scales on the NZX on 25 July 2014
Liqueo	Liqueo Bulk Storage Limited
Meateor	Meateor Foods Limited
Mr Apple	Mr Apple New Zealand Limited
MT	Metric tonnes
Net Profit	Net profit after tax
NZ GAAP or GAAP	New Zealand Generally Accepted Accounting Practice
NZIFRS	New Zealand equivalents to International Financial Reporting Standards
NZX	The New Zealand Securities Exchange
PFI (or IPO forecast)	The prospective financial information included in the Scales registered prospectus and investment statement dated June 2014
Polarcold	Polarcold Stores Limited
Profruit	Profruit (2006) Limited
Prospectus	Scales registered prospectus dated 20 June 2014
ROCE	Return on capital employed, which is calculated as EBIT divided by Capital Employed
RSE	The Recognised Seasonal Employer Policy administered by Immigration New Zealand
Scales (or Company)	Scales Corporation Limited
Scales Logistics	Scales Logistics Limited
Selacs Insurance	Selacs Insurance Limited
TCE	Tray carton equivalent, a measure of apple and pear weight, defined as 18.6kg packed weight which equates to 18.0kg sale weight
TEU	A twenty-foot equivalent unit is a unit of cargo capacity to describe container volumes
Whakatu Coldstores	Whakatu Coldstores Limited

Directory

Board of Directors:

Jon Mayson (Chairman)
Tony Batterton (resigned 18 June 2014)
Andy Borland (Managing Director)
Tim Goodacre (appointed 18 June 2014)
Nick Harris (appointed 18 June 2014)
Mark Hutton
Alan Isaac (appointed 18 June 2014)

Audit and Risk Management Committee:

Alan Isaac (Chairman)
Nick Harris
Mark Hutton

Nominations and Remuneration Committee:

Mark Hutton (Chairman)
Tim Goodacre
Jon Mayson

Auditor:

Deloitte
50 Hazeldean Road
Christchurch 8024

Bankers:

ANZ Bank New Zealand Limited
37 – 41 Rotherham Street
Christchurch 8041

Rabobank New Zealand Limited
Level 23
157 Lambton Quay
Wellington 6011

Westpac New Zealand Limited
Level 2
2 Show Place
Christchurch 8024

Solicitor:

Anthony Harper
Level 9
HSBC Tower
62 Worcester Boulevard
Christchurch 8011

Registered Office:

52 Cashel Street
Christchurch 8013
New Zealand

Postal Address:

PO Box 1590
Christchurch 8140
New Zealand

Telephone:

64-3-379-7720

Website:

www.scalescorporation.co.nz

Share Registry:

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

insightcreative.co.nz SCA009

Scales
growing New Zealand