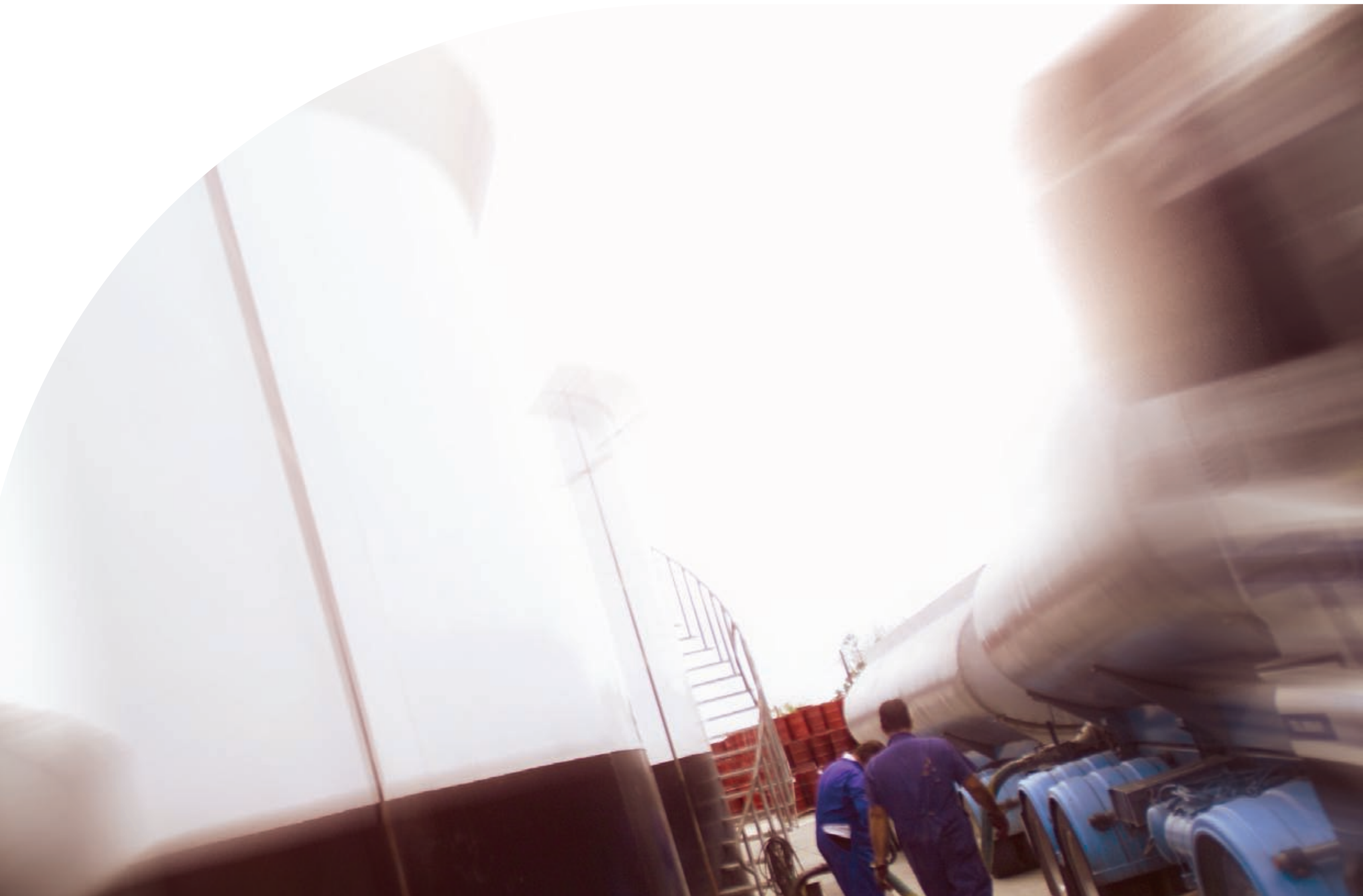
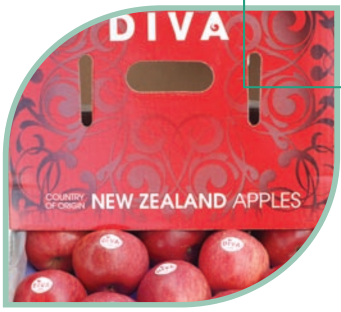
Scales

growing New Zealand

Annual Report December 2013


Scales

Annual Report Contents



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Board of Directors:
J I Mayson (Chairman)
A D Batterton
A J Borland (Managing Director)
M R Hutton

Directory

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
Telephone: 64-3-371-2263
Website: www.scalescorporation.co.nz

Postal Address:
PO Box 1590
Christchurch 8140
New Zealand

Share Registry:
For shareholder enquiries regarding share transactions or changes of address please contact the Chief Financial Officer.

Scales Corporation Directors at their new head office (adjacent to the site of the former Scales House, which was demolished following the Christchurch earthquakes). From left they are: **Mark Hutton, Tony Batterton, Andy Borland** (Managing Director) and **Jon Mayson** (Chairman).

Directors' Report

The Directors have pleasure in presenting the one hundred and second annual report of the Company including the financial statements and the auditor's report for the year ended 31 December 2013.

Consolidated Financial Results

The financial results for the year show a profit after tax of $20.4m which compares to last year's $13.6m.

Dividend

It is the Directors' intention to pay a dividend in the current year. The size and timing of the dividend paid will be dependent on the forecast financial performance of the company.

Directors' Re-election

In accordance with the Company's Constitution, Messrs A J Borland and A D Batterton retire by rotation and being eligible, offer themselves for re-election to the Board.

Directors' Indemnity and Insurance

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.

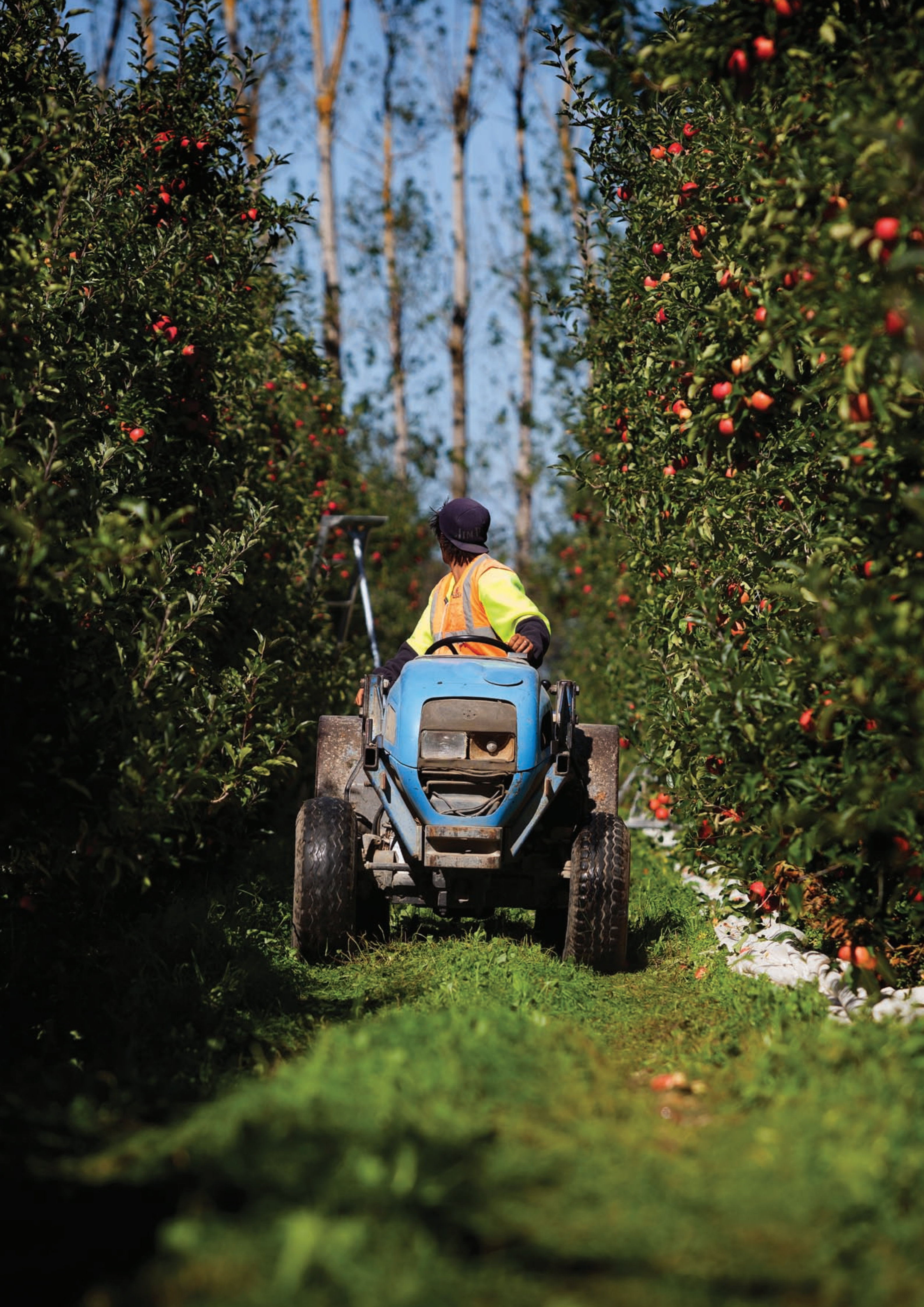
Disclosure of Interests by Directors

The following general disclosures of interest have previously been made by Directors with respect to entities having a relationship with Scales Corporation Limited.

Director	Entity	Interest
A D Batterton	Direct Capital Investments Limited	Director
	Direct Capital IV Investments Limited	Director
	Direct Capital IV Management Limited	Director
	Direct Capital IV GP Limited	Director
M R Hutton	Direct Capital Investments Limited	Director
	Direct Capital IV Investments Limited	Director
	Direct Capital IV Management Limited	Director
	Direct Capital IV GP Limited	Director
	Pohutukawa Delta Limited	Director

It is also noted that Direct Capital Investments Limited is the owner of 84.2105% of the shares on issue in Scales Corporation Limited, as custodian for DCIV-PII Delta Partnership (a partnership between Direct Capital IV LP and Pohutukawa Delta Limited), Direct Capital IV Investments Limited, Hendry Nominees Limited, Direct Capital IV Delta Limited Partnership, the Guardians of New Zealand Superannuation as manager and administrator of the New Zealand Superannuation Fund (acting through their nominee NZSF Private Equity Investments (No 1) Limited) and Accident Compensation Corporation, and is under the management of Direct Capital IV Management Limited.

Delivering bins for apple picking at Mr Apple's Te Papa orchard in Central Hawke's Bay. →



Director	Entity	Interest
J I Mayson	Ziwipeak Limited	Chairman
N J Harris	Hellers Limited	Director
S P D Foote	New Zealand Cold Storage Limited	Director

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.

Auditor

Deloitte have indicated their willingness to continue in office in accordance with Section 200 of the Companies Act 1993. A resolution authorising Directors to fix the remuneration of the auditor will be put to shareholders at the annual meeting.

Directors' Remuneration

The following persons held office as Directors of the Company between 1 January 2013 and 31 December 2013 and received the following remuneration:

A D Batterton	$30,000
A J Borland	$431,030
M R Hutton	$30,000
J I Mayson	$50,000

Mr Borland's remuneration includes his remuneration as an executive of the Company.

The following persons held office as Directors of Group subsidiaries between 1 January 2013 and 31 December 2013 and received the following remuneration:

T Goodacre	$50,000
N J Harris	$25,000
B W Jans	$35,000
J G Sinclair	$25,000

Mr Sinclair received Director's fees of $14,500 from Profruit (2006) Limited.

Remuneration of Employees

The number of employees of the Group, not being a Director mentioned above, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more on an annualised basis were:

Amount of remuneration	Employees	Amount of remuneration	Employees
$100,000 - $110,000	6	$180,001 - $190,000	1
$110,001 - $120,000	8	$190,001 - $200,000	1
$120,001 - $130,000	7	$200,001 - $210,000	1
$130,001 - $140,000	5	$210,001 - $220,000	2
$140,001 - $150,000	4	$230,001 - $240,000	1
$150,001 - $160,000	2	$240,001 - $250,000	1
$160,001 - $170,000	2	$400,001 - $410,000	1

Meateor Foods' manufactured product in cold storage at Whakatu, Hawke's Bay.

Future Annual Reports

I would like to remind shareholders that they have the option of receiving their Annual Report electronically and would encourage consideration of this option as it will not only expedite the report to you but also reduce costs to the Company.

Conclusion

I am extremely pleased to be able to report a record profit for the Group. As noted in prior years this is especially pleasing given the challenging environment that the Group operates in.

Whilst recognising that this year's result was exceptional, the Board is confident that the initiatives undertaken in the past few years are resulting in a sustainable increase in Group profitability.

I would like to thank my fellow Directors and all Group employees for their valued contribution to this result and to the Group's ongoing success.

J I Mayson
Chairman

Managing Director's Review

The 2013 year has been an exceptional one for the Scales Group with a record profit after tax of $20.4m. This is a 50% increase on the 2012 result. Other financial highlights for the year include:

- Total revenue of $278.1m is up 17.2% on 2012. This is largely due to an increase in revenue in the Horticulture division, reflecting higher apple volumes and prices, plus the first full year of the new air freight operation, Balance Cargo.
- EBITDA of $44.4m is up 34.4% on 2012, again largely due to the strong result from the Horticulture division.

While we are obviously pleased with this level of financial performance, repeating this exceptional result will be a challenge for 2014. We are however forecasting a sustainable lift in performance as benchmarked against the 2011 and 2012 years. This forecast is based upon the generally positive outlook for New Zealand agribusiness, of which Scales is an integral part, and given the initiatives and capex investments that have been undertaken in the recent past to grow the business.

Scales is a large, diverse and growing New Zealand agribusiness Group

Scales continues to perform well from its three operating divisions, Horticulture, Storage & Logistics and Food Ingredients. The diverse spread of activities gives Scales a broad exposure to the New Zealand agribusiness sector which is growing at a very good rate.

The opportunities for Scales are spread across the full spectrum of our divisions, including:

- An increase in apple volumes targeted at premium Asian markets as our redevelopment programme reaches maturity.
- Nationally higher dairy, meat and crop volumes requiring coldstorage.
- Imported oils for infant formula milk powder production require transfer from ships to land-based storage facilities.
- Food ingredients activities add value to core industry waste streams to meet increasing demand from key sectors of world pet food and beverage industries.
- All of the above needing sea and air freight logistics support, be it export or import to and from offshore markets.

Horticulture

Mr Apple and associate Fern Ridge Produce contributed a particularly outstanding result to our horticulture activities.

Mr Apple's vertically integrated operations had a stellar year producing a crop that was significantly above budget at a record 2.82 m cartons packed and exported. In total we exported more than 4 m cartons if you include apples from our external growers – which was another record.

In addition, apple prices were strong in most of our key markets. The fact the high prices more than offset the impact of a persistently high dollar was also a feature of the year's result. This positive set of circumstances involving a combination of high apple volumes and prices was very beneficial from an "orchard gate" financial performance perspective.

Here's a few reasons why Mr Apple achieved a year of "super performance":

- A hot dry summer with irrigated orchards providing good yields, high colour and high brix (sugar levels).
- Investment in new varieties of apples enabling a growing proportion of our apple exports to be specifically targeted at strong demand "near markets" – Asia, the Middle East and India.
- Growth in traditional UK and European markets lifting key supermarket price points to provide strong returns and mitigate currency depreciation.
- Production efficiencies achieved with a new defect sorter commissioned at our largest Whakatu packhouse facility.
- Bolstering our "in market" representation and investment in overseas markets by providing greater brand support and recognition to grow market returns.
- New cool store capacity ensures we have adequate storage to maintain quality standards at peak production.

- Continued support for and encouragement of consolidation and co-operation within the New Zealand apple export sector leading to investment in and a close working relationship with Fern Ridge Produce. We are also developing co-branding and in-market resource initiatives with apple export partners.
- Best practice benchmarking within all Mr Apple operations to achieve yields and export packhouse percentages that exceed New Zealand averages.

All of these activities are designed to provide benefits to the Mr Apple orchards and our outside apple growers through higher orchard gate returns.

Storage & Logistics
Coldstorage
Our coldstorage operations at Polarcold and Whakatu Coldstores had a very solid year. Both beating budget and continuing to expand their footprint and secure longer term contracts from major New Zealand food producers.

Currently we are investigating the benefits of a bulk storage facility (for a key client under a 10 year contract) and FMCG coldstorage operation in South Auckland that is linked to the rail network. Project negotiations are continuing in 2014 and, if concluded successfully, the new facility will be completed by mid-2015.

The bulk liquid storage business Liqueo had a steady year but continues to grow. A new 2000 tonne tank is being commissioned at Port of Napier and is partially underwritten with a take or pay contract from an established client.

A new boiler installed at Timaru assists with product heating efficiencies. It supports our management of an expansion project for one of our key contracted clients linked to the dairy industry.

Logistics
Our sea freight operations under Scales Logistics had a strong year. We increased freight volume, especially from other horticulture exporters. By securing competitive sea freight rates we also help improve their net orchard gate returns.

The new air freight division Balance Cargo completed its inaugural year with a growing client base and bright prospects for further growth having secured a key new export client late in the 2013 year.

Food Ingredients
Our Meateor pet food operations maintained good momentum. The new North Island plant performed very well as did the practice of sourcing raw material from the Australian market. We continue to trial new products as all protein from New Zealand and Australia attracts strong support and interest from both the US and Thailand markets.

Profruit had a strong production and efficiency year processing record volumes of apples and a growing volume of kiwifruit. Markets for kiwifruit juice concentrate and organic apple juice concentrate continued strongly however prices for conventional apple juice concentrate dropped during the year.

De-Merger
As you are already aware we have started the process of de-merging our property and investment assets. As we write this we have obtained shareholder and High Court approval and we are waiting on an IRD ruling to confirm the de-merger transaction can proceed as planned.

Due in a large part to our recent strong profitability and continued term debt reduction, our bankers have supported the demerger without requiring any further debt reduction. To this end, newly created George H Investments Limited will carry no long-term debt. We may however secure project-by-project funding to complete any new design, build and sale opportunities.

Handling frozen carcass meat at Polarcold's Canada Crescent coldstore in Christchurch. →

Property Activities

During the 2013 year $11.4 m of non-core property was sold and settled. One of the larger transactions was the design, build, subdivision and sale of a 12,000m2 woolstore leased to PGG Wrightson on a 10 year term. Good progress was made with the further subdivision of Whakatu Industrial Park, Groome Place and Silverstream industrial land.

Balance Sheet

The Scales balance sheet continues to improve as we lower term debt and continue strategic capex investments. Term Debt is now down to $60m and our term debt to EBITDA ratio sits well below our targeted two times level at 1.36 times.

Future Growth and Prospects for 2014

We continue to invest to support the growth of the business:

- Apple variety change to target higher returns from Asian markets is nearing completion.
- Auckland Coldstore project to meet our own contracted and new customer demand.
- New refrigeration plant upgrade at Polarcold Timaru with strong pay back from electricity savings.
- New facilities at Liqueo Timaru to support an existing contracted client's dairy product manufacture expansion plans.
- New liquid bulk storage tank at Liqueo Napier Port facility.
- Warehouse Management System upgrade in coldstorage providing more efficiency and accuracy.
- Expand customer base in both sea and air freight segments.
- New product investigation projects underway for both Meateor and Profruit.

The outlook for Scales' diverse and growing agribusiness operations is looking very positive.

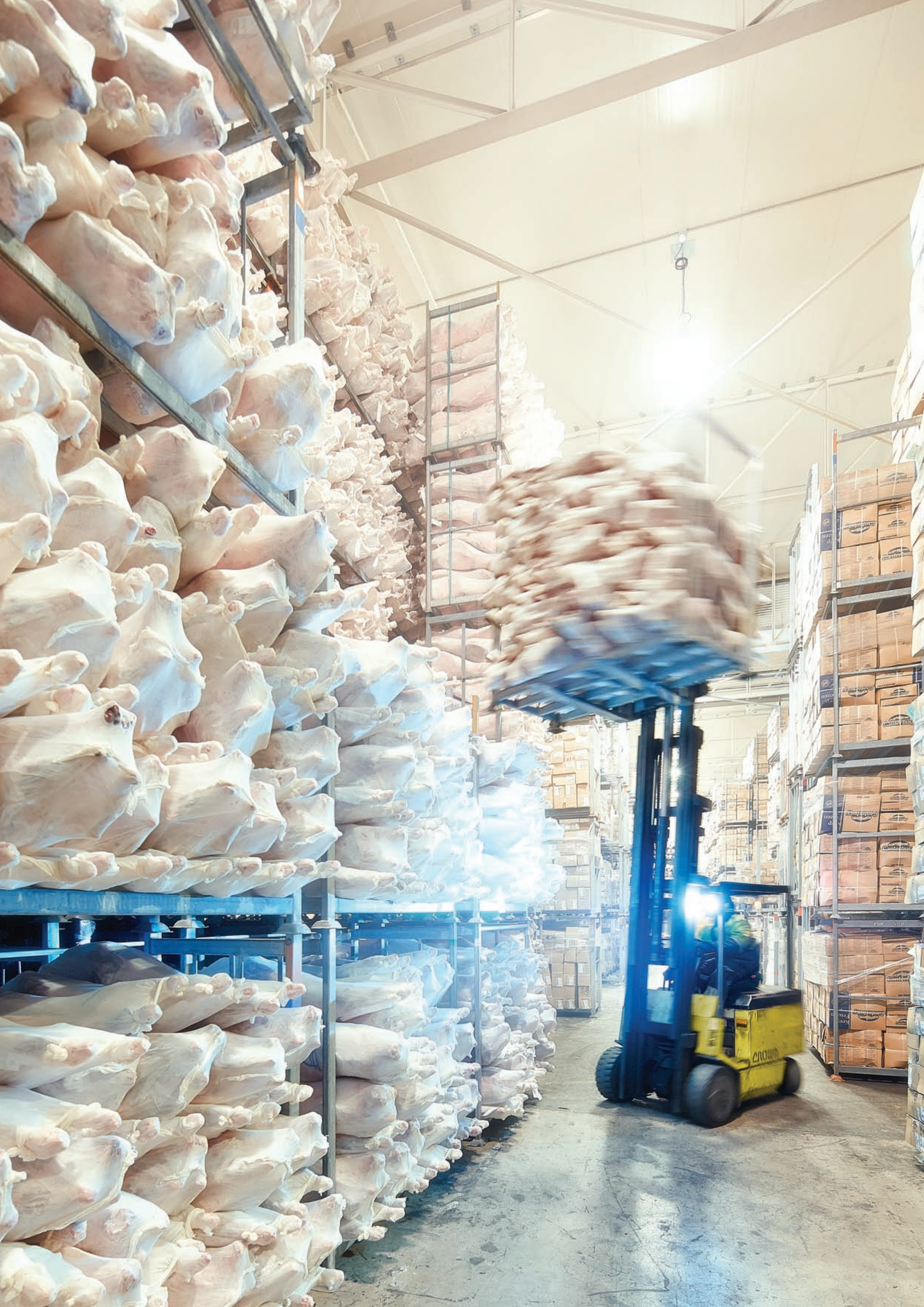
Key reasons for this include:

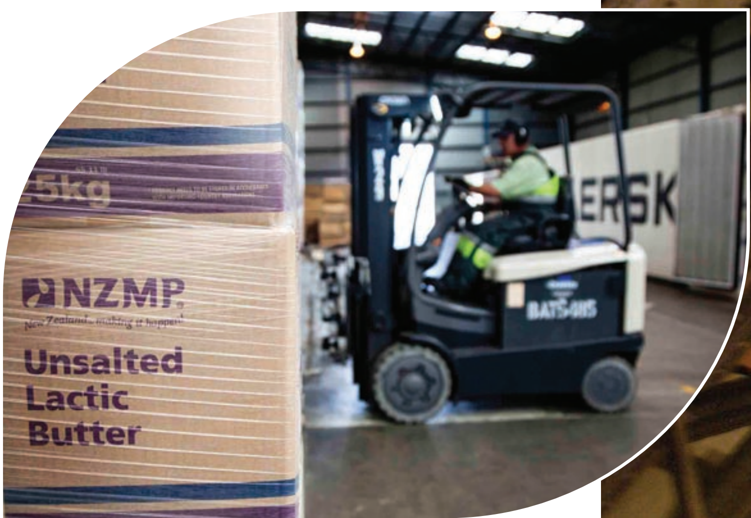
- A loyal, experienced, innovative and passionate management and workforce is a major competitive advantage for Scales.
- Our three operating divisions are well placed to participate in the growth of New Zealand's agribusiness sector as it continues to expand to supply growing demand from diverse customers and markets.
- A strong balance sheet with a good buffer to provide business flexibility.

The 2014 year has started positively, our storage facilities continue to be well utilised and the apple season has started with a rush as market demand and prices remain solid. The damage from a pre-Christmas hail strike in Hawke's Bay was isolated to a few of our Hastings orchards and currently we remain on track to achieve our originally budgeted export apple production.

A special thanks to all management and staff, directors, suppliers, bankers and of course our customers. Scales greatly appreciates your collective support and involvement in our 102nd year of trading.

A J Borland
Managing Director
Scales Corporation Limited





From top: Meateor Foods' North Island factory; McCain's product in cold storage at Whakatu; Fonterra butter in cold storage at Napier Port Store.

Racking alterations being carried out at Polarcold's Timaru coldstore.

Scales Corporation Limited
Financial Statements

Deloitte.

REPORT TO THE SHAREHOLDERS OF SCALES CORPORATION LIMITED

We have audited the financial statements of Scales Corporation Limited and group on pages 16 to 51, which comprise the consolidated and separate statements of financial position of Scales Corporation Limited, as at 31 December 2013, 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 is 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, we have no relationship with or interests in Scales Corporation Limited or any of its subsidiaries.

Opinion
In our opinion, the financial statements on pages 16 to 51:
- 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 2013, 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 2013:

- 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
24 March 2014
Christchurch, New Zealand

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors are pleased to present the financial statements of Scales Corporation Limited for the year ended 31 December 2013 on pages 16 to 51.

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 2013 and the results of their operations and cash flows for the year ended 31 December 2013.

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 24 March 2014 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

J I Mayson
Chairman

A J Borland
Managing Director

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
Revenue	2	272,839	227,419	1,111	1,147
Other gains	3	3,685	8,334	165	46
Share of profits of associate companies and joint ventures accounted for using the equity method	4	1,567	1,467	-	-
		278,091	237,220	1,276	1,193
Amortisation expense	23	696	435	46	64
Auditor's remuneration	5	281	148	193	68
Bad debts		13	-	-	-
Changes in inventories		(21)	(69)	-	-
Depreciation expense	19	8,459	7,861	22	35
Direct expenses		34,076	33,099	1,020	1,011
Directors' fees		245	259	70	84
Donations		24	8	-	-
Electricity		7,121	6,624	-	-
Employee benefits expense	6	49,738	43,993	1,090	1,715
Finance costs	7	7,214	8,211	7,341	8,260
Grower payments		35,698	34,478	-	-
Impairment of non-current assets	19	2,043	-	-	-
Insurance		3,477	2,483	86	82
Materials and consumables		22,413	17,213	-	-
Ocean and air freight		49,343	39,079	-	-
Operating lease expenses		8,740	7,397	12	15
Other losses	3	615	3,820	5	38
Packaging		12,136	10,163	-	-
Repairs and maintenance		7,713	5,461	1	6
		250,024	220,663	9,886	11,378
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		28,067	16,557	(8,610)	(10,185)
Income tax expense	8	7,629	2,933	(2,300)	1,006
PROFIT (LOSS) FOR THE YEAR		20,438	13,624	(6,310)	(11,191)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss:					
Gain (loss) on shares in listed company	12	1,206	(2,651)	-	-
Revaluation of land and buildings	10	7,098	-	-	-
Income tax relating to items that will not be reclassified	8	(1,573)	-	-	-
		6,731	(2,651)	-	-
Items that may be reclassified subsequently to profit or loss:					
Gain on cash flow hedges	11	1,218	3,080	4,381	848
Income tax relating to items that may be reclassified	8	(341)	(863)	(1,227)	(238)
		877	2,217	3,154	610
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		7,608	(434)	3,154	610
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		28,046	13,190	(3,156)	(10,581)
EARNINGS PER SHARE:					
Basic earnings per share (cents)	35	50.8	38.5		
Diluted earnings per share (cents)	35	50.8	38.5		

The notes to the financial statements on pages 21 to 51 form part of and should be read in conjunction with this statement.

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	Share Capital $'000	Properties Revaluation Reserve $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
GROUP						
Balance at 1 January 2012		38,067	22,905	(2,671)	59,993	118,294
Profit for the year		-	-	-	13,624	13,624
Other comprehensive income (loss) for the year		-	-	2,217	(2,651)	(434)
Total comprehensive income for the year		-	-	2,217	10,973	13,190
Transfers	10,12	-	(56)	-	56	-
Issue of share capital	9	25,589	-	-	-	25,589
Balance at 31 December 2012		63,656	22,849	(454)	71,022	157,073
Profit for the year		-	-	-	20,438	20,438
Other comprehensive income for the year		-	5,525	877	1,206	7,608
Total comprehensive income for the year		-	5,525	877	21,644	28,046
Transfers	10,12	-	(966)	-	966	-
Dividends paid	12	-	-	-	(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
COMPANY						
Balance at 1 January 2012		38,067	-	(3,162)	(22,989)	11,916
Loss for the year		-	-	-	(11,191)	(11,191)
Other comprehensive income for the year		-	-	610	-	610
Total comprehensive income (loss) for the year		-	-	610	(11,191)	(10,581)
Issue of share capital	9	25,589	-	-	-	25,589
Balance at 31 December 2012		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	12	-	-	-	(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

The notes to the financial statements on pages 21 to 51 form part of and should be read in conjunction with this statement.

Statement of Financial Position

AS AT 31 DECEMBER 2013

	NOTES	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
EQUITY					
Share capital	9	61,957	63,656	61,957	63,656
Properties revaluation reserve	10	27,408	22,849	-	-
Hedging reserve	11	423	(454)	602	(2,552)
Retained earnings (losses)	12	85,525	71,022	(48,597)	(34,180)
		175,313	157,073	13,962	26,924
NON - CURRENT LIABILITIES					
Borrowings	25	60,000	59,632	60,000	59,632
Deferred tax liabilities	8	17,458	15,067	153	-
Other financial liabilities	26	1,665	2,782	245	2,782
		79,123	77,481	60,398	62,414
CURRENT LIABILITIES					
Trade and other payables	24	15,523	14,411	843	964
Borrowings	25	-	11,024	-	11,384
Current tax liabilities	8	2,100	-	-	-
Other financial liabilities	26	599	1,089	23,251	24,217
		18,222	26,524	24,094	36,565
		272,658	261,078	98,454	125,903

The notes to the financial statements on pages 21 to 51 form part of and should be read in conjunction with this statement.

AS AT 31 DECEMBER 2013

	NOTES	GROUP		COMPANY	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
NON - CURRENT ASSETS					
Investments accounted for using the equity method	4	5,052	5,475	-	-
Other financial assets	17	24,457	22,685	87,981	122,585
Property, plant and equipment	19	152,104	145,969	52	56
Investment property	20	22,334	25,827	-	-
Biological assets	21	26,853	25,879	-	-
Deferred tax assets	8	-	-	-	1,744
Goodwill	22	5,319	5,319	-	-
Other intangible assets	23	1,672	1,370	75	64
		237,791	232,524	88,108	124,449
CURRENT ASSETS					
Cash and bank balances		4,461	181	292	-
Trade and other receivables	13	12,911	9,891	2,037	1,382
Other financial assets	14	2,058	2,763	23	-
Inventories	15	11,096	11,075	-	-
Current tax assets	8	-	2	7,981	2
Property held for sale	20	2,125	2,200	-	-
Other current assets	16	2,216	2,442	13	70
		34,867	28,554	10,346	1,454
		272,658	261,078	98,454	125,903

The notes to the financial statements on pages 21 to 51 form part of and should be read in conjunction with this statement.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		272,347	237,737	395	83
Dividends received		2,020	25	-	-
Interest received		532	716	1,003	1,096
Income tax refund		-	-	-	130
		274,899	238,478	1,398	1,309
Cash was disbursed to:					
Payments to suppliers and employees		228,721	204,826	3,478	3,092
Interest paid		7,214	8,211	7,341	8,260
Income tax paid		5,050	1	5,010	-
		240,985	213,038	15,829	11,352
NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	27	33,914	25,440	(14,431)	(10,043)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Advances to subsidiaries repaid		-	-	36,038	-
Other advances repaid		-	1,488	-	142
Sale of investment properties		8,244	7,183	-	-
Sale of NZ Government Stock		1,021	-	-	-
Sale of property, plant and equipment and other intangible assets		3,470	5,715	13	119
		12,735	14,386	36,051	261
Cash was applied to:					
Advances to subsidiaries		-	-	-	195
Advances to other entities		1,059	-	-	-
Investment in biological assets		1,074	2,000	-	-
Loans to employees		-	350	-	350
Purchase of associate company		1,782	-	-	-
Purchase of investment properties		3,745	2,993	-	-
Purchase of NZ Government Stock		520	-	-	-
Purchase of other intangible assets		1,016	998	58	9
Purchase of shares in listed company		-	22,899	-	-
Purchase of other shares		23	15	-	-
Purchase of property plant and equipment		12,387	13,208	34	18
		21,606	42,463	92	572
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		(8,871)	(28,077)	35,959	(311)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Advances from subsidiary companies		-	-	-	11,654
Proceeds from borrowings		-	10,367	-	9,450
Shares issued		600	25,589	600	25,589
		600	35,956	600	46,693
Cash was applied to:					
Advances from subsidiary companies repaid		-	-	114	-
Borrowings repaid		10,001	33,603	9,082	33,574
Dividends paid		8,107	-	8,107	-
Shares repurchased		2,599	-	2,599	-
		20,707	33,603	19,902	33,574
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		(20,107)	2,353	(19,302)	13,119
NET INCREASE (DECREASE) IN NET CASH		4,936	(284)	2,226	2,765
Cash and cash equivalents at the beginning of the year		(475)	(191)	(1,934)	(4,699)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4,461	(475)	292	(1,934)
Represented by:					
Cash and bank balances		4,461	181	292	-
Bank overdraft		-	(656)	-	(1,934)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4,461	(475)	292	(1,934)

The notes to the financial statements on pages 21 to 51 form part of and should be read in conjunction with this statement.

FOR THE YEAR ENDED 31 DECEMBER 2013

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 is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with the Financial Reporting Act 1993.

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.

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, leasing transactions that are within the scope of NZ IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in NZ IAS 2 or value in use in NZ IAS 36.

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.

Accounting Judgements and Major Sources of Estimation Uncertainty (continued)

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 22.

The fair values of biological assets (note 21), land and buildings (note 19), investment property (note 20), derivative financial instruments (notes 14, 17, 26 and 33) and other non-current financial assets at fair value through other comprehensive income (note 17) 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 consolidated 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 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.
- 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 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 incurred. 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.

(b) Business Combinations (continued)

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 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 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. In assessing the Group's share of the profit or loss or other comprehensive income of the associate or joint venture, the Group's share of any unrealised profits or losses on transactions between Group companies and the associate or joint venture is eliminated. 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 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.

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 and it is probable that the economic benefits associated with the transaction will flow to the Group.

(e) Revenue Recognition (continued)

Rendering of Services

Revenue from a contract to provide services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group. The stage of completion of the contract at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Rental Income

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 lease term.

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

Borrowing 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.

Borrowing 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 borrowing 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

Assets held under finance leases are initially recognised as assets of the Group at their fair value determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss.

The Group as Lessee (continued)

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 other 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, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

(j) Share Capital

Shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

Bonus shares issued for no consideration are not recognised as a transaction in the financial statements.

(k) Share-based Payment Arrangement

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 36.

(k) Share-based Payment Arrangement (continued)

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.

(l) 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) 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, or designated, as 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. The fair value of certain bonds held by the Group classified as being at fair value through profit or loss are determined with reference to quoted market prices.

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.

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.

Assets held at amortised cost are assessed for indications of impairment at each balance date. Accounts receivable are stated at amortised cost less any impairment. All known bad debts are written off during the financial year. Intragroup balances due from subsidiary and associate companies are measured at amortised cost less impairment losses.

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 uncollectable, 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.

(m) 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.

(n) Non-current Assets Held for Sale

Non-current assets 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 is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such an asset 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.

(o) 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.

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 carrying amount for an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

(p) Investment Property

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

(q) 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.

(r) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

(s) Intangible Assets

Computer software

Acquired computer software licences are reported at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over their estimated useful lives. Usually this period does not exceed 5 years.

(t) 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.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. An impairment of goodwill is not subsequently reversed.

(u) 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.

(v) 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.

(w) 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 translated 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.

For the purposes of presenting these consolidated 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.

(x) 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.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are 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 the "other gains and losses" line.

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.

(y) 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.

(z) 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, 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 NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosure of Interests in Other Entities and the amendments to NZ IAS 27 Separate Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures has resulted in Profruit (2006) Limited being classified as a joint venture rather than as an associate company. The basis of accounting for the company has not changed.

i Standards and Interpretations Effective in the Current Period (continued)

The Group has adopted NZ IFRS 13 Fair Value Measurements for the first time in the current year. NZ IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of NZ IFRS 13 apply to both financial instrument items and non-financial instrument items for which other NZ IFRS's require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of NZ IFRS 2 Share-based Payment, 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.

NZ IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under NZ IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, NZ IFRS 13 includes extensive disclosure requirements.

NZ IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosure required by NZ IFRS 13 for the 2012 comparative period. The 2013 disclosures are set out in notes 19, 20, 21 and 33. Other than the additional disclosures, the application of NZ IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The adoption of other 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 Adopted

The Group has reviewed all Standards and Interpretations in issue not yet adopted and does not expect these standards to have any material impact on the financial statements of the Company and Group.

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
2 REVENUE				
Revenue from the sale of goods	189,710	154,943	-	-
Revenue from the rendering of services	77,641	68,132	108	51
Interest revenue	533	707	1,003	1,096
Fees and commission	278	217	-	-
Rental revenue	4,648	3,395	-	-
Dividends:				
Other companies	29	25	-	-
	272,839	227,419	1,111	1,147
3 OTHER GAINS AND LOSSES				
Change in fair value of biological assets (note 21)	16	(2,614)	-	-
Change in fair value of investment properties (note 20)	931	(1,143)	-	-
Gain (loss) on disposal of property, plant & equipment	604	1,185	(5)	(38)
Hedge ineffectiveness on cash flow hedges	(615)	(63)	165	46
Net foreign exchange gains	1,377	3,776	-	-
Net insurance proceeds	757	3,373	-	-
	3,070	4,514	160	8
Disclosed as:				
Other Gains	3,685	8,334	165	46
Other Losses	(615)	(3,820)	(5)	(38)
	3,070	4,514	160	8

4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	GROUP 2013 $'000	GROUP 2012 $'000
Share of profits for the year:		
Associate company	490	-
Joint venture	1,077	1,467
	1,567	1,467
Carrying value at end of the year:		
Associate company	2,000	2,000
Joint venture	3,052	3,475
	5,052	5,475
ASSOCIATE COMPANY		
Share of profit before taxation	702	-
Share of income tax	(212)	-
Share of Net Profit for the Year and Total Comprehensive Income	490	-
Carrying value at beginning of the year	2,000	-
Dividend from associate company	(490)	-
Acquisition of interest in associate company	-	2,000
INVESTMENT IN ASSOCIATE COMPANY	2,000	2,000

The Scales Corporation Limited Group share of capital commitments of associate companies existing at 31 December 2013 is $nil (31 December 2012 $nil).
The Scales Corporation Limited Group share of contingent liabilities of associate companies existing at 31 December 2013 is $nil (31 December 2012 $nil).

	Principal Activity	Country of Incorporation	Holding 2013	Holding 2012	Balance Date
Fern Ridge Produce Limited	Fruit & Produce Exporting	New Zealand	50%	50%	31 October

	GROUP 2013 $'000	GROUP 2012 $'000
JOINT VENTURE		
Share of profit before taxation	1,496	2,041
Share of income tax	(419)	(574)
Share of Net Profit for the Year and Total Comprehensive Income	1,077	1,467
Carrying value at beginning of the year	3,475	3,353
Dividend paid	(1,500)	-
Advances repaid by joint venture	-	(1,345)
INVESTMENT IN JOINT VENTURE	3,052	3,475

The Scales Corporation Limited Group share of capital commitments of joint ventures existing at 31 December 2013 is $nil (31 December 2012 $nil).
The Scales Corporation Limited Group share of contingent liabilities of joint ventures existing at 31 December 2013 is $nil (31 December 2012 $nil) and its share of the guarantee of bank loan facilities is $564 (2012 $672).

	Principal Activity	Country of Incorporation	Holding 2013	Holding 2012	Balance Date
Profruit (2006) Limited	Juice Production & Sales	New Zealand	50%	50%	31 December

	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
5 AUDITOR'S REMUNERATION				
Audit of the financial statements	103	100	20	25
Audit of solvency certificate for Selacs Insurance Limited	5	5	-	-
Tax compliance services	43	43	43	43
Tax services re proposed demerger (refer note 37)	130	-	130	-
	281	148	193	68
6 EMPLOYEE BENEFITS EXPENSE				
Post employment benefits - defined contribution plans	879	583	45	65
Salaries, wages and related benefits	48,859	43,410	1,045	1,650
	49,738	43,993	1,090	1,715
7 FINANCE COSTS				
Interest on loans	6,504	7,212	6,504	7,212
Other interest	101	630	228	679
Bank facility fees	609	369	609	369
	7,214	8,211	7,341	8,260
8 TAXATION				
(a) Income Tax Recognised in Profit				
Income tax expense comprises:				
Current tax expense	7,152	-	(2,969)	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	115	-	1
Deferred tax expense relating to the origination and reversal of temporary differences	477	2,818	669	1,005
Total income tax expense recognised in profit	7,629	2,933	(2,300)	1,006
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 operations	28,067	16,557	(8,610)	(10,185)
Income tax expense calculated at 28%	7,859	4,636	(2,411)	(2,852)
Non-assessable income	(829)	(1,473)	-	-
Non-deductible expenses	572	755	95	60
Taxation losses utilised	-	(661)	-	3,653
Under (over) provision of income tax in previous year - current tax	-	115	-	1
Under (over) provision of income tax in previous year - deferred tax	27	(439)	16	144
	7,629	2,933	(2,300)	1,006

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 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
(b) Current Tax (Asset) Liability				
Balance at beginning of the year	(2)	(116)	(2)	(133)
Current taxation expense	7,152	115	(2,969)	1
Taxation (paid) refund	(5,050)	(1)	(5,010)	130
Balance at end of the year	2,100	(2)	(7,981)	(2)

8 TAXATION (continued)

(c) Deferred Tax Balances

	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
Net deferred tax liabilities (assets) comprise:				
Temporary differences	17,458	15,067	153	(1,744)

Taxable and deductible temporary differences arise from the following:

	Opening balance	Charged to income	Charged to other comprehensive income	Closing balance
31 December 2013		**GROUP**		
Gross deferred tax liabilities:				
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
	16,367	(137)	1,573	17,803
Gross deferred tax assets:				
Trade and other payables	401	109	-	510
Other financial assets and liabilities	176	-	(341)	(165)
Tax losses carried forward	723	(723)	-	-
	1,300	(614)	(341)	345
Net deferred tax liability	15,067	477	1,914	17,458
31 December 2012		**GROUP**		
Gross deferred tax liabilities:				
Trade and other receivables	131	(86)	-	45
Biological assets	4,697	453	-	5,150
Investment properties	946	(805)	-	141
Other intangible assets	31	(9)	-	22
Property, plant and equipment	12,141	(1,132)	-	11,009
	17,946	(1,579)	-	16,367
Gross deferred tax assets:				
Trade and other payables	525	(124)	-	401
Other financial assets and liabilities	1,039	-	(863)	176
Tax losses carried forward	4,996	(4,273)	-	723
	6,560	(4,397)	(863)	1,300
Net deferred tax liability	11,386	2,818	863	15,067
31 December 2013		**COMPANY**		
Gross deferred tax liabilities (assets):				
Trade and other payables	(28)	(54)	-	(82)
Other financial liabilities	(992)	-	1,227	235
Tax losses carried forward	(724)	724	-	-
Net deferred tax liability	(1,744)	670	1,227	153

8 TAXATION (continued)

31 December 2012	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
		COMPANY		
Gross deferred tax liabilities (assets):				
Trade and other payables	(45)	17	-	(28)
Other financial liabilities	(1,230)	-	238	(992)
Tax losses carried forward	(1,712)	988	-	(724)
Net deferred tax (asset)	(2,987)	1,005	238	(1,744)

	GROUP		COMPANY	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(d) Imputation Credit Account Balances				
Balance at end of the year	4,927	153	4,927	153

The Scales Corporation Limited consolidated tax group for income tax includes Scales Corporation Limited and all New Zealand registered subsidiary companies other than George H Investments Limited, Scales Employees Limited, Scales Property Development Limited and Tiger Ventures NZ Limited.

9 SHARE CAPITAL

	GROUP AND COMPANY			
	2013		2012	
	Number	Value $'000	Number	Value $'000
(a) Ordinary Capital				
Balance at beginning of the year	40,538,340	63,656	27,687,502	38,067
Shares repurchased and cancelled on 2 August 2013	(1,124,338)	(2,586)	-	-
Employee share options exercised during the year	450,000	900	-	-
Shares issued on 21 May 2012 pursuant to the Rights Issue	-	-	12,585,228	25,171
Shares issued on 12 October 2012	-	-	265,610	531
Share buyback / issue costs	-	(13)	-	(113)
Balance at end of the year	39,864,002	61,957	40,538,340	63,656
(b) Available Subscribed Capital				
Balance at beginning of the year		67,688		42,099
Shares repurchased and cancelled during the year		(2,599)		-
Shares issued during the year		900		25,589
Balance at end of the year		65,989		67,688

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.

	GROUP		COMPANY	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000

10 PROPERTIES REVALUATION RESERVE

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Balance at beginning of the year	22,849	22,905	-	-
Increase on revaluation of land and buildings	7,098	-	-	-
Deferred tax on revaluation (note 8)	(1,573)	-	-	-
Transfer to retained earnings on disposal	(966)	(56)	-	-
Balance at end of the year	27,408	22,849	-	-

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

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Balance at beginning of the year	(454)	(2,671)	(2,552)	(3,162)
Gain recognised on cash flow hedges	1,218	3,080	4,381	848
Income tax related to gains recognised as equity (note 8)	(341)	(863)	(1,227)	(238)
Balance at end of the year	423	(454)	602	(2,552)

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

12 RETAINED EARNINGS (LOSSES)

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Balance at beginning of the year	71,022	59,993	(34,180)	(22,989)
Profit (loss) for the year	20,438	13,624	(6,310)	(11,191)
Other comprehensive income (loss)	1,206	(2,651)	-	-
Transfer from properties revaluation reserve	966	56	-	-
Dividends paid	(8,107)	-	(8,107)	-
Balance at end of the year	85,525	71,022	(48,597)	(34,180)

Included in retained earnings is the cumulative loss on shares in listed company of $1,445 (2012 $2,651), presented as investment in equity instrument at fair value through other comprehensive income.

13 TRADE AND OTHER RECEIVABLES

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade receivables	10,274	8,078	-	-
Other receivables	550	790	9	2
Owing by associate companies	123	-	-	-
Owing by subsidiary companies	-	-	88	390
Goods and services tax	1,964	1,023	1,940	990
	12,911	9,891	2,037	1,382

	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
13 TRADE AND OTHER RECEIVABLES (continued)				
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'.				
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:				
One month	1,768	1,724	-	-
Two months	482	157	-	-
More than two months	618	448	-	-
	2,868	2,329	-	-
14 OTHER CURRENT FINANCIAL ASSETS				
At fair value:				
Forward foreign currency exchange contracts	977	2,763	-	-
Interest rate swap contracts	23	-	23	-
At amortised cost:				
Advances to other entities	1,058	-	-	-
	2,058	2,763	23	-
15 INVENTORIES				
Petfood	8,609	8,804	-	-
Other	2,487	2,271	-	-
	11,096	11,075	-	-
16 OTHER CURRENT ASSETS				
Prepayments	2,216	2,442	13	70
17 OTHER NON-CURRENT FINANCIAL ASSETS				
New Zealand Government Stock	-	503	-	-
Forward foreign currency exchange contracts	540	928	-	-
Interest rate swap contracts	1,134	-	1,134	-
Shares in listed company	21,105	19,899	-	-
Shares in subsidiary companies (Note 18)	-	-	26,911	26,911
Shares in other companies	128	105	-	-
Non-interest bearing loans advanced to subsidiary companies	-	-	58,386	94,424
Employee loans (note 36)	1,550	1,250	1,550	1,250
	24,457	22,685	87,981	122,585

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

Scales

18 SHARES IN SUBSIDIARY COMPANIES

The Consolidated Financial Statements incorporate the following subsidiary companies :

Subsidiary Companies	Principal Activity	Country of Incorporation	Holding 2013	Holding 2012	Balance Date
Cashreal Properties Limited	Non trading company	New Zealand	0%	100%	31 December
George H Investments Limited	Non trading company	New Zealand	100%	0%	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%	0%	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	100%	100%	31 December
Selacs Insurance Limited	Insurance company	New Zealand	100%	100%	31 December
Silverstream Industrial Park Limited	Trading company	New Zealand	100%	100%	31 December
Tiger Ventures NZ Limited	Holding company	New Zealand	100%	100%	31 December
Tomoana Trustee Company Limited	Non trading company	New Zealand	0%	100%	31 December
Whakatu Coldstores Limited	Coldstore operator	New Zealand	100%	100%	31 December
Whakatu Processing Aust Pty Limited	Non trading company	Australia	0%	100%	31 December
Whakatu Processing Pty Limited	Non trading company	Australia	0%	100%	31 December
Whakatu Property Management Limited	Trading company	New Zealand	100%	100%	31 December

Cashreal Properties Limited, Tomoana Trustee Company Limited, Whakatu Processing Aust Pty Limited and Whakatu Processing Pty Limited were liquidated or struck off during the year.

19 PROPERTY, PLANT & 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 2012	111,217	74,840	1,749	15,520	203,326
Additions	1,148	3,380	7,316	1,364	13,208
Disposals	(4,149)	(358)	-	(1,174)	(5,681)
Balance 31 December 2012	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

19 PROPERTY, PLANT & EQUIPMENT (continued)

GROUP	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
Accumulated depreciation and impairment					
Balance 1 January 2012	-	46,108	-	12,066	58,174
Depreciation expense	2,273	4,526	-	1,062	7,861
Disposals	-	(279)	-	(872)	(1,151)
Balance 31 December 2012	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
Net book value					
As at 31 December 2012	105,943	27,507	9,065	3,454	145,969
As at 31 December 2013	110,397	34,743	2,090	4,874	152,104

	COMPANY 2013 $'000	COMPANY 2012 $'000
Office Equipment and Motor Vehicles:		
Gross carrying amount		
Balance at beginning of the year	236	838
Additions	34	18
Disposals	(89)	(620)
Balance at end of the year	181	236
Accumulated depreciation and impairment		
Balance at beginning of the year	180	609
Depreciation expense	22	35
Disposals	(73)	(464)
Balance at end of the year	129	180
Net book value	52	56

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), Macpherson Valuation Limited ($6,166) and Rawcliffe & Co Limited ($69,527). 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 impairment of land and buildings relates mainly to additional costs in upgrading buildings at the same time as a major plant upgrade was commissioned. The increased costs have not been reflected in the market based rental.

Details of the Group's land and buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Land and buildings	-	110,397	-	110,397

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

The carrying amount of land and buildings had it been recognised under the cost model is $77,822 (31 December 2012 $79,756).

19 PROPERTY, PLANT & EQUIPMENT (continued)

Impairment Review

Plant and equipment is 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 plant and 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 2013 (31 December 2012 $nil).

20 INVESTMENT PROPERTY

	GROUP	
	2013 $'000	2012 $'000
At fair value:		
Balance at beginning of the year	25,827	33,360
Additions through subsequent expenditure	3,745	2,993
Disposals	(6,044)	(7,183)
Net gain (loss) from fair value adjustment (note 3)	931	(1,143)
Transfer to property held for sale	(2,125)	(2,200)
Balance at end of the year	22,334	25,827
Rental income	2,725	3,227
Operating expenses	1,181	1,279

The fair value of the Group's investment properties at 31 December 2013 has been 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.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment property	-	22,334	-	22,334

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property held for sale	2,125	-	-	2,125

There were no transfers between Levels 1, 2 and 3 during the year.
The fair value of property held for sale is based on the conditional sale and purchase agreements.

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

21 BIOLOGICAL ASSETS

	GROUP	
	2013 $'000	2012 $'000
Non-current		
Balance at beginning of the year	25,879	23,372
Development expenditure	13,389	14,431
Decrease due to harvest	(12,431)	(9,310)
Gain (loss) arising from changes in fair value less estimated sale costs (note 3)	16	(2,614)
Balance at end of the year	26,853	25,879

21 BIOLOGICAL ASSETS (continued)

During the year, it was determined that all biological assets were to be classified as non current assets. This has led to a reclassification of prior year balances to record the existing crop as non-current.

The biological assets consist of apple trees with the following planting profile:

Varieties:	Total Hectares Planted
Royal Gala	170
Braeburn	140
Pacific Queen	123
Jazz	78
Fuji	77
Pink Lady	62
Pacific Rose	22
Granny Smith	14
Other	19
	705

Valuation:

The valuation of the biological assets include 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 referenced to the estimated volume of fruit that will be produced and 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 2013. The market valuations completed by Boyd Gross were based on a comparison of sales of other orchards adjusted to reflect the location, plantings, age and varieties of trees and productive capabilities of the orchards and a DCF analysis of forecast income streams and costs.

The significant unobservable inputs, based on district averages, for the biological asset valuations included in the valuer's report are the production levels 1,905 - 2,224 gross tray carton equivalent (tce) (2012; 1,781 - 2,201 gross tce), orchard gate returns $21.11 - $31.49 per tce (2012; $18.30 - $30.00), orchard costs $12.00 - $17.50 per tce (2012; $17.00 - $23.00) and discount rate 20.9% - 24.9% (2012; 15% - 24%). 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 as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
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.

22 GOODWILL

	GROUP 2013 $'000	GROUP 2012 $'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.

	2013	2012
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 2013, 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 2012 10%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a steady 2% (31 December 2012 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.

23 OTHER INTANGIBLE ASSETS - COMPUTER SOFTWARE

	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
Gross Carrying Amount				
Balance at beginning of the year	7,268	6,442	381	372
Additions	1,017	998	58	9
Disposals	(2,482)	(172)	(46)	-
Balance at end of the year	5,803	7,268	393	381
Accumulated amortisation and impairment				
Balance at beginning of the year	5,898	5,635	317	253
Amortisation expense	696	435	46	64
Disposals	(2,463)	(172)	(45)	-
Balance at end of the year	4,131	5,898	318	317
Net book value	1,672	1,370	75	64

Additions during the year include capital works in progress of $nil (31 December 2012 $258).

	GROUP		COMPANY	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000

24 TRADE AND OTHER PAYABLES

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade payables	9,991	7,636	148	211
Accruals	3,332	4,871	361	514
Employee entitlements	2,200	1,904	317	239
Owing to group companies	-	-	17	-
	15,523	14,411	843	964

25 BORROWINGS

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current:				
Bank overdrafts	-	656	-	1,934
Bank loans	-	9,450	-	9,450
Other loans (unsecured)	-	916	-	-
Finance leases	-	2	-	-
	-	11,024	-	11,384
Non Current:				
Bank loans	60,000	59,632	60,000	59,632
	60,000	59,632	60,000	59,632

The group signed Multi-Option Facility Agreements with Rabobank and Westpac New Zealand Limited on 22 March 2013. The total facility is $102,000. At 31 December 2013 the undrawn amount under these facilities was $36,914 (2012 $36,500). The floating interest rate is 4.88% and the next facility roll-over date is 16 December 2015.

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

26 OTHER FINANCIAL LIABILITIES

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current financial liabilities at fair value:				
Forward foreign currency exchange contracts	559	195	-	-
Interest rate swap contracts and forward rate agreements	40	894	40	894
Current financial liabilities at amortised cost:				
Non-interest bearing loans advanced from subsidiary companies	-	-	23,211	23,323
	599	1,089	23,251	24,217
Non-current financial liabilities at fair value:				
Forward foreign currency exchange contracts	1,419	-	-	-
Interest rate swap contracts and forward rate agreements	246	2,782	245	2,782
	1,665	2,782	245	2,782

	GROUP		COMPANY	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
27 NET CASH GENERATED BY OPERATING ACTIVITIES				
Reconciliation of profit (loss) for the year to net cash generated by (used in) operating activities:				
Profit (loss) for the year	20,438	13,624	(6,310)	(11,191)
Non-cash items:				
Amortisation of other intangible assets	696	435	46	64
Change in fair value of biological assets	(16)	2,614	-	-
Change in fair value of derivative financial instruments	615	63	(165)	(46)
Change in fair value of investment property	(931)	1,143	-	-
Deferred tax	477	2,818	670	1,005
Depreciation	8,459	7,861	22	35
Impairment of non-current assets	2,043	-	-	-
Share of equity accounted results	(1,567)	(1,467)	-	-
Other	15	8	-	-
Items classified as investing and financing activities:				
Dividends received from equity accounted companies	1,990	-	-	-
Purchase of shares in associate company (2012 shares in listed company)	1,782	13,236	-	-
(Gain) loss on disposal of property, plant and equipment	(604)	(1,185)	5	38
Tax and GST paid for subsidiary companies	-	-	-	263
Changes in net assets and liabilities:				
Trade and other receivables	(3,020)	3,902	(654)	(231)
Inventories	(21)	(69)	-	-
Other current assets	227	(1,640)	56	(69)
Biological assets - unharvested crop	116	(3,121)	-	-
Trade and other payables	1,113	(12,896)	(121)	(42)
Current tax	2,102	114	(7,980)	131
NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	33,914	25,440	(14,431)	(10,043)

28 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 main 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.
Investments: investment properties and listed shares. George H Investments Limited, Scales Property Development Limited, Silverstream Industrial Park Limited, Tiger Ventures NZ Limited and Whakatu Property Management 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.

28 SEGMENT INFORMATION (continued)

	Food Ingredients $'000	Horticulture $'000	Investments $'000	Storage & Logistics $'000	Other $'000	Eliminations $'000	Total $'000
2013							
Total segment revenue	33,183	172,880	3,392	92,004	4,260	-	305,719
Inter-segment revenue	(12)	-	(1,195)	(27,587)	(4,086)	-	(32,880)
Revenue from external customers	33,171	172,880	2,197	64,417	174	-	272,839
Interest revenue	-	493	1	25	14	-	533
Gain (loss) on sale of non-current assets	(29)	14	702	(78)	(5)	-	604
Share of profits of entities accounted for using the equity method	1,077	490	-	-	-	-	1,567
EBITDA	4,707	25,529	1,679	13,863	(177)	(1,165)	44,436
Amortisation expense	29	247	4	370	46	-	696
Depreciation expense	614	3,568	313	3,943	21	-	8,459
Finance costs	-	945	-	56	7,378	(1,165)	7,214
Segment profit (loss) before income tax	4,064	20,769	1,362	9,495	(7,623)	-	28,067
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)	(1,112)	-	165	-	(2,957)
2012							
Total segment revenue	32,628	132,424	9,906	77,614	4,148	-	256,720
Inter-segment revenue	-	-	(1,128)	(24,251)	(3,922)	-	(29,301)
Revenue from external customers	32,628	132,424	8,778	53,363	226	-	227,419
Interest revenue	-	624	1	3	79	-	707
Gain (loss) on sale of non-current assets	-	(75)	1,256	42	(38)	-	1,185
Share of profits of entities accounted for using the equity method	1,467	-	-	-	-	-	1,467
EBITDA	5,467	10,337	5,656	14,028	(1,190)	(1,233)	33,065
Amortisation expense	18	240	4	109	64	-	435
Depreciation expense	590	3,178	258	3,800	35	-	7,861
Finance costs	-	1,095	16	-	8,333	(1,233)	8,211
Segment profit (loss) before income tax	4,859	5,823	5,377	10,119	(9,621)	-	16,557
Segment assets	24,663	94,574	70,565	95,012	86,847	(110,582)	261,079
Segment liabilities	2,867	32,981	40,528	45,782	92,429	(110,582)	104,005
Segment carrying value of investments accounted for using the equity method	3,475	2,000	-	-	-	-	5,475
Segment acquisition of property, plant and equipment and other intangible assets	3,829	5,104	1,662	3,584	27	-	14,206
Fair value adjustments and impairment losses included in EBITDA	(146)	(2,583)	(1,143)	6	46	-	(3,820)

28 SEGMENT INFORMATION (continued)

	GROUP	
	2013 $'000	2012 $'000
The total revenues from external customers in New Zealand and other countries are:		
New Zealand	93,908	85,805
Asia	40,567	29,576
Europe	77,861	54,204
North America	39,477	40,523
Other	21,026	17,311
	272,839	227,419

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000

29 CAPITAL COMMITMENTS

Commitments entered into as at balance date were	318	371	-	-

30 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.

Non-cancellable operating lease commitments:				
Not later than one year	6,970	6,046	19	14
Later than one year and not later than five years	23,662	17,213	57	6
Later than five years	17,860	16,477	-	-

The Group as Lessor

Operating leases relate to the 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.

Non-cancellable operating lease receivables:				
Not later than one year	2,271	2,514	-	-
Later than one year and not later than five years	6,557	6,473	-	-
Later than five years	2,750	4,245	-	-

31 CONTINGENT LIABILITIES

Guarantee of joint venture bank loan facility	564	672	-	-

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 25).

	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
32 RELATED PARTY DISCLOSURES				
The holding company is Direct Capital Investments Limited which holds 84.2105% (2012 82.8097%) of the ordinary shares.				
(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				
Rent paid to New Zealand Cold Storage Limited	293	245	-	-
Cold storage and related revenue received from Hellers Limited	668	703	-	-
Processing, cold storage and logistics revenue received from Ziwipeak Limited	694	202	-	-
Trade receivables at balance date	71	-	-	-
(b) Transactions between the Company and Subsidiaries				
Interest income			945	1,090
Rental income			-	37
Interest expense			164	143
Insurance premium expense			86	82
Loans from subsidiary companies			23,210	23,323
Loans to subsidiary companies			58,386	94,424
(c) Key Management Personnel Remuneration				
The compensation of the directors and executives, being the key management personnel of the Group, is as follows:				
Short-term employee benefits	1,962	2,571	1,962	2,571
Post-employment benefits	85	90	85	90
	2,047	2,661	2,047	2,661
(d) Transactions with Equity Accounted Entities				
Revenue from sale of goods	1,614	1,429	-	-
Revenue from services	1,675	451	-	-
Interest income	7	48	-	-
Dividends received	1,990	-	-	-
Trade receivables at balance date	123	-	-	-

33 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 $125,000. 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.

33 FINANCIAL INSTRUMENTS (continued)

(c) Interest Rate Risk Management

The Group is exposed to interest rate risk as it both invests in interest bearing instruments and 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 to manage interest rate risk (refer note 33(d)).

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

	2013	2012	Interest Rate Review Period
Finance leases	-	14.37%	Term of lease
Loans and short term borrowings	4.43% - 5.00%	4.52% - 6.93%	30 - 90 days
Government securities	-	4.71%	

(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:

Maturity Date	Fixed Interest Rate		Notional Principal Amount		Fair Value	
	2013	2012	2013	2012	2013	2012
	%	%	$'000	$'000	$'000	$'000
Interest rate swap contracts:						
Within one year	4.32		10,000	-	(40)	-
Two to five years	4.98	5.63	20,000	50,000	(219)	(3,478)
After five years	3.72	3.72	20,000	20,000	1,108	(168)
Forward rate agreements:						
Within one year	3.00	2.74	23,000	34,000	23	(17)
Two to five years		2.98	-	15,000	-	(13)
					872	(3,676)

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 32.78% (2012 four customers who represent 35.77%) 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.

33. FINANCIAL INSTRUMENTS (continued)

(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 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.

Details of foreign currency instruments at balance date for the Group are:

	2013		2012	
	Contract Value $'000	Fair Value $'000	Contract Value $'000	Fair Value $'000
Sale commitments forward foreign exchange contracts	107,022	(729)	57,691	2,519
Sale commitments foreign exchange options	38,734	268	31,856	977

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 2014 to 2017 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 25),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 34.

	GROUP		COMPANY	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(h) Categories of Financial Instruments				
Financial Assets:				
Fair value through profit or loss	128	608	-	-
Derivative instruments in designated hedge accounting relationships	2,674	3,691	1,157	-
Amortised cost	19,980	11,322	62,265	97,056
Fair value through other comprehensive income	21,105	19,899	-	-
	43,887	35,520	63,422	97,056
Financial Liabilities:				
Financial liabilities at amortised cost	75,523	85,067	84,054	95,303
Derivative instruments in designated hedge accounting relationships	2,264	3,871	285	3,676
	77,787	88,938	84,339	98,979

33. 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 2013 $'000	Fair value as at 2012 $'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	19,899	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	1,517	3,691			
- liabilities	1,978	195			
New Zealand Government Stock	-	503	Level 1	Quoted bid prices in an active market	N/A
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	1,157	-			
- liabilities	286	3,676			

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. The shares held in listed company are subject to general market risk and factors specific to that company.

At 31 December 2013 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 $438 (2012 $464).

It is estimated that a general increase of one cent in the value of the New Zealand dollar against other foreign currencies would have decreased the Group's profit after income tax by $1,471 (2012 $1,193).

It is estimated that an increase of 5 cents per share in the market price of the shares in listed company would increase the Group's other comprehensive income and equity by approximately $603 (2012 $603).

A decrease in both interest and exchange rates and in the market price of the shares in listed company would have the opposite impact on profit and equity to that described above.

34 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		
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
2012				
Trade and other payables	14,411	-	-	14,411
Borrowings	1,532	12,705	66,349	80,586
Interest rate swaps and forward rate agreements	308	948	3,490	4,746
Guarantee of associate company loan facility	-	-	672	672
	16,251	13,653	70,511	100,415
		COMPANY		
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
2012				
Trade and other payables	964	-	-	964
Other financial liabilities	23,323	-	-	23,323
Borrowings	980	12,338	66,349	79,667
Interest rate swaps	308	948	3,490	4,746
	25,575	13,286	69,839	108,700

	GROUP	
	2013 $'000	2012 $'000

35. EARNINGS PER SHARE

	2013 $'000	2012 $'000
Profit for the year - used in the calculation of total earnings per share	20,438	13,624

	Number of Shares 2013	Number of Shares 2012
Basic earnings per share		
Weighted average number of ordinary shares	40,244,866	35,401,065
Earnings per share (cents)	50.8	38.5
Diluted earnings per share		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	40,244,866	35,401,065
Shares deemed to be issued for no consideration in respect of employee options	22,126	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	40,266,992	35,401,065
Diluted earnings per share (cents)	50.8	38.5

36 EXECUTIVE SHARE SCHEME

Scales Corporation Limited operates an employee share scheme for certain senior employees to purchase ordinary shares in the Company

Shares held or purchased by the employees and transferred to the Scheme are held by Scales Employees Limited as custodian, and are not transferable while the executive continues as an employee of the Scales Group. At 31 December 2013 the custodian holds 1,775,000 shares (2012 1,325,000 shares) which represent 4.45% (2012 3.27%) of the shares on issue. The custodian undertakes to remit dividends received on the shares to the employee.

The Company provides the employees with loans, of up to 50% of the cost of the shares held in the Scheme, to assist employees' participation. The loans are on an interest-free basis while the recipient remains an employee, otherwise the interest will be charged at 3% above the highest rate of interest charged by the Company's bank on funds advanced or available to be advanced to the Company. The employees' liability under the loan is the lower of the loan balance or the value of their investment in the Scheme at any point of time. The loan is repayable, on a proportionate basis, on the sale or transfer of any of the shares by the employee to an arm's length third party purchaser or a re-purchase of shares or other return of capital by the Company in respect of any of the shares.

Employees in the Scheme on 19 December 2011 were issued with one Option for every two shares they held in the Scheme. The Options may be exercised at any time after two years and on or before the expiry of five years from the date from which the Option is granted. The exercise price will be $2.00 if exercised on or before the expiry of three years from the date the Options were granted; $2.20 per Option after the expiry of three years and on or before the expiry of four years; and $2.40 after the expiry of four years and on or before the expiry of five years. Following the opening of an additional exercise period from 22 April to 17 May 2013, 300,000 options were exercised at $2.00. The Company share price at this time was $2.00. A further 150,000 Options were exercised at $2.00 on 20 December 2013. The weighted average share price at that time was $2.30. There are no Options outstanding at 31 December 2013.

No expense was recognised in respect of the Options or the interest free loans as the amount was determined not to be significant.

37 EVENTS OCCURRING AFTER BALANCE DATE

On 20 February 2014 shareholders resolved unanimously to approve the demerger of George H Investments Limited, including the companies holding the investment assets, from Scales Corporation Limited. The demerger is conditional on receiving a favourable ruling from Inland Revenue.

SHAREHOLDER INFORMATION

AS AT 24 MARCH 2014

Number of Shares	Number of Holders	% of Holders	Shares Held	% of Shares
1 - 50	60	14.08	1,044	0.00
51 - 100	22	5.16	1,531	0.00
101 - 500	47	11.03	11,167	0.03
501 - 1,000	74	17.37	53,459	0.13
1,001 - 5,000	121	28.40	247,093	0.62
5,001 - 10,000	29	6.81	203,138	0.51
10,001 - 20,000	31	7.29	429,292	1.08
20,001 - 50,000	21	4.93	677,056	1.70
50,001 - 100,000	11	2.59	785,434	1.97
100,001- 500,000	6	1.41	1,510,612	3.79
500,001 - 1,000,000	2	0.47	1,272,000	3.19
1,001,000 - 5,000,000	1	0.23	1,102,500	2.78
5,000,001 - 34,000,000	1	0.23	33,569,676	84.21
	426	100.00	39,864,002	100.00
Status of Shareholders				
Companies	20	4.69	33,843,086	84.90
Estates	30	7.04	48,275	0.12
Joint holders	35	8.22	965,875	2.42
Men	204	47.89	1,142,923	2.87
Staff	24	5.63	1,854,276	4.65
Trusts	25	5.87	1,737,032	4.36
Women	88	20.66	272,535	0.68
	426	100.00	39,864,002	100.00
Registered Addresses of Shareholders				
North Island	142	33.34	37,248,899	93.44
South island	277	65.02	2,610,063	6.55
Overseas	7	1.64	5,040	0.01
	426	100.00	39,864,002	100.00

Recognised Seasonal Employer (RSE) scheme workers picking apples at Te Papa orchard, Central Hawke's Bay. →


Scales

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