

Scales Corporation Limited

consolidated financial statements

for the year ended 31 December 2024

Scales Corporation Limited

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Scales Corporation Limited

Directory

Board of Directors

Mike Petersen (Chair)
Andrew Borland (Managing Director)
Tony Batterton
Miranda Burdon
Nick Harris
Alan Isaac
Nadine Tunley (Resigned 31 August 2024)
Qi Xin (Resigned 25 October 2024)

Audit and Risk Management Committee

Alan Isaac (Chair)
Nick Harris
Tony Batterton

Nominations and Remuneration Committee

Tony Batterton (Chair)
Mike Petersen

Finance and Treasury Committee

Tony Batterton (Chair)
Andrew Borland
Mike Petersen

Health & Safety and Sustainability Committee

Miranda Burdon (Chair)
Andrew Borland

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Christchurch 8011

Coöperatieve Rabobank U.A., New Zealand Branch

Level 4
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Hamilton 3204

Westpac New Zealand Limited

Level 4
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83 Cashel Street
Christchurch 8011

Solicitors

Anthony Harper
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Christchurch 8013

Chapman Tripp

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PwC Tower
15 Customs Street West
Auckland 1010

Corporate Advisor

Maher & Associates
17 Albert Street
Auckland 1010

Share Registry

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

Scales Corporation Limited

Consolidated statement of comprehensive income for the year ended 31 December 2024

	Note	2024 \$000's	2023 \$000's
Revenue	B1	584,627	565,356
Cost of sales	B2	(439,602)	(444,662)
		145,025	120,694
Administration and operating expenses	B2	(64,234)	(64,123)
Impairment of property, plant and equipment	C1	(2,732)	(4,729)
Impairment of goodwill	C4	-	(8,531)
Share of profit of entities accounted for using the equity method	C3	6,402	8,131
Other income	B3	7,810	8,569
Other losses	B3	(4,178)	(6,336)
EBITDA		88,093	53,675
Amortisation	C7	(744)	(497)
Depreciation	C1	(12,007)	(10,245)
Depreciation of right-of-use asset	G2	(9,285)	(8,711)
EBIT		66,057	34,222
Finance revenue		3,465	2,056
Finance cost	B4	(4,819)	(3,331)
Finance cost of lease liability	G2	(3,774)	(3,144)
PROFIT BEFORE INCOME TAX EXPENSE		60,929	29,803
Income tax expense	B5	(10,892)	(5,129)
PROFIT FOR THE YEAR		50,037	24,674
Profit for the year is attributable to:			
Equity holders of the Company		30,726	5,235
Non-controlling interests		19,311	19,439
		50,037	24,674
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share (cents)	D5	21.6	3.7
Diluted earnings per share (cents)	D5	21.5	3.7

The notes to the financial statements on pages 11 to 60 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of comprehensive income for the year ended 31 December 2024 (continued)

	Note	2024 \$000's	2023 \$000's
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
(Loss) gain on cash flow hedges		(41,941)	11,231
Income tax relating to cash flow hedges		11,743	(3,145)
Share of other comprehensive income (loss) of joint ventures	C3	(4,473)	1,554
Income tax relating to share of other comprehensive income of joint ventures	C3	452	22
Foreign exchange gain (loss) on translating foreign operations		3,630	307
		(30,589)	9,969
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings		(110)	(3,122)
Income tax relating to buildings		(1,736)	(740)
Revaluation of apple trees		12,561	936
Income tax relating to apple trees		(3,517)	(262)
Deferred tax effect on sale of buildings		821	-
Remeasurement of net defined benefit liability		487	238
Income tax relating to remeasurement of net defined benefit liability		(74)	(36)
		8,432	(2,986)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		(22,157)	6,983
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,880	31,657
Total comprehensive income for the year attributable to:			
Equity holders of the Company		8,374	12,123
Non-controlling interests		19,506	19,534
		27,880	31,657

The notes to the financial statements on pages 11 to 60 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of changes in equity for the year ended 31 December 2024

	Note	Share capital \$000's	Reserves \$000's	Retained earnings \$000's	Attributable to owners of the Company \$000's	Non-controlling interests \$000's	Total \$000's
Balance at 1 January 2023		101,975	92,590	189,875	384,440	7,374	391,814
Profit for the year		-	-	5,235	5,235	19,439	24,674
Other comprehensive income for the year		-	6,888	-	6,888	95	6,983
Total comprehensive income for the year		-	6,888	5,235	12,123	19,534	31,657
Recognition of share-based payments	D2	-	456	-	456	-	456
Shares sold	D1	96	-	-	96	-	96
Shares fully vested	D1, D2	1,374	(499)	(145)	730	-	730
Dividends	D3	-	-	(24,493)	(24,493)	(15,312)	(39,805)
Balance at 31 December 2023		103,445	99,435	170,472	373,352	11,596	384,948
Profit for the year		-	-	30,726	30,726	19,311	50,037
Other comprehensive loss for the year		-	(22,352)	-	(22,352)	195	(22,157)
Total comprehensive income for the year		-	(22,352)	30,726	8,374	19,506	27,880
Reclassification of revaluation reserve	D2	-	(16,182)	16,182	-	-	-
Recognition of share-based payments	D2	-	710	-	710	-	710
Shares sold	D1	256	-	-	256	-	256
Shares fully vested	D1, D2	2,070	(578)	(221)	1,271	-	1,271
Dividends	D3	-	-	(16,374)	(16,374)	(17,175)	(33,549)
Balance at 31 December 2024		105,771	61,033	200,785	367,589	13,927	381,516

The notes to the financial statements on pages 11 to 60 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of financial position as at 31 December 2024

	Note	2024 \$000's	2023 \$000's
EQUITY			
Share capital	D1	105,771	103,445
Reserves	D2	61,033	99,435
Retained earnings		200,785	170,472
Equity attributable to Scales Corporation Limited shareholders		367,589	373,352
Equity attributable to non-controlling interests		13,927	11,596
TOTAL EQUITY		381,516	384,948
CURRENT ASSETS			
Cash and bank balances		53,753	77,638
Trade and other receivables	E1	38,025	34,029
Current tax assets		5,363	3,938
Other financial assets	E2	2,230	5,989
Unharvested agricultural produce	C2	26,648	24,222
Inventories	C5	24,962	29,543
Prepayments		3,876	4,337
		154,857	179,696
Assets held for sale	G4	19,100	-
TOTAL CURRENT ASSETS		173,957	179,696
NON-CURRENT ASSETS			
Property, plant and equipment	C1	238,689	221,219
Investments accounted for using the equity method	C3	57,212	63,902
Goodwill	C4	40,630	36,972
Defined benefit plan net asset		597	60
Other financial assets	E2	37,188	29,077
Software	C7	1,055	1,160
Right-of-use asset	G2	59,597	49,572
TOTAL NON-CURRENT ASSETS		434,968	401,962
TOTAL ASSETS		608,925	581,658
CURRENT LIABILITIES			
Trade and other payables	E3	29,852	26,446
Dividend declared	D3	10,332	6,041
Current tax liabilities		397	616
Other financial liabilities	E5	41,918	18,524
Lease liability	G2	13,464	10,963
TOTAL CURRENT LIABILITIES		95,963	62,590
NON-CURRENT LIABILITIES			
Borrowings	E4	41,259	65,647
Deferred tax liabilities	B5	18,578	17,104
Other financial liabilities	E5	18,688	6,699
Lease liability	G2	52,921	44,670
TOTAL NON-CURRENT LIABILITIES		131,446	134,120
TOTAL LIABILITIES		227,409	196,710
NET ASSETS		381,516	384,948

The notes to the financial statements on pages 11 to 60 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of cash flows for the year ended 31 December 2024

	Note	2024 \$000's	2023 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		590,424	571,987
Insurance proceeds		-	4,809
Government grants received		25	1,986
Dividends and distributions received		1,546	751
Interest received		3,000	1,814
		594,995	581,347
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees		(481,705)	(502,201)
Interest paid		(8,593)	(6,475)
Income tax paid		(7,140)	(7,971)
		(497,438)	(516,647)
NET CASH PROVIDED BY OPERATING ACTIVITIES		97,557	64,700
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Advances repaid		261	255
Sale of property, plant and equipment and software		34,000	(424)
		34,261	(169)
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	C1	(54,433)	(16,808)
Purchase of software	C7	(507)	(325)
Acquisition of subsidiary, net of cash acquired	F3	(11,080)	-
Advances to joint ventures		(17,338)	(11,869)
		(83,358)	(29,002)
NET CASH USED IN INVESTING ACTIVITIES		(49,097)	(29,171)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Treasury stock sold		256	96
Drawdowns of seasonal facility borrowings	E4	25,500	-
Drawdowns of term facility borrowings	E4	56,000	27,306
		81,756	27,402
<i>Cash was applied to:</i>			
Dividends paid	D3	(12,083)	(26,955)
Dividends paid to non-controlling interests	F2	(17,175)	(15,312)
Repayments of lease liabilities	G2	(9,075)	(8,420)
Repayments of seasonal facility borrowings	E4	(28,937)	-
Repayments of term facility borrowings	E4	(87,087)	-
		(154,357)	(50,687)
NET CASH USED IN FINANCING ACTIVITIES		(72,601)	(23,285)

The notes to the financial statements on pages 11 to 60 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of cash flows for the year ended 31 December 2024 (continued)

	Note	2024 \$000's	2023 \$000's
NET (DECREASE) INCREASE IN CASH		(24,141)	12,244
Net foreign exchange difference		256	(382)
Cash and cash equivalents at the beginning of the year		77,638	65,776
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		53,753	77,638
<i>Represented by:</i>			
Cash and bank balances		53,753	77,638
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		53,753	77,638
NET CASH GENERATED BY OPERATING ACTIVITIES			
<i>Reconciliation of profit for the year to net cash generated by operating activities:</i>			
Profit for the year		50,037	24,674
<i>Non-cash items:</i>			
Depreciation (including on right-of-use asset)		21,292	18,956
Gain on lease modification		(79)	(177)
Gain on rights transferred		(3,113)	-
Impairment on revaluation		2,732	4,729
Amortisation		744	497
Share of equity accounted results		(6,402)	(8,131)
Gain on FV equity investment		(3,367)	-
Hedging instruments		4,790	(416)
Gain on disposal of property, plant and equipment		(1,225)	(118)
Share-based payments		710	456
Change in value of call and put options		2,515	4,121
Deferred tax		6,455	(4,867)
Interest capitalised into loans		(465)	(111)
Fair value loss on interest-free related party loans, net of interest income		1,663	1,913
Impairment of goodwill		-	8,531
Foreign exchange on related party loans		(682)	232
Joint ventures purchase price receivable		-	(1,307)
<i>Operating cash receipts not included in profit for the year:</i>			
Dividends received from equity accounted entities		1,545	750
<i>Changes in net assets and liabilities:</i>			
Trade and other receivables		1,009	9,662
Unharvested agricultural produce		(2,426)	927
Inventories		24,175	13,040
Prepayments		884	445
Trade and other payables		(532)	(11,131)
Current tax assets and liabilities		(2,703)	2,025
NET CASH PROVIDED BY OPERATING ACTIVITIES		97,557	64,700

The notes to the financial statements on pages 11 to 60 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Consolidated statement of cash flows for the year ended 31 December 2024 (continued)

Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash and bank balances.

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.

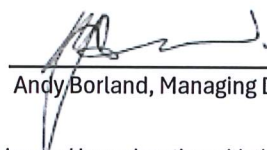
Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 25 February 2025.



Mike Petersen, Chair



Andy Borland, Managing Director

The notes to the financial statements on pages 11 to 60 form part of and should be read in conjunction with this statement.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

ABOUT THIS REPORT

Notes to the financial statements

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding the financial performance and financial position of the Scales Corporation Limited Group ("Scales" or the "Group"). Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Scales;
- it helps to explain changes in Scales' business; or
- it relates to an aspect of Scales' operations that is important to future performance.

Reporting entity

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

Basis of preparation

The financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice (GAAP), IFRS Accounting Standards (IFRS), the New Zealand equivalents to IFRS Accounting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for a Tier 1 for-profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- in accordance with accounting policies that are consistent with those applied in the previous year;
- on the basis of historical cost, except for certain assets and financial instruments that are measured at fair values; and
- in New Zealand dollars with all values rounded to the nearest thousand dollars.

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.

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 levels are described as:

- 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 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.

Key judgements and estimates

In the process of applying the Group's accounting policies and the application of financial reporting standards, Scales has made a number of judgements and estimates. The estimates and underlying assumptions are based on historical experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

ABOUT THIS REPORT (CONTINUED)

Key judgements and estimates (continued)

Judgements and estimates which are considered material to understanding the performance of Scales are explained in the following notes:

- Apple trees in note C1;
- Unharvested agricultural produce in note C2;
- Assessment of Group goodwill for impairment in note C4;
- Fair value of assets acquired in Profruit in note F3.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiaries (being entities controlled by Scales Corporation Limited), and the equity accounted result, assets and liabilities of the joint ventures.

The financial statements of members of the Group are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Group financial statements, all material intra-group transactions, balances, income, expenses and cash flows have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is lost.

Other accounting policies

Other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Adoption of new and revised standards and interpretations; standards and Interpretations issued but not yet effective

All mandatory amendments and interpretations have been adopted in the current year. None had a material impact on these financial statements.

NZ IFRS 18 *Presentation and Disclosure in Financial Statements* has been issued and is effective for the financial reporting periods starting on 1 January 2027, with an early adoption permitted.

NZ IFRS 18 replaces NZ IAS 1 *Presentation of Financial Statements*, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some NZ IAS 1 paragraphs have been moved to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and NZ IFRS 7 *Financial Instruments: Disclosures*. Furthermore, there were minor amendments to NZ IAS 7 *Statement of Cash Flows* and NZ IAS 33 *Earnings Per Share*.

NZ IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

The amendments to NZ IAS 7 and NZ IAS 33, as well as the revised NZ IAS 8 and NZ IFRS 7, become effective when an entity applies NZ IFRS 18. NZ IFRS 18 requires retrospective application with specific transition provisions.

As a presentation and disclosure standard, NZ IFRS 18 is expected to change the manner in which information is presented in Group financial statements, with the recognition and measurement of items in the financial statements not impacted.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

ABOUT THIS REPORT (CONTINUED)

Adoption of new and revised standards and interpretations; standards and Interpretations issued but not yet effective (continued)

The Group has reviewed all other standards, interpretations and amendments to existing standards issued but not yet effective and does not expect these standards to have a material effect on the financial statements of the Group when adopted.



Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

A. SEGMENT INFORMATION

This section explains the financial performance of the operating segments of Scales, providing additional information about individual segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, being the Managing Director. The Managing Director monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction. 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.

The Group comprises the following operating segments:

- **Global Proteins:** processing and marketing of proteins such as pet food ingredients, edible meat and offal products.
Meateor Foods Limited, Meateor Foods Australia Pty Limited, Meateor Group Limited, Meateor US LLC, Shelby JV LLC Group (Shelby Cold Storage LLC, Shelby Exports Inc, Shelby Foods LLC, Shelby JV LLC, Shelby Properties LLC, Shelby Trucking LLC), Meateor GP Limited, Meateor Pet Foods Limited Partnership, Scales FI Group Holdings Pty Limited, Meateor Australia Pty Limited, FI Group Holdings Pty Limited Group (FI Group Holdings Pty Limited, Fayman International Group Pty Limited and Fayman New Zealand Limited), ANZ Exports Pty Limited and Esro Petfood B.V.
- **Horticulture:** orchards, fruit packing, juice concentrate processing and marketing.
Mr Apple New Zealand Limited, New Zealand Apple Limited, Longview Group Holdings Limited, Profruit (2006) Limited, and Fern Ridge Produce Limited.
- **Logistics:** logistics services.
Scales Logistics Limited and Scales Logistics Australia Pty Ltd.
- **Other:** Scales Corporation Limited, Geo. H. Scales Limited, Scales Employees Limited, Scales Holdings Limited and Selacs Insurance Limited.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

A. SEGMENT INFORMATION (CONTINUED)

	Global Proteins \$000's	Horti- culture \$000's	Logistics \$000's	Other \$000's	Elimina- tions \$000's	Total \$000's
2024						
Total segment revenue	266,791	248,875	98,797	3,789	(33,625)	584,627
Inter-segment revenue	-	-	(30,223)	(3,402)	33,625	-
Revenue from external customers	266,791	248,875	68,574	387	-	584,627
Gain on sale of non-current assets	-	1,225	-	-	-	1,225
Insurance proceeds	-	-	-	-	-	-
Share of profit of entities accounted for using the equity method	6,039	363	-	-	-	6,402
Impairment of property, plant and equipment	-	(2,732)	-	-	-	(2,732)
Goodwill impairment	-	-	-	-	-	-
Gain on fair value of equity investment	-	3,367	-	-	-	3,367
Gain on lease modification	24	47	8	-	-	79
EBITDA	52,987	37,932	6,884	(9,710)	-	88,093
Amortisation expense	-	(696)	(34)	(14)	-	(744)
Depreciation expense	(1,652)	(10,069)	(259)	(27)	-	(12,007)
Depreciation of right-of-use asset	(69)	(8,366)	(731)	(119)	-	(9,285)
Finance revenue	661	224	61	2,519	-	3,465
Finance costs	(18)	45	(76)	(4,770)	-	(4,819)
Finance cost of lease liability	(17)	(3,052)	(640)	(65)	-	(3,774)
Income tax expense	(7,619)	(4,778)	(1,480)	2,985	-	(10,892)
Segment profit (loss) after income tax	44,273	11,240	3,725	(9,201)	-	50,037
Segment assets	166,557	365,174	24,114	53,080	-	608,925
Segment liabilities	37,559	129,288	15,612	44,950	-	227,409
Segment carrying value of investment accounted for using the equity method	57,212	-	-	-	-	57,212
Segment acquisition of property, plant and equipment and software	5,672	48,311	938	19	-	54,940
Segment acquisition of right-of-use assets	283	16,164	3,638	37	-	20,122

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

A. SEGMENT INFORMATION (CONTINUED)

	Global Proteins \$000's	Horti- culture \$000's	Logistics \$000's	Other \$000's	Elimina- tions \$000's	Total \$000's
2023						
Total segment revenue	298,547	209,939	92,568	3,007	(38,705)	565,356
Inter-segment revenue	-	-	(35,684)	(3,021)	38,705	-
Revenue from external customers	298,547	209,939	56,884	(14)	-	565,356
Gain on sale of non-current assets	(5)	123	-	-	-	118
Insurance proceeds	-	4,809	-	-	-	4,809
Share of profit of entities accounted for using the equity method	6,369	1,762	-	-	-	8,131
Impairment of property, plant and equipment	-	(4,729)	-	-	-	(4,729)
Goodwill impairment	-	(8,531)	-	-	-	(8,531)
Gain on lease modification	-	177	-	-	-	177
EBITDA	52,245	4,493	4,281	(7,344)	-	53,675
Amortisation expense	-	(473)	(17)	(7)	-	(497)
Depreciation expense	(791)	(9,213)	(217)	(24)	-	(10,245)
Depreciation of right-of-use asset	(66)	(8,071)	(493)	(81)	-	(8,711)
Finance revenue	336	86	57	1,577	-	2,056
Finance costs	(57)	(7)	(36)	(3,231)	-	(3,331)
Finance cost of lease liability	(12)	(2,753)	(339)	(40)	-	(3,144)
Income tax expense	(8,978)	2,558	(928)	2,219	-	(5,129)
Segment profit (loss) after income tax	42,677	(13,380)	2,308	(6,931)	-	24,674
Segment assets	177,176	324,689	20,797	58,996	-	581,658
Segment liabilities	30,301	88,696	12,657	65,056	-	196,710
Segment carrying value of investment accounted for using the equity method	56,033	7,870	-	-	-	63,903
Segment acquisition of property, plant and equipment and software	6,157	10,608	234	137	-	17,136
Segment acquisition of right of use assets	-	10,051	356	760	-	11,167

Non-current assets other than financial instruments by geographical location

	New Zealand		Australia		USA		Total	
	2024 \$000's	2023 \$000's	2024 \$000's	2023 \$000's	2024 \$000's	2023 \$000's	2024 \$000's	2023 \$000's
Property, plant and equipment	219,994	208,421	21	25	18,674	12,773	238,689	221,219
Investments accounted for using the equity method	20,078	29,503	37,134	34,399	-	-	57,212	63,902
Goodwill	7,676	7,657	-	-	32,954	29,315	40,630	36,972
Software	1,055	1,160	-	-	-	-	1,055	1,160
Right-of-use asset	59,382	49,197	-	123	215	252	59,597	49,572

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

B. FINANCIAL PERFORMANCE

This section explains the financial performance of Scales, providing additional information about individual items in the statement of comprehensive income.

B1. REVENUE

	2024 \$000's	2023 \$000's
By nature:		
Revenue from the sale of goods	496,741	492,874
Revenue from the rendering of services	90,319	77,271
Fees and commission	24	16
Net foreign exchange (loss) gain	(7,228)	(9,450)
Rental revenue	4,771	4,645
	584,627	565,356
By market:		
New Zealand	79,729	68,354
Asia	178,786	159,907
Europe	36,144	30,540
North America	284,731	304,001
Other	5,237	2,554
	584,627	565,356
By segment and type:		
Horticulture - sale of agricultural produce	233,827	193,759
Horticulture - agricultural produce related services	10,277	11,543
Horticulture - other	4,771	4,637
Global Proteins - sale of pet food ingredients	255,805	290,216
Global Proteins - other	10,986	8,331
Logistics services	68,574	56,884
Other	387	(14)
	584,627	565,356

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of agricultural produce and fruit juice

The Group sells apples to more than 160 customers in 40 countries and fruit juice to more than 60 customers in 4 countries. Apple sales-related quality claim provisions are recorded in accordance with NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer ("outright sales") or when the goods have been sold by the customer ("consignment sales"). In addition, the apple season finishes before the end of the calendar year, with performance obligations under both sales types satisfied for all sales made during that season.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

B1. REVENUE (CONTINUED)

Sale of agricultural produce and fruit juice (continued)

Outright sales

Following shipment, revenue is recognised when the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control, which is when the goods are delivered on the ship at the port of shipment as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are up to 45 days on arrival.

Consignment sales

Revenue is recognised by the Group when it loses control, which is when the goods are confirmed to be on-sold to the ultimate customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are immediate upon on-sale.

Sale of petfood ingredients

The Group sells petfood ingredients to a number of international and domestic customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer ("delivered to destination sales") or when shipped to the customer ("outright sales"). Terms of payment are up to 120 days.

Delivered to destination sales

Following delivery, revenue is recognised when the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control, which is when the goods are delivered to the destination named by the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due.

Outright sales

Same as above under "Sale of agricultural produce - outright sales".

Agricultural produce related services

The Group provides a number of agricultural produce related services to external apple growers, including packaging, cartage, export documentation and export services. Each of those services is considered to be a distinct service as it is both regularly supplied by the Group to customers on a stand-alone basis and is available for customers from other providers in the market.

A receivable is recognised by the Group when the service performance has been completed, and the performance obligation is satisfied as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are up to 45 days.

Logistics services

The Group provides marine and air logistics services to domestic customers. Revenue is recognised by the Group at a point in time, which is when the shipment is organised and the goods are on the ship or the aeroplane. The performance obligation is satisfied at the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are up to 60 days.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

B2. COST OF SALES, ADMINISTRATION AND OPERATING EXPENSES

	2024	2023
	\$000's	\$000's
Auditor's remuneration		
<i>Deloitte Limited (New Zealand):</i>		
<u>Audit and review of the financial statements:</u>		
Audit of the annual financial statements	359	321
<u>Other services:</u>		
<u>Audit or review related services:</u>		
Audit of the charging group financial statements	20	-
Audit of solvency certificate for Selacs Insurance Limited	9	9
<u>Other assurance services and other AUP engagements</u>		
Greenhouse gas emission assurance engagement	45	-
<u>Other services</u>		
Greenhouse gas assurance engagement readiness	45	-
<i>Sheehan & Company CPA, PC (United States):</i>		
<u>Audit and review of the financial statements:</u>		
Group reporting audit	144	134
Review of subsidiary financial statements	40	37
<i>Lowe Lippmann (Australia):</i>		
<u>Audit and review of the financial statements:</u>		
Group reporting audit	33	22
Bad debts (recovered) incurred	(681)	2,847
Change in fair value adjustment to unharvested agricultural produce	1,139	(480)
Change in inventories	23,582	11,559
Direct expenses	97,471	91,267
Directors' fees	704	716
Donations	12	261
Electricity	3,667	3,036
Employee benefits expense:		
Post employment benefits - defined contribution plans	1,220	1,232
Post employment benefits - defined benefit plans	555	627
Salaries, wages and related benefits	94,423	87,778
Other employee benefits	710	456
Grower payments	34,738	35,318
Insurance	5,233	4,537
Management fees	48	48
Materials and consumables	127,780	153,817
Ocean and air freight	90,304	92,533
Operating lease expenses	1,287	1,990
Packaging	14,382	13,673
Provision (reversal of) for write-down of inventories	786	1,825
Repairs and maintenance	5,781	5,222
	503,836	508,785

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

B2. COST OF SALES, ADMINISTRATION AND OPERATING EXPENSES (CONTINUED)

	2024	2023
	\$000's	\$000's
Disclosed as:		
Cost of sales	439,602	444,662
Administration and operating expenses	64,234	64,123
	503,836	508,785

Employee benefits

An accrual is made for benefits due 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. Accruals are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

The costs relating to shares issued in accordance with the Senior Executive Share Scheme are explained in note D2.

B3. OTHER INCOME AND LOSSES

Dividends	1	1
Fair value loss on interest-free related party loans	(1,663)	(2,044)
Gain on disposal of property, plant and equipment	1,225	118
Gain on rights transferred	3,113	-
Gain (loss) on joint ventures call options	(174)	171
Gain on joint ventures earn-out provision settlement	-	1,307
Gain on lease modification	79	177
Gain on fair value equity investment	3,367	-
Government grants - Cyclone Gabrielle	25	1,986
Insurance proceeds	-	4,809
Remeasurement of gross liability on put options to non-controlling interest	(2,341)	(4,292)
	3,632	2,233

Disclosed as:		
Other income	7,810	8,569
Other losses	(4,178)	(6,336)
	3,632	2,233

B4. FINANCE COST

Interest on loans	4,654	3,234
Other interest	(5)	7
Bank facility fees	170	90
	4,819	3,331

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

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

B5. TAXATION

	2024 \$000's	2023 \$000's
Income tax recognised in profit or loss:		
Current tax expense	5,923	8,077
Adjustments recognised in the current year in relation to the current tax of prior years	(1,486)	1,919
Deferred tax expense relating to the origination and reversal of temporary differences	6,455	(4,867)
Total income tax expense recognised in profit or loss	10,892	5,129

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before tax	60,929	29,803
Income tax expense calculated at applicable corporate tax rates	16,099	7,973
Non-assessable income	(8,890)	(7,650)
Non-deductible expenses	2,099	4,454
Deferred tax on buildings adjustment	2,065	-
(Over) under provision of income tax in previous year - current tax	(1,486)	1,919
Under (over) provision of income tax in previous year - deferred tax	1,005	(1,567)
	10,892	5,129

The tax rates used in the above reconciliation are the corporate tax rate of 28% payable by New Zealand companies under New Zealand tax law, 30% payable by Australian companies under Australian tax law and 25.60% (2023: 26.82%) payable by US entities under US tax law, being federal tax 21% and weighted average state tax 5.82% (2023: 5.82%). Shelby JV LLC and its subsidiaries are look-through entities for US income tax purposes. Therefore, although the Group includes 100% of its net profit before tax, separately disclosing non-controlling interest, the Group only includes 60% of its income tax.

Opening balance \$000's	Charged to profit or loss \$000's	Acquisition of subsidiary \$000's	Charged to other comprehen- sive income \$000's	Foreign exchange movements \$000's	Closing Balance \$000's
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Deferred tax liability

Taxable and deductible temporary differences arise from the following:

31 December 2024

Deferred tax liabilities (assets):

Trade and other receivables	(47)	(45)	-	-	-	(92)
Unharvested agricultural produce	6,782	679	-	-	-	7,461
Property, plant and equipment and software	12,435	4,147	2,256	4,432	390	23,660
Trade and other payables	(1,097)	363	-	-	-	(734)
Lease liability and right-of-use asset	(1,718)	(216)	-	-	-	(1,934)
Other financial assets and liabilities	749	1,527	62	(12,121)	-	(9,783)
Net deferred tax liability	17,104	6,455	2,318	(7,689)	390	18,578

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

B5. TAXATION (CONTINUED)

	Opening balance \$000's	Charged to profit or loss \$000's	Charged to other comprehen- sive income \$000's	Foreign exchange movements \$000's	Closing Balance \$000's
31 December 2023					
Deferred tax liabilities (assets):					
Trade and other receivables	82	(129)	-	-	(47)
Unharvested agricultural produce	7,042	(260)	-	-	6,782
Property, plant and equipment and software	13,960	(2,517)	1,002	(10)	12,435
Trade and other payables	(708)	(389)	-	-	(1,097)
Lease liability and right-of-use asset	(1,686)	(32)	-	-	(1,718)
Other financial assets and liabilities	(869)	(1,540)	3,159	(1)	749
Net deferred tax liability	17,821	(4,867)	4,161	(11)	17,104

Current tax is the taxation expected to be paid to taxation authorities in respect of the current year. Deferred taxation is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at balance date.

Income tax

Current and deferred tax are recognised in profit or loss, except when the tax relates to items charged or credited to other comprehensive income, in which case the tax is also recognised in other comprehensive income.

Deferred tax on buildings adjustment

The Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Act, which received Royal Assent on 28 March 2024, removes the ability to depreciate most buildings with a life over 50 years for income tax deduction purposes. For the Group, the application of this legislative change under NZ IAS 12 *Income Taxes* sets the tax base for certain buildings owned by New Zealand domiciled business units to nil from 1 January 2024 onwards. This increases the deferred taxation liability by \$2.1m and creates a one-off non-cash adjustment to the taxation expense for deferred tax on buildings for the year ended 31 December 2024 of the same amount. The application of NZ IAS 12 which creates this deferred taxation liability does not reflect income tax payable if the buildings were sold.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

B6. FOREIGN CURRENCY TRANSACTIONS

In preparing the financial statements of the individual entities, the transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period financial assets and liabilities denominated in foreign currencies are retranslated into New Zealand dollars at the rates prevailing at the end of the reporting period.

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

Income and expenses for each subsidiary whose functional currency is not New Zealand dollars are translated at exchange rates that approximate the rates at the actual dates of the transactions. Assets and liabilities of each subsidiary are translated at exchange rates at balance date.

All resulting exchange differences are recognised in the foreign exchange translation reserve, which is a separate component of equity.

The effective portion of exchange differences on foreign currency borrowings designated as hedges of net investments in foreign operations is also recognised in the foreign exchange translation reserve.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C. KEY ASSETS

This section shows the key assets Scales uses to generate operating revenues.

C1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings at fair value \$000's	Apple trees at fair value \$000's	Plant and equipment at cost \$000's	Office equipment and motor vehicles at cost \$000's	Capital work in progress at cost \$000's	Total \$000's
Gross carrying amount						
Balance at 1 January 2023	152,587	31,801	82,564	13,662	6,659	287,273
Additions	258	1,373	6,100	1,195	7,851	16,777
Disposals	(402)	-	(1,274)	(815)	-	(2,491)
Revaluation	(5,101)	(853)	-	-	-	(5,954)
Effect of foreign currency translation	(3)	-	(82)	-	(114)	(199)
Balance at 31 December 2023	147,339	32,321	87,308	14,042	14,396	295,406
Acquisition through business combination	3,920	-	7,019	108	435	11,482
Additions	22,562	16,543	15,153	2,709	(2,534)	54,433
Disposals	(24,228)	(3,047)	(5,416)	(359)	-	(33,050)
Transfer to held for sale	(19,100)	-	-	-	-	(19,100)
Revaluation	(2,072)	10,481	-	-	-	8,409
Effect of foreign currency translation	384	-	1,485	4	563	2,436
Balance at 31 December 2024	128,805	56,298	105,549	16,504	12,860	320,016
Accumulated depreciation, and impairment						
Balance at 1 January 2023	1,331	4,461	50,039	10,238	-	66,069
Depreciation expense	2,140	1,790	5,093	1,222	-	10,245
Disposals	(375)	-	(1,973)	(717)	-	(3,065)
Revaluation	(1,979)	(1,789)	-	-	-	(3,768)
Impairment on revaluation	935	2,418	-	-	-	3,353
Impairment on disposals	214	-	1,162	-	-	1,376
Effect of foreign currency translation	-	-	(22)	-	-	(22)
Balance at 31 December 2023	2,266	6,880	54,299	10,743	-	74,188
Depreciation expense	2,033	2,079	6,389	1,506	-	12,007
Disposals	-	-	(3,851)	(262)	-	(4,113)
Revaluation	(1,962)	(2,080)	-	-	-	(4,042)
Impairment on revaluation	1,253	1,238	241	-	-	2,732
Impairment on disposals	-	-	-	-	-	-
Effect of foreign currency translation	-	-	552	3	-	555
Balance at 31 December 2024	3,590	8,117	57,630	11,990	-	81,327
Net book value						
As at 31 December 2023	145,073	25,441	33,009	3,299	14,396	221,218
As at 31 December 2024	125,215	48,181	47,919	4,514	12,860	238,689

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting policy

Land, buildings and apple trees are included in the statement of financial position at their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations 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 valuation increase arising on the revaluation of such land, buildings and apple trees is recognised in other comprehensive income and accumulated as a separate component of equity in the revaluation reserve, except to the extent that it reverses a valuation 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, buildings and apple trees is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and apple trees is charged to profit or loss. On the subsequent sale or retirement of revalued property or apple trees, the attributable revaluation surplus remaining in the 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, and office equipment and motor vehicles 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 buildings and apple trees 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 the straight-line 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	10 to 50 years
Apple trees	30 years
Plant and equipment	2 to 25 years
Office equipment and motor vehicles	2 to 20 years

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

Land and buildings carried at fair value

Land and buildings shown at valuation were valued at fair value as at 31 December 2024 by independent registered valuers Added Valuation Limited and Logan Stone Limited. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. RSE buildings were arrived at discounted cash flows analysis of forecast income streams and costs.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Group finance team led by the Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the Group finance team's findings to the Audit & Risk Management Committee to explain the methods used and causes of fluctuations in the fair value of assets and liabilities.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings carried at fair value (continued)

The fair value of land and buildings is calculated on the basis of market value. Market value is determined by applying income capitalisation and comparative sales calculations which are benchmarked against depreciated replacement cost calculations. The valuations include adjustments to observable data for similar properties to take into account property-specific attributes.

The significant unobservable inputs, based on regional averages, for the land and buildings (mainly coolstores and packhouses) are potential market comparative rentals \$12 - \$249 per square metre (2023: \$6 - \$250) and the capitalisation rates of 6.35% - 8.25% (2023: 6.4% - 10%).

The higher the rental rates the higher the fair value. The higher the capitalisation rates the lower the fair value. Significant changes in either of these inputs would result in significant changes to the fair value measurement.

Orchard land is valued within the range of \$34,100 - \$157,500 per hectare (2023: \$27,400 - \$170,000).

The Group's land and buildings are classified as Level 3 in the fair value hierarchy.

The carrying amount of land and buildings had it been recognised under the cost model is \$71,169,000 (2023: \$59,556,000).

Apple trees carried at fair value

The Group's apple orchards, being the apple trees 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 2024.

The market valuations completed by Boyd Gross were based on a discounted cash flows analysis of forecast income streams and costs. They were benchmarked against a comparison of sales of other orchards adjusted to reflect the location, plantings, age and varieties of trees and productive capabilities of the orchards. The fair value of orchard land and buildings are deducted from the overall orchard valuation to give rise to the apple trees valuation.

The significant unobservable inputs, based on district averages, for the apple trees are:

	2024	2023
Production levels (gross tray carton equivalent (TCE)) per hectare	2,750 - 5,563	2,894 - 5,459
Orchard gate returns per TCE	\$25.00 - \$75.00	\$22.00 - \$55.00
Orchard costs per TCE	\$20.30 to \$34.27	\$19.00 to \$31.44
Discount rate	15.88% - 17.88%	15.5% - 17.5%

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. The Group's apple trees are classified as level 3 in the fair value hierarchy.

The carrying amount of apple trees had it been recognised under the cost model is \$21,217,000 (2023: \$11,039,000).

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The apple trees, on owned and leased orchards, have the following planting profile:

	Total hectares planted	
	2024	2023
Premium varieties:		
Dazzle	260	163
NZ Queen	159	206
Pink Lady	100	101
Red sports (Fuji and Royal Gala)	349	275
Other premium	79	73
Traditional varieties:		
Braeburn	27	34
Royal Gala	112	122
Other traditional	105	112
	1,191	1,086

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 geographical spread of orchards, installing hail and frost protection on orchards which have shown to be more susceptible to these risks, utilising foreign currency derivative instruments and building close working relationships with key customers.

C2. UNHARVESTED AGRICULTURAL PRODUCE

	2024	2023
	\$000's	\$000's
Balance at beginning of the year	24,222	25,149
Decrease due to harvest	(24,222)	(25,149)
Development expenditure	28,546	24,981
Fair value adjustment	(1,898)	(759)
Balance at end of the year	26,648	24,222

The assessment of the value of unharvested agricultural produce was undertaken by management, using a discounted cash flow model, and is calculated as the fair value less estimated harvest and post-harvest costs (including costs to sell) of the unharvested crop on the trees at the reporting date. The risk adjusting discount rate represents an allowance for adverse events that may affect crop, harvest and/or market conditions. This calculation is also benchmarked against orchard costs incurred during the current growing cycle.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C2. UNHARVESTED AGRICULTURAL PRODUCE (CONTINUED)

The Group's unharvested agricultural produce is classified as Level 3 in the fair value hierarchy.

The significant unobservable inputs included in the model are the:

	2024	2023
Production levels (tonnes per hectare per annum)	59 - 98	42 - 164
Orchard gate returns per TCE	\$29 to \$76	\$24 to \$67
Risk adjusting discount rates	46% to 64%	46% to 64%

The higher the yield per hectare and the higher the orchard gate returns per TCE, the higher the fair value. The higher the risk adjusting discount rate, the lower the fair value.

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of each of the Group's material joint ventures at the end of the reporting period are as follows:

Joint ventures	Principal activity	Country of incorporation	Holding		Balance date
			2024	2023	
ANZ Exports Pty Ltd	Trading company	Australia	42.50%	42.50%	30 June
Esro Petfood B.V	Trading company	The Netherlands	50%	50%	31 December
FI Group Holding Pty Ltd	Trading company	Australia	50%	50%	30 June
Meateor Australia Pty Ltd	Trading company	Australia	50%	33.33%	30 June
Meateor Pet Foods Limited Partnership	Trading company	New Zealand	50%	50%	31 December
Profruit (2006) Limited	Trading company	New Zealand	100%	50%	31 December

Summarised financial information in respect of the Group's joint ventures is set out below. The aggregate summarised financial information below represents amounts in joint ventures' financial statements prepared in accordance with NZ IFRS Standards.

The Australian incorporated entities have a balance date of 30 June which aligns with the income tax year in Australia.

In October 2022, Scales acquired the shareholdings of FI Group Holding Pty Limited, ANZ Exports Pty Limited and Meateor Australia Pty Limited. Scales provided a put option to the other shareholders of each entity for the remaining shares and the shareholders provided Scales with a call option for the remaining shares. The exercise price is set at a value based on a multiple of the respective entities EBITDA. The options are recorded in the statement of financial position, refer to note E2.

Scales increased the investment share in Meateor Australia Pty Limited in June 2024. The additional shareholding was acquired from the third joint venture partner. The total shareholding in Meateor Australia Pty Limited is now 50%. The arrangement is still of joint control.

In June 2024, Scales acquired the remaining 50% shareholding in Profruit, previously held by the Bostock Group. The summarised financial information for Profruit is in respect of Scales equity accounting share for the first 5.5 months up until acquisition, whereby Profruit then became a 100% owned subsidiary of the group, refer to note F3 for the acquisition accounting of Profruit.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information for Profruit (2006) Limited - Pre acquisition period ending 13 June 2024

	2024 \$000's	2023 \$000's
Current assets	-	17,096
Non-current assets	-	6,032
Current liabilities	-	(7,390)
Non-current liabilities	-	-
Net assets	-	15,738
Group's share in the net assets	-	7,869
Carrying amount of investment in equity accounted entities	-	7,869

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	-	491
Current financial liabilities (excluding trade and other payables and provisions)	-	(2,143)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-
Capital commitments	-	357
Revenue	10,472	26,225
Profit for the year after tax	726	3,525
Other comprehensive income attributable to the owners of the company	-	-
Total comprehensive income	726	3,525

The above profit for the year includes the following:

Depreciation and amortisation	417	668
Interest expense	181	734
Income tax expense	283	1,383

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Share of profit before taxation	505	2,454
Share of income tax	(142)	(692)
Share of other comprehensive income (net of tax)	-	-
Share of net profit for the year and total comprehensive income	363	1,762
Carrying value at beginning of the year	7,869	6,857
Investment acquired	(8,232)	-
Dividends and distributions paid	-	(750)
Investment in equity accounted entities	-	7,869

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information for Meateor Pet Foods Limited Partnership

	2024	2023
	\$000's	\$000's
Current assets	20,443	28,162
Non-current assets	33,285	33,389
Current liabilities	(10,222)	(14,421)
Non-current liabilities	(3,351)	(3,862)
Net assets	40,155	43,268
Group's share in the net assets of equity accounted entities	20,078	21,634
Carrying amount of investment in equity accounted entities	20,078	21,634

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	549	422
Current financial liabilities (excluding trade and other payables and provisions)	(3,500)	(8,400)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-
Capital commitments	-	750
Revenue	60,863	53,007
Profit for the year after tax	2,117	1,788
Other comprehensive income attributable to the owners of the company	(3,229)	(154)
Total comprehensive income	(1,112)	1,634

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	2024 \$000's	2023 \$000's
The above profit for the year includes the following:		
Depreciation and amortisation	1,643	1,322
Interest expense	937	649
Income tax expense	-	-
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		
Share of profit before taxation	1,059	894
Share of income tax	-	-
Share of other comprehensive income (net of tax)	(1,615)	(77)
Share of net profit for the year and total comprehensive income	(556)	817
Carrying value at beginning of the year	21,634	20,817
Dividends and distributions paid by equity accounted entities	(1,000)	-
Investment in equity accounted entities	20,078	21,634

Underlying financial performance of Meateor Pet Foods Limited Partnership:*

Underlying EBITDA/EBITDA**	4,697	3,738
Depreciation and amortisation	(1,643)	(1,322)
Underlying finance revenue/finance revenue	-	21
Underlying finance costs/finance cost	(937)	(649)
Income tax expense	-	-
Underlying NPAT/NPAT	2,117	1,788

Share of Meateor Pet Foods Limited Partnership Underlying NPAT included in Group Underlying EBITDA **1,059** **894**

* "Underlying EBITDA", "Underlying finance costs", "Underlying finance revenue" and "Underlying NPAT" are non-GAAP profit measures. The Directors and management believe that these profit measures provide meaningful information that is helpful to investors and gives them a better understanding of a company's financial performance when presented in addition to GAAP (NZ IFRS) information. The Underlying profit measures provided align more closely with the operating result of the Joint Ventures.

** EBITDA is a non-GAAP measure and is defined internally by management as Earnings before Interest, Tax, Depreciation and Amortisation

Underlying EBITDA and Underlying NPAT are equal to EBITDA and NPAT for both 2024 and 2023.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information for the Australian Joint Venture equity accounted entities

The 2023 comparatives have been retrospectively corrected which involved restating the below disclosure.

The change to the 2023 comparatives that has been made is to goodwill, which was previously included in the non-current assets but has now been excluded and shown with the goodwill asset line. The same approach has been applied to the 2024 disclosure.

	2024	2023 (Restated)
	\$000's	\$000's
Current assets	84,925	62,020
Non-current assets	35,041	38,246
Current liabilities	(61,659)	(43,214)
Non-current liabilities	(36,787)	(36,074)
Net assets	21,520	20,978
Group's share in the net assets of equity accounted entities	10,716	9,613
Goodwill	25,261	24,563
Effect of foreign exchange translation	1,157	224
Carrying amount of investment in equity accounted entities	37,134	34,400

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	6,500	492
Current financial liabilities (excluding trade and other payables and provisions)	(38,840)	(26,793)
Non-current financial liabilities (excluding trade and other payables and provisions)	(39,600)	(37,442)
Revenue	524,756	384,033
Profit for the year after tax	9,986	12,355
Other comprehensive income attributable to the owners of the company	(5,436)	1,031
Total comprehensive income	4,550	13,386

The above profit for the year includes the following:

Depreciation and amortisation	2,908	876
Interest income	3,307	6,186
Interest expense	6,440	2,933
Income tax expense	4,557	3,132

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2024	2023
	\$000's	\$000's
Share of profit before taxation	7,875	7,121
Share of income tax	(2,895)	(1,647)
Share of other comprehensive income (net of tax)	(2,858)	1,631
Share of net profit for the year and total comprehensive income	2,122	7,105
Carrying value at beginning of the year	34,400	27,071
Dividends and distributions paid by equity accounted entities	(545)	-
Effect of foreign exchange translation	1,157	224
Investment in equity accounted entities	37,134	34,400

Underlying financial performance of Australian Joint Ventures:*

Underlying EBITDA/EBITDA**	20,585	13,110
Depreciation and amortisation	(2,908)	(876)
Finance revenue	3,307	6,186
Adjustment	(3,300)	(6,133)
Underlying finance revenue****	7	53
Finance cost	(6,440)	(2,933)
Adjustment	2,841	392
Underlying finance cost****	(3,599)	(2,541)
Income tax expense	(4,557)	(3,132)
Underlying NPAT***	9,527	6,615
Adjustment	459	5,740
NPAT	9,986	12,355
Share of Australian Joint Ventures Underlying NPAT included in Group Underlying EBITDA	4,923	3,561

* "Underlying EBITDA", "Underlying finance costs", "Underlying finance revenue" and "Underlying NPAT" are non-GAAP profit measures. The Directors and management believe that these profit measures provide meaningful information that is helpful to investors and gives them a better understanding of a company's financial performance when presented in addition to GAAP (NZ IFRS) information. The Underlying profit measures provided align more closely with the operating result of the Joint Ventures.

** EBITDA is a non-GAAP measure and is defined internally by management as Earnings before Interest, Tax, Depreciation and Amortisation

*** Underlying NPAT excludes an adjustment of \$459k for 2024 (Scales share \$57k) and \$5.7m for 2023 (Scales share \$1.9m). The adjustments relate to excluding the non-cash entries in relation to the interest-free related party loan, comprising the gain on initial recognition of the loan and the unwind of the discount. The non cash entries are included for NZ IFRS financial purposes but are excluded from Underlying NPAT.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

****Underlying finance costs and underlying finance revenue are non-GAAP measures that are defined by management as the finance costs and finance revenue exclusive of the unwinding discount on the related party loan, the Fayman acquisition settlement adjustments.

	2024 \$000's	2023 \$000's
Summarised financial information for Esro Petfood B.V.		
Current assets	9,620	1,838
Non-current assets	13,507	5,479
Current liabilities	(7,019)	(1,040)
Non-current liabilities	(22,370)	(7,984)
Net assets	(6,262)	(1,707)
Group's share in the net assets of equity accounted entities	(3,131)	(854)
Effect of foreign exchange translation	-	-
Carrying amount of investment in equity accounted entities	-	-
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	2,853	566
Current financial liabilities (excluding trade and other payables and provisions)	(708)	(105)
Non-current financial liabilities (excluding trade and other payables and provisions)	(20,095)	(7,984)
Revenue	14,980	714
Loss for the year after tax	(3,511)	(1,340)
Other comprehensive income attributable to the owners of the company	-	-
Total comprehensive income (loss)	(3,511)	(1,340)
The above loss for the year includes the following:		
Depreciation and amortisation	1,384	69
Interest expense	1,383	211
Income tax expense	1,170	447
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		
Share of profit before taxation	-	-
Share of income tax	-	-
Share of other comprehensive income (net of tax)	-	-
Share of net profit for the year and total comprehensive income	-	-
Carrying value at beginning of the year	-	-
Effect of foreign exchange translation	-	-
Investment in equity accounted entities	-	-

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	2024 \$000's	2023 \$000's
Underlying financial performance of Esro Petfood B.V.:*		
Underlying EBITDA/EBITDA**	(1,914)	(1,506)
Depreciation and amortisation	(1,384)	(69)
Underlying finance revenue/finance revenue	-	-
Underlying finance costs/finance cost	(1,383)	(211)
Income tax expense	1,170	447
Underlying NPAT/NPAT	(3,511)	(1,340)
Share of Esro Petfood B.V. Underlying NPAT included in Group Underlying EBITDA	(1,755)	(670)

* "Underlying EBITDA", "Underlying finance costs", "Underlying finance revenue" and "Underlying NPAT" are non-GAAP profit measures. The Directors and management believe that these profit measures provide meaningful information that is helpful to investors and gives them a better understanding of a company's financial performance when presented in addition to GAAP (NZ IFRS) information. The Underlying profit measures provided align more closely with the operating result of the Joint Ventures.

** EBITDA is a non-GAAP measure and is defined internally by management as Earnings before Interest, Tax, Depreciation and Amortisation

Esro Petfood B.V. generated an Underlying loss of \$3.5m (Scales share of \$1.7m) for the year end 31 December 2024. The Group does not provide a guarantee which results in the loss being capped at zero.

For IFRS financial reporting purposes no profit has been recognised in Scales Group result for 2024 and 2023.

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 joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a 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 joint venture. Dividends or distributions received from a joint venture reduce the carrying amount of the investment in that joint venture in the Group financial statements. When the Group's share of losses of a joint venture exceeds the Group's interest in that 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 joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture until the date it ceases to be a joint venture. On acquisition of the investment in a 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. The requirements of NZ IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C4. GOODWILL

	2024	2023
	\$000's	\$000's
Gross carrying amount		
Balance at beginning of the year	36,972	45,527
Goodwill recognised on business acquisition	19	-
Impairment of goodwill	-	(8,531)
Effect of foreign currency exchange differences	3,639	(24)
Balance at end of the year	40,630	36,972

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is tested for impairment annually, or more frequently if there are indications that goodwill might be impaired. For the purpose of impairment testing, goodwill has been allocated to the cash-generating units (CGUs) listed below which represent the lowest level at which the Directors monitor goodwill.

Global Proteins - Shelby	32,954	29,315
Horticulture - Fern Ridge	5,702	5,702
Horticulture - Profruit	19	-
Logistics	1,955	1,955
	40,630	36,972

As at 31 December 2024, the Directors have determined, based on discounted cash flow and value in use calculations, that there is no impairment of goodwill associated with Shelby, Fern Ridge, Profruit and Logistics.

The discounted cash flow and value in use calculation uses future cash flows covering a five year period based on a Board approved budget. The models were based on the following key assumptions:

	2024	2023
Pre-tax discount rates	9-16%	12-16%
Annual growth rates	2%	3%

The Directors consider that any reasonably possible changes in the key assumptions would not cause the carrying amount of any of the CGUs to exceed their recoverable amount.

C5. INVENTORIES

Finished goods	19,897	24,854
Other	5,065	4,689
	24,962	29,543

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.

A provision of \$0.5m (2023: \$1.6m) has been recorded relating to aged inventory within the Global Proteins division. The provision relates to inventory that has reached or nearing its expiry date and cannot be sold or may not be sold with certainty in the market. The provision includes the costs of the inventory plus disposal costs.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

C6. 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 CGU to which the asset belongs.

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

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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.

C7. SOFTWARE

Software is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Amortisation is calculated on a straight line basis. The estimated useful life of 3 years is used in the calculation of amortisation.

	2024 \$000's	2023 \$000's
Gross carrying amount		
Opening balance	8,558	8,233
Acquisition through business combination	132	-
Additions	507	325
Closing balance	<u>9,197</u>	<u>8,558</u>
Accumulated amortisation		
Opening balance	(7,398)	(6,901)
Amortisation expense	(744)	(497)
Closing balance	<u>(8,142)</u>	<u>(7,398)</u>
Net book value	1,055	1,160

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

D. CAPITAL FUNDING

This section explains how Scales manages its capital structure and how dividends are returned to shareholders.

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.

D1. SHARE CAPITAL

Issued and paid up capital consists of 143,571,527 fully paid ordinary shares (2023: 143,095,981) less treasury stock of 1,144,690 shares (2023: 1,160,229 shares) (refer to note D2). All shares rank equally in all respects.

Shares issued or purchased on market under the Senior Executive Share Scheme (Share Scheme) (note D2) are treated as treasury stock until vesting to the employee.

	Number of shares	
	2024	2023
Fully paid ordinary shares:		
Opening balance	143,095,981	142,721,868
Share Scheme - shares issued	475,546	374,113
Closing balance	143,571,527	143,095,981
Treasury stock:		
Opening balance	1,160,229	1,088,295
Share Scheme - shares issued	475,546	374,113
Share Scheme - shares forfeited and sold	(68,931)	(28,898)
Share Scheme - shares fully vested	(422,154)	(273,281)
Closing balance	1,144,690	1,160,229

The available subscribed capital of \$51,835,684 (2023: \$50,313,936) represents the amount of the shareholders' equity that is available to be returned to shareholders on a tax-free basis.

In accordance with the Companies Act 1993 the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2024	2023
	\$000's	\$000's
Movement in share capital related to share-based payments:		
Equity-settled employee benefit share scheme vested		
Interest-free loan became full recourse	1,271	730
Accumulated share option value reclassified from reserve into share capital	578	499
Accumulated dividends reclassified from retained earnings into share capital	221	145
	2,070	1,374

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

D2. RESERVES

	Revaluation \$000's	Cash flow hedge \$000's	Share of joint ventures \$000's	Equity-settled employee benefits \$000's	Foreign exchange translation \$000's	Pension plan reserve \$000's	Total reserves \$000's
Balance at 1 January 2023	93,545	(2,686)	518	1,082	162	(31)	92,590
Other comprehensive (loss) income	(3,188)	8,086	1,576	-	307	107	6,888
Recognition of share-based payments	-	-	-	456	-	-	456
Shares fully vested	-	-	-	(499)	-	-	(499)
Balance at 31 December 2023	90,357	5,400	2,094	1,039	469	76	99,435
Other comprehensive income (loss)	8,019	(30,198)	(4,021)	-	3,630	218	(22,352)
Transfer to retained earnings	(16,182)	-	-	-	-	-	(16,182)
Recognition of share-based payments	-	-	-	710	-	-	710
Shares fully vested	-	-	-	(578)	-	-	(578)
Balance at 31 December 2024	82,194	(24,798)	(1,927)	1,171	4,099	294	61,033

Revaluation reserve

The revaluation reserve arises on the revaluation of land, buildings and apple trees, net of the related deferred tax.

Cash flow hedge reserve

The cash flow hedge reserve represents the unrealised gains and losses on interest rate and foreign currency contracts taken out to manage the Group interest rate and foreign currency risks, net of the related deferred tax.

Equity-settled employee benefits reserve - LTI Scheme

The Share Scheme involves the Company making available interest-free loans to selected senior executives to acquire shares in the Company. The senior executives will not gain any benefit with respect to the shares purchased under the Share Scheme unless they remain in employment with the Group for a period of three years from the date of acquisition of those shares.

The shares are held by a custodian during the restricted period and are then transferred to the senior executive. All net dividends or distributions received in respect of the shares must be applied to repayment of the interest-free loan.

LTI round	Grant date	Vesting date	Exercise price, \$	Number of shares				
				Opening balance	Granted	Forfeited	Vested and exercised	Closing balance
FY20R	28-Jun-20	24-Aug-24	4.19	194,511	-	(41,369)	(153,142)	-
FY20	7-Apr-21	7-Apr-24	3.20	275,706	-	(6,694)	(269,012)	-
FY21	7-Apr-22	7-Apr-25	3.20	315,899	-	(8,436)	-	307,463
FY22	24-Apr-23	24-Apr-26	3.33	374,113	-	(12,432)	-	361,681
FY23	24-Apr-24	24-Apr-27	2.72	-	475,546	-	-	475,546
Total				1,160,229	475,546	(68,931)	(422,154)	1,144,690

The weighted average share price for shares that vested during 2024 was \$3.41.

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Notes to the consolidated financial statements for the year ended 31 December 2024

D2. RESERVES (CONTINUED)

The shares issued vest over three years. The estimated value of the share options is determined using the Black-Scholes pricing calculator and is amortised over the restricted period. This cost is expensed with the corresponding credit included in the equity-settled employee benefits reserve. Expected share price volatility was based on historical volatility of the Company's ordinary shares.

LTI round	2024 FY23	2023 FY22
The inputs into the "option pricing calculator" are:		
Issue date share price, \$	3.20	3.24
Expected share price volatility, %	31	25
Option life, years	3	3
Risk-free interest rate, %	4.92	4.14
Exercise price, \$	2.72	3.33
Fair value, at the grant date, \$	1.11	0.69

Equity-settled employee benefits reserve - PSR Scheme

On 15 December 2023 the Board approved the Scales' Performance Share Rights Plan to grant performance rights to key senior management personnel as a long-term incentive programme. The first round of performance rights were issued under this programme during the period.

PSR round	Grant date	Vesting date	Number of rights				
			Opening balance	Granted	Forfeited	Vested and exercised	Closing balance
FY23 -T1	20-Dec-23	9-Mar-26	56,748	-	-	-	56,748
FY23 -T2	20-Dec-23	23-Mar-26	38,113	-	-	-	38,113
FY23 -T3	20-Dec-23	9-Mar-26	228,095	-	-	-	228,095
FY24A-T1	1-May-24	12-Mar-27	-	55,904	-	-	55,904
FY24A-T2	1-May-24	25-Feb-27	-	37,691	-	-	37,691
FY24A-T3	1-May-24	12-Mar-27	-	228,095	-	-	228,095
FY24B-T1	4-Dec-24	12-Mar-27	-	38,591	-	-	38,591
FY24B-T2	4-Dec-24	25-Feb-27	-	38,591	-	-	38,591
Total			322,956	398,872	-	-	721,828

TSR Hurdles - Tranches 1 and 3

The proportion of performance rights subject to the absolute TSR growth hurdle which may vest is dependent on Scales' TSR compound annual growth rate (CAGR) across a 3-year measurement period.

TSR is the Company's total shareholder returns. TSR measures the total return received by Scales' investors from the increase in the market value of an ordinary share in Scales and the receipt of gross dividends and other distributions, from the commencement date to the vesting date.

For each tranche that vests the rights are awarded on a straight-line basis dependent on the TSR CAGR achieved.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

D2. RESERVES (CONTINUED)

TSR related performance rights vest according to the following performance criteria for each unvested tranche:

Tranche 1 - % vesting

0%	< 8.5% CAGR
25%	= 8.5% CAGR
26% - 99% (Straight-line prorata)	> 8.5%, < 12.5% CAGR
100%	= 12.5% CAGR

Tranche 3 - % vesting

0%	= 12.5 % CAGR
1% - 99% (Straight-line prorata)	> 12.5%, < 31.1% CAGR
100%	= 31.1% CAGR

The TSR performance tranches are calculated across the following periods:

Round	Vesting Period
FY23 - Tranche 1 and 3	20 December 2023 to 7 days after the announcement date of the FY25 Result
FY24 A and B - Tranche 1 and 3	7 March 2024 to 7 days after the announcement date of the FY26 Result

The fair value of the TSR performance rights have been valued under a variant of the dividend adjusted Monte Carlo simulation. The estimated fair value for each tranche of performance rights issued is amortised over the vesting period from the grant date.

Tranche 1 & 3

The inputs into the Monte Carlo simulation are:

	FY24A	FY24B	FY23
Risk free interest rate, %	5.00	4.41	4.53
Expected life, years	2.90	2.30	2.20
Expected share volatility, %*	30.87	32.62	31.12
Fair value, at the grant date, \$	3.20	4.05	3.17

* Volatility represents the volatility of the Scales Corporation's NZD share price over a 3-year period.

EPS Hurdle - Tranche 2

The proportion of performance rights subject to the EPS growth hurdle which may vest is dependent on Scales' EPS compound annual growth rate (CAGR) across a 3-year measurement period. For each tranche that vests the rights are awarded on a straight-line basis dependent on the EPS CAGR achieved. EPS growth hurdle is considered a non-market condition.

EPS related performance rights vest according to the following performance criteria:

Tranche 2 - % vesting

0%	< 5% CAGR
25%	= 5% CAGR
26% - 99% (Straight-line prorata)	> 5%, < 10% CAGR
100%	= 10% CAGR

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

D2. RESERVES (CONTINUED)

The EPS performance is calculated across the following periods:

Round	Vesting Period
FY23 - Tranche 2	20 December 2023 to the announcement date of the FY25 Result
FY24 - Tranche 2	22 February 2024 to the announcement date of the FY26 Result

The fair value of the EPS performance rights have been assessed as Scales' share price as at grant date less the present value of the dividends forecast to be paid prior to each vesting date.

The estimated fair value for each tranche of performance rights issued is amortised over the vesting period from grant date.

Vesting of performance rights also requires the employee to remain in employment with the Company during the performance period. The Company has expensed in the income statement \$286k (2023: nil) in relation to performance rights.

Foreign exchange translation reserve

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in two ways. Gains or losses relating to the effective portion of the hedge are recognised in other comprehensive income. Any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss.

Gains or losses arising on translation of foreign subsidiaries results (Note B6) are also recognised in this reserve.

D3. DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2024	2023
	\$000's	\$000's
Final dividend paid - 4.25 (2023: 13.00) cents per share	6,042	18,452
Interim dividend declared - 7.25 (2023: 4.25) cents per share	10,332	6,041
	16,374	24,493

All above dividends were fully imputed.

The 2024 interim dividend was declared on 4 December 2024 and paid on 17 January 2025.

D4. IMPUTATION CREDIT ACCOUNT

Balance at end of the year	5,901	8,651
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The imputation credit account balance represents the net amount available at the reporting date that can be attached to future dividends declared.

The Scales Corporation Limited consolidated tax group for income tax includes Scales Corporation Limited and all New Zealand registered subsidiary companies other than Scales Employees Limited, Fern Ridge Produce Limited, and Profruit (2006) Limited.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

D5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the company by the weighted average number of ordinary shares on issue during the year, excluding shares held as treasury stock. Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the denominator.

	<u>2024</u>	<u>2023</u>
Profit attributable to equity holders of the Company, \$000's:	30,726	5,235
Weighted average number of shares:		
Ordinary shares	142,200,207	141,831,545
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	<u>416,550</u>	<u>116,268</u>
Weighted average number of Ordinary Shares for diluted earnings per share	<u>142,616,757</u>	<u>141,947,813</u>
Earnings per share (cents):		
Basic - continuing	21.6	3.7
Diluted - continuing	21.5	3.7

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E. FINANCIAL ASSETS AND LIABILITIES

IN THIS SECTION

This section explains the financial assets and liabilities of Scales, the related risks and how Scales manages these risks.

Financial assets

Financial assets are classified into the following specified categories: financial assets '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 profit or loss

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

Financial assets measured at amortised cost

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Financial liabilities measured at amortised cost

The Group's financial liabilities include trade and other payables and borrowings. These financial liabilities are initially recognised at fair value net of any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Derivative financial instruments

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 cash flow hedges. A derivative is presented as a non-current asset or a non-current liability where the cash flow will occur after twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

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

Cash flow hedges

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

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

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign exchange translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign exchange translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E1. TRADE AND OTHER RECEIVABLES

	2024	2023
	\$000's	\$000's
Trade receivables	33,237	25,589
Other receivables	1,416	3,637
Owing by entities accounted for using the equity method	-	1,628
Goods and services tax	3,372	3,175
	38,025	34,029

Credit risk management

The Group activities expose it to credit risk which 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, trade and other receivables and 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 26.60% (2023: 5 customers who represented 35.95%) 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.

Included in trade receivables are debtors which are past due at balance date, as payment was not received within one month, and for which provision for expected credit losses was not material 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.

Ageing of past due trade receivables:

1 month	6,614	5,159
2 months	2,019	2,049
More than 2 months	2,982	6,895
	11,615	14,103

There was an ECL provision of \$0.3m as at 31 December 2024 (2023: \$0.4m), which is included within the Trade Receivables balance above.

E2. OTHER FINANCIAL ASSETS

Current

At fair value:

Foreign currency derivative instruments	1,470	5,217
Interest rate swap contracts and forward rate agreements	760	772
	2,230	5,989

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E2. OTHER FINANCIAL ASSETS (CONTINUED)

	2024	2023
	\$000's	\$000's
Non-current		
<i>At fair value:</i>		
Foreign currency derivative instruments	3,636	13,678
Interest rate swap contracts and forward rate agreements	504	262
Joint venture call option	-	171
Shares in unlisted companies	185	184
<i>At amortised cost:</i>		
Employee loans	3,113	2,103
Related party loans	29,750	12,679
	37,188	29,077

E3. TRADE AND OTHER PAYABLES

Trade payables	14,011	10,224
Accruals	10,216	11,816
Employee entitlements	5,625	4,406
	29,852	26,446

E4. 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. The fair value of current and non-current borrowings is approximately equal to their carrying amount.

The Group replaced existing Multi-Option Facility Agreements with Coöperatieve Rabobank U.A., New Zealand Branch (Rabobank) and Westpac New Zealand Limited (Westpac) with new agreements on 11 November 2021. The existing facility agreement with ANZ bank New Zealand Limited (ANZ) was also replaced with a new agreement on 11 November 2021.

All NZD and AUD term debt was repaid during 2024. Term debt remaining at 31 December 2024 is the USD denominated loans. The USD denominated loans are designated as a hedge of net investments in foreign operations.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E4. BORROWINGS (CONTINUED)

	Facility limit		Undrawn facility	
	2024	2023	2024	2023
	\$000's	\$000's	\$000's	\$000's
Term facilities				
Rabobank NZD	-	1,000	-	-
Rabobank USD	11,635	11,635	-	-
Rabobank AUD	-	12,500	-	-
Westpac NZD	-	1,000	-	-
Westpac USD	11,635	11,635	-	-
Westpac AUD	-	12,500	-	-
Seasonal facilities and overdraft facility				
Rabobank seasonal facility	20,000	5,000	20,000	5,000
Westpac seasonal facility	20,000	5,000	20,000	5,000
ANZ overdraft	1,000	1,000	1,000	1,000

Group term debt is subject to financial covenants tested quarterly on 31 March, 30 June, 30 September and 31 December of each year. The covenant measures the interest cover ratio and net debt to EBITDA ratio of the Charging Group.

The Group has complied with all financial covenants in 2024 and 2023. There are no indications the Group will have difficulty complying with the covenants in the next 12 months.

The floating interest rate is 1.20% to 6.97% (2023: 4.24% to 6.87%) and the term borrowing facility expiry date is 1 July 2026. Seasonal facilities presented as current borrowings are due for repayment within one year. The bank facilities are secured by a first ranking security interest granted by each of the Charging Group Companies over all its present and after-acquired property (including proceeds) and a first ranking security interest over any of the Charging Group Companies' present and future assets and undertakings which are not personal property. The bank facilities are also secured by first and exclusive registered mortgages over property comprising coolstores, orchards and industrial and commercial property owned by members of the Charging Group. Charging Group Companies as at 31 December 2024 are Scales Corporation Limited, Scales Holdings Limited, Mr Apple New Zealand Limited, New Zealand Apple Limited, Fern Ridge Produce Limited, Profruit (2006) Limited, Geo.H.Scales Limited, Meateor Foods Limited, Scales, Logistics Limited and Meateor Group Limited.

	Term borrowings	
	2024	2023
	\$000's	\$000's
Seasonal (current) and term (non-current) borrowings:		
Opening balance	65,647	38,732
Debt acquired on acquisition through business combination	5,444	-
Drawdowns	81,500	27,306
Repayments	(116,024)	-
Effect of foreign currency translation	4,692	(391)
	41,259	65,647

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E5. OTHER FINANCIAL LIABILITIES

	2024 \$000's	2023 \$000's
Current financial liabilities at fair value		
Foreign currency derivative instruments	23,700	4,554
Put options	18,218	13,970
	41,918	18,524
Non-current financial liabilities at fair value		
Foreign currency derivative instruments	18,688	6,699
	18,688	6,699

In 2018 the Group acquired 60% of Shelby JV LLC and its subsidiaries Shelby Foods LLC, Shelby Exports Inc, Shelby Cold Storage LLC, Shelby Trucking LLC and Shelby Properties LLC (collectively, Shelby Group).

As part of the transaction, the Company entered into an agreement with the vendor whereby the vendor has an option to put a further 5% of total units in Shelby Group to Scales at a value based on a multiple of Shelby Group EBITDA. The obligation to acquire the ownership interest under the put option is included in other financial liabilities. The option expires in 2025.

E6. INTEREST RATE RISK

Interest rate risk management

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

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, some of which can commence in future reporting years, enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued floating rate debt. The fair value of these contracts at the reporting date is determined by discounting the future cash flows using the forward interest rate curves at reporting date and the credit risk inherent in the contracts. The average contracted fixed interest rate is based on the notional principal amount at balance date.

The Group's interest rate swap contracts and forward rate agreements are classified as Level 2 in the fair value hierarchy.

Interest rate swap contracts:

	Fixed Interest Rate		Notional principal amount		Fair value	
	2024	2023	2024	2023	2024	2023
	%	%	\$000's	\$000's	\$000's	\$000's
Maturity Date						
Within 1 year	0.89	-	9,752	-	215	-
2-5 years	2.53	0.97	28,369	17,350	1,049	1,034
After 5 years	-	-	-	-	-	-
			38,121	17,350	1,264	1,034

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E6. INTEREST RATE RISK (CONTINUED)

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.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships (which is not material) is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contract, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Impact on net profit after tax assumes that none of floating interest rate borrowings were hedged.

	2024		2023	
	+1% \$000's	-1% \$000's	+1% \$000's	-1% \$000's
Impact on net profit after tax	350	(350)	158	(158)
Impact on cash flow hedge reserve net of tax	708	(749)	246	(254)

E7. FOREIGN CURRENCY RISK

Foreign currency risk management

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of normal trading transactions denominated in foreign currencies. The currencies in which the Group primarily trades are the Australian dollar, Euro, Canadian dollar, Great Britain pound and United States dollar, with the largest exposure being to the 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 on a discounted cash flow basis whereby future cash flows are estimated based on forward exchange rates and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's forward foreign exchange contracts and foreign exchange options are classified as Level 2 in the fair value hierarchy.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E7. FOREIGN CURRENCY RISK (CONTINUED)

Foreign currency instruments at balance date:

	2024		2023	
	Contract		Contract	
	Value	Fair Value	Value	Fair Value
	\$000's	\$000's	\$000's	\$000's
Sale commitments forward foreign exchange contracts	572,711	(28,487)	371,325	5,888
Sale commitments foreign exchange options	178,507	(8,795)	185,240	1,754

These foreign currency instruments are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from movements in foreign currency exchange rates on anticipated future transactions. It is anticipated that the sales will take place during the 2025 to 2029 financial years at which stage the amount deferred in equity will be released into profit or loss.

For hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign currency instruments and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the instruments and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates. The Group uses the hypothetical derivative method for the hedge effectiveness assessment and measurement of hedge ineffectiveness. As for the hedge of the net investment in Meateor US LLC sub-group, the Group assesses effectiveness by comparing the nominal amount of the net assets designated in the hedge relationship with the nominal amount of the hedging instrument. This is a simplified approach because the currency of the exposure and hedging instruments perfectly match and the Group excludes from the designation the foreign currency basis spread.

The following table demonstrates the sensitivity to a reasonably possible change of 5% in the value of New Zealand dollar against other foreign currencies, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

	2024		2023	
	+5%	-5%	+5%	-5%
	\$000's	\$000's	\$000's	\$000's
Impact on net profit after tax				
USD	(554)	612	(655)	724
AUD	(6)	6	(4)	4
EUR	(2)	2	(10)	11
GBP	(4)	4	-	-
CAD	-	-	-	-
Impact on cash flow hedge reserve net of tax				
USD	(21,847)	19,588	(15,408)	13,943
AUD	(6)	5	-	-
EUR	(2,320)	2,086	(1,886)	1,704
GBP	(807)	714	(801)	720
CAD	(250)	226	(216)	195

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

E8. CATEGORIES OF FINANCIAL INSTRUMENTS

	2024	2023
	\$000's	\$000's
Financial assets:		
Amortised cost	121,269	123,274
Derivative instruments in designated hedge accounting relationships	6,370	19,929
Fair value through profit or loss	185	355
	127,824	143,558
Financial liabilities:		
Amortised cost	81,443	98,134
Derivative instruments in designated hedge accounting relationships	42,388	11,253
Fair value through profit or loss	18,218	13,970
	142,049	123,357

The carrying amount of financial instruments at amortised cost approximates their fair value.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table detail the Group'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. Foreign currency derivative liabilities are presented below at fair value.

E9. MATURITY PROFILE OF FINANCIAL LIABILITIES

	Within 3 months	4 months to 1 year	1-5 years	Total
	\$000's	\$000's	\$000's	\$000's
2024				
Trade and other payables	29,852	-	-	29,852
Dividend declared	10,332	-	-	10,332
Put options	18,218	-	-	18,218
Borrowings	624	990	42,550	44,164
Foreign currency derivatives	1,441	21,034	19,913	42,388
	60,467	22,024	62,463	144,954
2023				
Trade and other payables	26,446	-	-	26,446
Dividend declared	6,041	-	-	6,041
Put options	13,970	-	-	13,970
Borrowings	1,079	3,238	67,793	72,110
Foreign currency derivatives	747	3,807	6,699	11,253
	48,283	7,045	74,492	129,820

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

F. GROUP STRUCTURE

IN THIS SECTION

This section provides information about Scales Group structure and how it affects the financial position and performance of the Group. It includes information about subsidiaries and non-controlling interests.

F1. SUBSIDIARY COMPANIES

Subsidiary companies	Principal activity	Country of incorporation	Holding		Balance date
			2024	2023	
Fern Ridge Produce Limited	Trading company	New Zealand	100%	100%	31 December
Geo. H. Scales Limited	Non trading company	New Zealand	100%	100%	31 December
Longview Group Holdings Limited	Non trading company	New Zealand	100%	100%	31 December
Meateor Foods Australia Pty Limited	Trading company	Australia	100%	100%	31 December
Meateor Foods Limited	Trading company	New Zealand	100%	100%	31 December
Meateor Group Limited	Holding company	New Zealand	100%	100%	31 December
Meateor US LLC	Holding company	United States	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
Profruit (2006) Limited	Trading company	New Zealand	100%	50%	31 December
Scales Employees Limited	Custodial company	New Zealand	100%	100%	31 December
Scales FI Group Holding Pty Ltd	Holding company	Australia	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 Logistics Australia Pty Ltd	Freight consolidator	Australia	100%	100%	31 December
Selacs Insurance Limited	Insurance company	New Zealand	100%	100%	31 December
Shelby Cold Storage, LLC	Coldstore operator	United States	60%	60%	31 December
Shelby Exports, Inc	Non trading company	United States	60%	60%	31 December
Shelby Foods, LLC	Trading company	United States	60%	60%	31 December
Shelby JV LLC	Holding company	United States	60%	60%	31 December
Shelby Properties LLC	Non trading company	United States	60%	60%	31 December
Shelby Trucking LLC	Trading company	United States	60%	60%	31 December

Subsidiary companies are controlled by the Company. 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

F2. NON-CONTROLLING INTERESTS

The following non-wholly owned subsidiaries of the Group have material non-controlling interests.

Proportion of equity interest held by non-controlling interests:

Subsidiary companies	Country of incorporation	Non-controlling interest	
		2024	2023
Shelby JV LLC and its subsidiaries	United States	40%	40%

The summarised financial information in respect of the Group's subsidiary that have material non-controlling interests as at 31 December 2024, reflecting 100% of the underlying subsidiary's relevant figures, is set out below:

	2024 \$000's	2023 \$000's
Statement of financial position		
Current assets	37,789	31,013
Non-current assets	17,669	11,362
Current liabilities	(10,746)	(8,174)
Non-current liabilities	(144)	(140)
Net assets	44,567	34,060
Attributable to:		
Equity holders of the Company	26,740	20,436
Non-controlling interests	17,827	13,624
Total dividends paid to non-controlling interests	17,175	15,312
Statement of comprehensive income		
Total revenue	235,136	214,624
Net profit for the year	48,327	48,647
Attributable to:		
Equity holders of the Company	28,996	29,188
Non-controlling interests	19,331	19,459
Statement of cash flows		
Net cash provided by operating activities	50,589	45,350
Net cash used in investing activities	(5,650)	(6,160)
Net cash used in financing activities	(43,026)	(38,346)
Net increase in cash	1,913	844

Note that a put option on 5% of the non-controlling interest shareholding is recognised as a financial liability, separate from non-controlling interest. Refer to note E5 for disclosures regarding the put option.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

F3. ACQUISITION OF APPLE ORCHARDS AND PROFRUIT (2006) LIMITED

In May 2024 the Group entered into an agreement to acquire certain assets from Bostock Group Limited ("Bostock"). The total acquisition price of \$47.5m included \$35.9m for approximately 240 hectares of planted orchard area comprised of approximately 114 hectares of owned orchards and the assignment of approximately 126 hectares of leased orchards. The remaining \$11.6m related to the purchase of the additional 50% share of Profruit (2006) Limited ("Profruit"). The acquisition settled on 13 June 2024.

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

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

Details of the Profruit acquisition are as follows:

	Carrying value on \$000's	Fair value on acquisition \$000's
Current assets		
Cash and bank balances	653	653
Trade and other receivables	4,120	3,478
Derivatives	155	155
Inventory	14,776	18,656
Right-of-use asset	239	239
Other assets	390	390
Non-current assets		
Land and buildings	3,082	3,920
Plant and equipment	2,971	7,694
Derivatives	102	102
Current liabilities		
Trade and other payables	(1,906)	(1,906)
Current tax payable	(1,196)	(1,147)
Derivatives	(76)	(76)
Lease liability	(118)	(121)
Other liabilities	(932)	(932)
Borrowings	(3,437)	(3,437)
Non-current liabilities		
Deferred tax liabilities	(39)	(2,318)
Derivatives	(41)	(41)
Lease liability	(122)	(122)
Borrowings	(2,007)	(2,007)
Net assets acquired	16,614	23,181
Fair value of identifiable assets acquired and liabilities assumed		23,181
Consideration paid in cash		11,600
Fair value of the previously held equity interest		11,600
Goodwill		19

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

F3. ACQUISITION OF APPLE ORCHARDS AND PROFRUIT (2006) LIMITED (CONTINUED)

An external valuation was obtained to determine the fair value of both land and buildings and plant and equipment on acquisition. The valuation of plant and equipment included an upper and lower range value. The upper end value was \$9.5m and the lower end value was \$7.6m. Market evidence of the same or substantially similar items has been used in valuing the plant and equipment. Where market evidence is not available the depreciated replacement cost has been used to determine values. The lower end range value of \$7.6m has been adopted as fair value of plant and equipment at acquisition due to the highly specified nature of the assets acquired, a limited number of uses or users and a lack of comparable transactions in the market.

The fair value of trade receivables has been adjusted to be measured in accordance with NZ IFRS 15 *Revenue from Contracts with Customers* and the related revenue recognition requirements.

Inventory acquired has been measured at the fair value, being the sales price less costs to sell. Costs to sell include the cost of raw materials, freight charges and commission payable.

A gain of \$3.3m was recognised as a result of measuring at fair value the 50% equity interest in Profruit held prior to the business combination. The gain is included in other income in the consolidated statement of comprehensive income for the year ended 31 December 2024.

The revenue included in the consolidated statement of comprehensive income since acquisition contributed by Profruit was \$24.2m. Profruit was break even over the same period.

Had Profruit been consolidated from 1 January 2024 the consolidated statement of comprehensive income would have included revenue of \$34.6m and profit of \$1.0m.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

G. OTHER

G1. CAPITAL COMMITMENTS

	2024	2023
	\$000's	\$000's
Apple trees purchase commitments	-	1,540
Property, plant and equipment purchase commitments	3,194	469

G2. LEASES

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognised a right-of-use asset and a corresponding liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group applies the practical expedient and recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

G2. LEASES (CONTINUED)

Right-of-use assets are depreciated over the shorter period of either the lease term or the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies NZ IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss under this standard.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administration and operating expenses" in the statement of comprehensive income.

As a practical expedient, NZ IFRS 16 permits a lessee to not separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Right-of-use assets

	Land and buildings \$000's	Plant and equipment \$000's	Office equipment motor and vehicles \$000's	Total \$000's
Carrying Amount				
Balance at 1 January 2023	42,673	706	5,666	49,045
Additions	9,140	-	2,027	11,167
Lease modification	(1,230)	-	(699)	(1,929)
Depreciation expense	(6,331)	(412)	(1,968)	(8,711)
Balance at 31 December 2023	44,252	294	5,026	49,572
Additions	17,014	127	2,981	20,122
Lease terminations	(793)		(19)	(812)
Depreciation expense	(7,042)	(302)	(1,941)	(9,285)
Balance at 31 December 2024	53,431	119	6,047	59,597

	2024 \$000's	2023 \$000's
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	9,285	8,711
Gain on lease modification	(79)	(177)
Interest expense on lease liabilities	3,774	3,144
Expense relating to short-term leases and low-value assets	1,287	1,990
Lease liabilities		
Current	13,464	10,963
Non-current	52,921	44,670

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

G2. LEASES (CONTINUED)

	2024 \$000's	2023 \$000's
Maturity analysis (undiscounted cash flows)		
Year 1	13,471	10,963
Year 2	12,973	10,059
Year 3	11,214	9,489
Year 4	9,489	8,611
Year 5	8,077	6,698
Onwards	35,946	30,517
	91,170	76,337
Cash outflows for leases		
Interest on lease liabilities	3,774	3,144
Repayments of lease liabilities	9,075	8,420
Short-term leases and low-value asset leases	1,287	1,990
	14,136	13,554

Sale and leaseback

On 30 September 2024, the Group subsidiary Mr Apple New Zealand Limited, completed a transaction with a fund managed by Craigmore Sustainables to sell and leaseback Blyth Orchard and RSE accommodation as part of a combined transaction including the outright sale of Te Papa Orchard. The total transaction was completed for \$34m.

The Blyth Orchard has one lease term of 3 years. The Group has recognised a right-of-use asset from the leaseback for the 3 year term. Blyth RSE accommodation has an initial lease term of 15 years with rights of renewal for a further 15 years. The Group has recognised a right-of-use asset from the leaseback for the initial 15 year term.

Total right-of-use assets additions recognised from the leaseback of the property amounted to \$3.2 million. Proceeds from the sale of Blyth and associated lease payments are included in the statement of cash flows. A gain on sale of \$3.1m from the sale and leaseback was recognised in Other Income.

G3. RELATED PARTY DISCLOSURES

Transactions with related parties

Certain Directors or senior management have relevant interests in companies with which Scales has transactions in the normal course of business. A number of Scales directors are also non-executive directors of other companies. Any transactions undertaken with these entities have been entered in the ordinary course of business.

	2024 \$000's	2023 \$000's
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	8,431	8,622
Share-based payments	456	295
Post-employment benefits	342	263
	9,229	9,180

Scales Corporation Limited

Notes to the consolidated financial statements for the year ended 31 December 2024

G3. RELATED PARTY DISCLOSURES (CONTINUED)

During 2024, 827,989 (2023: 1,120,541) shares were on issue to key management personnel in accordance with the Share Scheme described in note D2.

In December 2024, 322,746 (2023: 322,956) Performance Share Rights were issued to key management personnel in accordance with the PSR Scheme described in note D2.

	2024	2023
	\$000's	\$000's
Transactions with equity accounted entities		
Revenue from sale of goods	3,228	4,079
Revenue from services	14,364	7,388
Loss on related party loans	(1,663)	(2,044)
Dividends and distributions received	1,545	750
Interest received	1,621	323
Materials and services received	(7,617)	(1,001)
Trade receivables at balance date	1,563	1,628
Trade payables at balance date	-	-
Related party loans	29,750	12,679

In October 2022, Meateor Group Limited along with the other joint venture partners, agreed a financing arrangement with Meateor Australia Pty Limited for a term of 5 years. The total facility provided to Meateor Australia Pty Limited is AUD 4 million with the interest rate on the drawdown balances charged at 5% per annum.

In July 2023 the financing arrangement with Meateor Australia Pty Limited was amended to nil interest over the term of the loan. The loan balance has been recorded using the effective interest method.

In August 2023, a financing arrangement was agreed with Esro Petfood B.V. The total facility available to Esro Petfood B.V. is €15m. Interest is charged on each drawdown calculated quarterly at an interest rate of EURIBOR plus 4%.

G4. ASSETS HELD FOR SALE

As at 31 December 2024 the Whakatu coolstore, located at 14 Groome Place, Whakatu, Hastings, owned by the Group subsidiary Mr Apple New Zealand ("Mr Apple") was classified as held for sale at an amount of \$19.1m. A conditional sale agreement has been reached. Subject to conditions of sale being satisfied the sale is expected to settle in the first half of 2025. The Whakatu coolstore asset is included in the Horticulture segment.

G5. CONTINGENT LIABILITIES

There is no contingent liabilities as at 31 December 2024 (2023: Nil).

G6. EVENTS OCCURRING AFTER BALANCE DATE

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



Independent Auditor's Report

To the Shareholders of Scales Corporation Limited

Opinion

We have audited the consolidated financial statements of Scales Corporation Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements, on pages 4 to 60, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and other assurance services including the assurance on the solvency certificate, greenhouse gas emissions, an audit of the charging group financial statements and a greenhouse gas emissions assurance readiness engagement, we have no relationship with or interests in the Company or any of its subsidiaries. We have also been engaged to provide tax compliance services but these have not yet commenced. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be \$3,000,000.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of Unharvested Agricultural Produce

Unharvested agricultural produce growing on bearer plants (apples), is measured at fair value less costs to sell in accordance with NZ IAS 41 *Agriculture*.

The Group's unharvested agriculture produce was valued at \$26.6 million at balance date as described in note C2. A revaluation loss of \$1.9 million is recorded in profit or loss.

Fair value less cost to sell is calculated by the Group using a discounted cash flow model. The model includes significant unobservable inputs and assumptions including, for each variety, the forecast production per hectare per annum, expected sales prices, and risk-adjusting discount rates, as well as costs to harvest and sell.

The risk-adjusting discount rates take into account the risk of unknown adverse events, that may affect crop, harvest and/or market conditions.

The valuation of unharvested agricultural produce is considered to be a key audit matter due to the level of judgement required to determine the fair value less costs to sell.

Our procedures focused on the appropriateness of the valuation methodology and the key assumptions applied in the internal valuation model.

Our procedures included, amongst others:

- Holding discussions with management and considering market information to identify factors, including environmental/climate or market risks, that would impact the current crop valuation;
- Assessing and challenging the reasonableness of the risk-adjusting discount rates;
- Challenging the reasonableness of the key assumptions by comparing the forecast production, prices, and costs to harvest and sell for the current growing season, to the approved budgets for each orchard;
- Assessing the historical accuracy of the Group's budget forecasts by comparing to the actual results for production per hectare and sales prices;
- Engaging a Deloitte valuation specialist to review the valuation model; and
- Checking the mechanical accuracy of the discounted cash flow model.

Valuation of Apple Trees

As disclosed in note C1 the Group has apple trees valued at \$48.2 million. A revaluation gain of \$9.0 million has been recorded in other comprehensive income, with an impairment of \$1.2 million recorded in profit and loss.

The Group has a policy of recording apple trees at fair value with valuations performed with sufficient regularity that the carrying amount at the end of a reporting period does not differ materially from their fair value.

The fair value of the apple trees is determined by an independent registered valuer on the basis of a discounted cash flow analysis of forecast income streams and costs from each orchard less the fair value of orchard land and buildings in combination with the comparative sales approach.

By using the income approach, apple trees are independently valued on the basis of a discounted cash flow analysis of forecast income streams and costs from each orchard. The model uses a number of significant unobservable inputs, in particular: production levels per hectare, orchard gate returns (market prices), orchard costs, and discount rates.

Valuation of apple trees is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and the level of judgement involved in valuing the apple trees.

Our procedures focused on the appropriateness of the valuation methodology and the key assumptions applied in the model.

Our procedures included, amongst others:

- Evaluating the Group's processes in respect of the independent valuation of the apple trees including its review of the valuation methodology and determination of the key valuation assumptions;
- Engaging a Deloitte valuation specialist to consider whether the valuation methods applied and the discount rate used in the orchard valuation calculations were reasonable;
- Assessing the competence, objectivity and integrity of the Group's independent registered valuer. This included assessing the valuer's professional qualifications, experience and independence. It also included meeting with the valuer to understand the valuation process adopted and to identify and challenge the critical judgement areas in the valuation;
- Assessing the valuation methodology for consistency with the prior year valuation and determining whether any changes to the methodology were appropriate;
- Checking the mechanical accuracy of the discounted cash flow models on a sample basis; and
- Challenging the reasonableness of the key assumptions by comparing them to the prior year valuation, the Group's internal data and current market evidence. We focused on the assumptions relating to production levels per hectare, orchard gate returns (market prices), orchard costs, and discount rates;
 - We tested estimated production levels per hectare by comparing orchard hectares in production with the prior year valuation. We compared the production levels per hectare to internal production data for the season;
 - We tested the orchard gate returns by comparing these to actual sales returns received during the previous year;
 - We challenged orchard costs by comparing orchard costs to the prior year valuation and actual costs incurred; and
 - We challenged the discount rates by comparing them with prior year valuation discount rates and considering the risks associated with the orchards.

Key audit matter

How our audit addressed the key audit matter

Profruit step acquisition and Bostock orchard acquisition

In the current year, Scales Corporation Limited has entered into two transactions with Bostock Group Limited:

- Purchase of the remaining 50% in their previous equity-accounted joint venture Profruit (2006) Limited ('Profruit') to increase the Scales Corporation Limited's shareholding in Profruit to 100%; and
- Purchase of various orchards and bearer plants (which do not constitute a business as defined under NZ IFRS 3 *Business Combinations*).

As detailed in note F3 and C3, Scales Corporation Limited acquired the remaining shares in Profruit and the orchards for a combined value of \$47.5m on the 13th of June 2024. The process of accounting for these transactions involved complex and subjective estimation by management including the following:

- Accounting treatment for a step acquisition and an asset acquisition;
- Identification and valuation of the assets acquired, including specialised assets, land and buildings and other assets and liabilities assumed at acquisition date;
- The consideration of both transactions together due to the transactions occurring on the same date and with contractual clauses linking the contracts; and
- The allocation of the purchase price consideration based on relative fair values.

We have included the determination of the fair values attributable to the assets and liabilities acquired as a part of these transactions, and the purchase price accounting as a key audit matter due to the significance to the financial statements, and the subjectivity and complexity inherent in determining fair value, as well as the purchase price allocation.

Our procedures focused on the appropriateness of the accounting applied to the transactions and the fair value of the assets acquired.

Our procedures included, amongst others:

- Assessing management's accounting treatment for the step acquisition of the remaining 50% share in Profruit (2006) Limited;
- Assessing management's accounting treatment for the asset acquisition of the orchards and bearer plants;
- Reviewing the terms of the two sale and purchase agreements;
- Consideration of the treatment of the purchase price under NZ IFRS 3 *Business Combinations* taking into account the contracts being inter-related and the impact on the purchase price allocation;
- Obtaining management's independent valuations of assets acquired. Assessing the competence, objectivity and integrity of the Group's independent registered valuers. This included assessing the valuer's professional qualifications, experience and independence. It also included meeting with the valuers to understand the valuation process adopted and to identify and challenge the critical judgement areas in the valuation;
- Obtaining management's purchase price allocation and reperforming the calculation of the goodwill arising from the business combination transaction; and
- Reviewing of financial statement disclosures for completeness and accuracy.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report and the Climate Statement. The Annual Report and the Climate Statement is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information in the Annual Report and Climate Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. 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.

Deloitte Limited

**Nicole Dring, Partner
for Deloitte Limited**
Christchurch, New Zealand
25 February 2025