

# Scales Corporation Limited

Condensed Consolidated Interim Financial Statements  
for the six months ended 30 June 2022

# Scales Corporation Limited

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# Scales Corporation Limited

## Directory

### Board of Directors

Tim Goodacre (Chair)  
Andrew Borland (Managing Director)  
Nick Harris  
Mark Hutton  
Alan Isaac  
Nadine Tunley  
Qi Xin

### Audit and Risk Management Committee

Alan Isaac (Chair)  
Nick Harris  
Mark Hutton

### Nominations and Remuneration Committee

Mark Hutton (Chair)  
Tim Goodacre

### Finance and Treasury Committee

Mark Hutton (Chair)  
Andrew Borland

### Health & Safety and Sustainability Committee

Nick Harris (Chair)  
Andrew Borland  
Nadine Tunley

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Christchurch 8013  
New Zealand

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### Telephone

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### Website

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

### Auditor

Deloitte Limited  
Level 4  
151 Cambridge Terrace  
Christchurch 8013

### Bankers

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

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

Level 4  
32 Hood street  
Hamilton 3204

### Westpac New Zealand Limited

Level 4  
The Terrace  
83 Cashel Street  
Christchurch 8011

### Solicitors

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

### Chapman Tripp

23 Albert Street  
Auckland 1010

### Share Registry

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

# Scales Corporation Limited

Consolidated statement of comprehensive income for the six months ended 30 June 2022

	Note	Unaudited		Audited
		Six months ended 30 June 2022 \$000's	Six months ended 30 June 2021 \$000's	Year ended 31 December 2021 \$000's
Revenue	6	309,308	253,836	514,551
Cost of sales		(228,710)	(179,455)	(400,663)
		<u>80,598</u>	<u>74,381</u>	<u>113,888</u>
Administration and operating expenses		(25,496)	(22,988)	(47,241)
Reversal of impairment on revaluation		-	-	1,650
Share of profit of entities accounted for using the equity method		1,293	1,352	3,162
Other income		27	5,400	6,022
Other losses		-	(3,666)	(5,862)
EBITDA		<u>56,422</u>	<u>54,479</u>	<u>71,619</u>
Amortisation		(162)	(174)	(342)
Depreciation		(5,019)	(5,137)	(10,443)
Depreciation of right of use asset		(4,471)	(4,360)	(8,760)
EBIT		<u>46,770</u>	<u>44,808</u>	<u>52,074</u>
Finance revenue		472	662	1,203
Finance cost		(502)	(845)	(1,786)
Finance cost of lease liability		(1,447)	(1,482)	(2,964)
PROFIT BEFORE INCOME TAX EXPENSE		<u>45,293</u>	<u>43,143</u>	<u>48,527</u>
Income tax expense		(10,211)	(10,515)	(11,577)
PROFIT FOR THE PERIOD		<u>35,082</u>	<u>32,628</u>	<u>36,950</u>
Profit for the period is attributable to:				
Equity holders of the Company		26,059	28,314	26,925
Non-controlling interests		9,023	4,314	10,025
		<u>35,082</u>	<u>32,628</u>	<u>36,950</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Basic earnings per share (cents):	9	18.5	20.1	19.1
Diluted earnings per share (cents):	9	18.4	20.1	19.1

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

# Scales Corporation Limited

Consolidated statement of comprehensive income for the six months ended 30 June 2022 (continued)

	Unaudited		Audited
	Six months ended		Year ended
	30 June	30 June	31 December
	2022	2021	2021
	\$000's	\$000's	\$000's
PROFIT FOR THE PERIOD	35,082	32,628	36,950
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Loss on cash flow hedges	(24,203)	(13,963)	(20,730)
Income tax relating to cash flow hedges	6,777	3,910	5,804
Share of other comprehensive income of joint ventures	(506)	(706)	(1,015)
Income tax relating to share of other comprehensive income of joint ventures	142	198	284
Foreign exchange gain on translating foreign operations	1,289	296	692
	(16,501)	(10,265)	(14,965)
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	-	-	22,362
Income tax relating to buildings	-	-	(1,647)
Revaluation of apple trees	-	-	3,048
Income tax relating to apple trees	-	-	(854)
Remeasurement of net defined benefit liability	-	-	318
	-	-	23,227
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(16,501)	(10,265)	8,262
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,581	22,363	45,212
Total comprehensive income for the period attributable to:			
Equity holders of the Company	9,558	18,049	35,060
Non-controlling interests	9,023	4,314	10,152
	18,581	22,363	45,212

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

# Scales Corporation Limited

## Consolidated statement of changes in equity for the six months ended 30 June 2022

Note	Share capital \$000's	Reserves \$000's	Retained earnings \$000's	Attributable to owners of the Company \$000's	Non-controlling interests \$000's	Total \$000's
Unaudited						
Six months ended 30 June 2022						
	99,588	92,160	192,644	384,392	5,922	390,314
	-	-	26,059	26,059	9,023	35,082
	-	(16,501)	-	(16,501)	-	(16,501)
	-	(16,501)	26,059	9,558	9,023	18,581
	-	289	-	289	-	289
	116	-	-	116	-	116
	1,236	(584)	(128)	524	-	524
7	-	-	(13,445)	(13,445)	(7,741)	(21,186)
	100,940	75,364	205,130	381,434	7,204	388,638
Unaudited						
Six months ended 30 June 2021						
	96,371	86,774	190,622	373,767	4,638	378,405
	-	-	28,314	28,314	4,314	32,628
	-	(10,265)	-	(10,265)	-	(10,265)
	-	(10,265)	28,314	18,049	4,314	22,363
	-	(2,224)	2,224	-	-	-
	-	450	-	450	-	450
	2,870	(1,251)	(295)	1,324	-	1,324
7	-	-	(13,413)	(13,413)	(3,730)	(17,143)
	99,241	73,484	207,452	380,177	5,222	385,399
Audited						
Year ended 31 December 2021						
	96,371	86,774	190,622	373,767	4,638	378,405
	-	-	26,925	26,925	10,025	36,950
	-	8,135	-	8,135	127	8,262
	-	8,135	26,925	35,060	10,152	45,212
	-	(2,224)	2,224	-	-	-
	-	726	-	726	-	726
	347	-	-	347	-	347
	2,870	(1,251)	(295)	1,324	-	1,324
7	-	-	(26,832)	(26,832)	(8,868)	(35,700)
	99,588	92,160	192,644	384,392	5,922	390,314

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

# Scales Corporation Limited

Consolidated statement of financial position as at 30 June 2022

	Note	Unaudited		Audited
		Six months ended		Year ended
		30 June 2022 \$000's	30 June 2021 \$000's	31 December 2021 \$000's
<b>EQUITY</b>				
Share capital		100,940	99,241	99,588
Reserves	8	75,364	73,484	92,160
Retained earnings		205,130	207,452	192,644
Equity attributable to Scales Corporation Limited shareholders		<u>381,434</u>	<u>380,177</u>	<u>384,392</u>
Equity attributable to non-controlling interests		7,204	5,222	5,922
<b>TOTAL EQUITY</b>		<u><u>388,638</u></u>	<u><u>385,399</u></u>	<u><u>390,314</u></u>
<b>CURRENT ASSETS</b>				
Cash and bank balances		36,264	30,942	35,398
Term deposits		20,000	60,296	85,000
Trade and other receivables		101,568	77,043	28,658
Other financial assets	10	4,088	8,166	5,923
Agricultural produce		85,363	74,420	24,561
Inventories		38,727	32,690	29,641
Prepayments		3,532	3,366	4,056
<b>TOTAL CURRENT ASSETS</b>		<u><u>289,542</u></u>	<u><u>286,923</u></u>	<u><u>213,237</u></u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		214,497	182,974	213,869
Investments accounted for using the equity method		26,338	25,800	26,051
Goodwill		46,098	42,747	43,392
Other financial assets	10	12,374	13,317	11,074
Computer software		670	710	717
Right of use asset		74,935	78,841	76,431
<b>TOTAL NON-CURRENT ASSETS</b>		<u><u>374,912</u></u>	<u><u>344,389</u></u>	<u><u>371,534</u></u>
<b>TOTAL ASSETS</b>		<u><u>664,454</u></u>	<u><u>631,312</u></u>	<u><u>584,771</u></u>
<b>CURRENT LIABILITIES</b>				
Bank overdrafts		-	-	2,196
Trade and other payables		85,265	62,965	23,466
Dividend declared	7	13,445	13,413	13,419
Current tax liabilities		8,728	12,572	479
Other financial liabilities	10	15,958	5,236	7,410
Lease liability		10,097	10,404	10,237
<b>TOTAL CURRENT LIABILITIES</b>		<u><u>133,493</u></u>	<u><u>104,590</u></u>	<u><u>57,207</u></u>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		39,448	53,252	36,060
Deferred tax liabilities		9,386	14,407	22,944
Defined benefit plan net liability		470	653	427
Other financial liabilities	10	24,628	1,858	8,338
Lease liability		68,391	71,153	69,481
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u><u>142,323</u></u>	<u><u>141,323</u></u>	<u><u>137,250</u></u>
<b>TOTAL LIABILITIES</b>		<u><u>275,816</u></u>	<u><u>245,913</u></u>	<u><u>194,457</u></u>
<b>NET ASSETS</b>		<u><u>388,638</u></u>	<u><u>385,399</u></u>	<u><u>390,314</u></u>

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

# Scales Corporation Limited

Consolidated statement of cash flows for the six months ended 30 June 2022

	Unaudited Six months ended 30 June 2022 \$000's	Unaudited Six months ended 30 June 2021 \$000's	Audited Year ended 31 December 2021 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers	240,217	192,221	505,854
Dividends received	500	1,000	2,251
Interest received	705	1,087	1,416
	<u>241,422</u>	<u>194,308</u>	<u>509,521</u>
Cash was disbursed to:			
Payments to suppliers and employees	(261,543)	(220,583)	(453,109)
Interest paid	(1,949)	(2,327)	(4,750)
Income tax paid	(8,496)	(6,665)	(11,823)
	<u>(271,988)</u>	<u>(229,575)</u>	<u>(469,682)</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(30,566)</u>	<u>(35,267)</u>	<u>39,839</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from matured term deposits	65,000	44,336	19,632
Advances repaid	41	278	1,231
Sale of property, plant and equipment	3	3,535	3,773
	<u>65,044</u>	<u>48,149</u>	<u>24,636</u>
Cash was applied to:			
Purchase of computer software	(115)	(530)	(705)
Purchase of property, plant and equipment	(5,256)	(6,653)	(15,822)
Purchase of financial instruments	-	-	(325)
Purchase of non-controlling shareholding	(2,180)	-	-
	<u>(7,551)</u>	<u>(7,183)</u>	<u>(16,852)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>57,493</u>	<u>40,966</u>	<u>7,784</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from:			
Treasury stock sold	116	-	347
	<u>116</u>	<u>-</u>	<u>347</u>
Cash was applied to:			
Repayments of term facility borrowings	-	-	(18,000)
Repayments of lease liabilities	(4,205)	(4,010)	(7,839)
Dividends paid	(13,419)	(13,359)	(26,772)
Dividends paid to non-controlling interests	(7,741)	(3,730)	(8,868)
	<u>(25,365)</u>	<u>(21,099)</u>	<u>(61,479)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(25,249)</u>	<u>(21,099)</u>	<u>(61,132)</u>
<b>NET INCREASE (DECREASE) IN NET CASH</b>	<u>1,678</u>	<u>(15,400)</u>	<u>(13,509)</u>
Net foreign exchange difference	1,384	308	677
Cash and cash equivalents at the beginning of the period	33,202	46,034	46,034
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>36,264</u>	<u>30,942</u>	<u>33,202</u>
Represented by:			
Cash and bank balances	36,264	30,942	35,398
Bank overdrafts	-	-	(2,196)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>36,264</u>	<u>30,942</u>	<u>33,202</u>

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



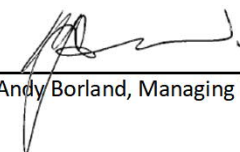
# Scales Corporation Limited

## Consolidated statement of cash flows for the six months ended 30 June 2022 (continued)

	Note	Unaudited		Audited
		30 June 2022 \$000's	30 June 2021 \$000's	Year ended 31 December 2021 \$000's
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>				
Reconciliation of profit for the year to net cash generated by operating activities:				
Profit for the year		35,082	32,628	36,950
Non-cash items:				
Gain on disposal of property, plant and equipment		(3)	(1,009)	(1,132)
Loss (gain) on hedge instruments recycled to profit or loss		2,856	(3,761)	-
Government grant		-	(866)	(879)
Amortisation		162	174	342
Depreciation		9,490	9,497	19,203
Reversal of impairment (impairment) on revaluation		-	-	(1,650)
Share of equity accounted results		(1,293)	(1,352)	(3,162)
FX option premiums		157	229	358
Deferred tax		(6,801)	(7,121)	871
Share-based payments		289	450	726
Change in gross liability on put options		(24)	141	1,852
Operating cash receipts not included in profit for the period:				
Dividends received from equity accounted company		500	1,000	2,250
Changes in net assets and liabilities:				
Trade and other receivables		(71,886)	(57,344)	(8,828)
Agricultural produce		(60,802)	(50,398)	(539)
Inventories		(8,579)	(6,751)	(3,498)
Prepayments		539	537	(148)
Trade and other payables		61,231	37,708	(1,760)
Current tax		8,516	10,971	(1,117)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		<b>(30,566)</b>	<b>(35,267)</b>	<b>39,839</b>

For and on behalf of the Board of Directors who authorised the issue of these interim financial statements on 23 August 2022.

  
 Tim Goodacre, Chair

  
 Andy Borland, Managing Director

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

## 1. GENERAL INFORMATION

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

## 2. COVID-19

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

As at the date of authorisation of these financial statements, the Group was operating at the Orange Level of the COVID-19 Protection Framework in New Zealand. The Group operations outside of New Zealand continue to be also impacted by the COVID-19 pandemic.

### (a) Uncertainties, estimates and judgements

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

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

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

## 3. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("GAAP"). They comply with the New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) Interim Financial Reporting and International Accounting Standard 34 (IAS 34) Interim Financial Reporting, as applicable for profit orientated entities. The significant accounting policies applied by the Group during the period have been applied consistently to all periods presented in these condensed consolidated interim financial statements. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 31 December 2021.

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

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

## 4. SEGMENT INFORMATION

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

The Group's operations comprise the following operating segments:

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

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

	Global proteins \$000's	Horticulture \$000's	Logistics \$000's	Other \$000's	Eliminations \$000's	Total \$000's
Unaudited						
Six months ended 30 June 2022						
Total segment revenue	151,692	117,339	67,885	1,332	(28,940)	309,308
Inter-segment revenue	-	-	(27,409)	(1,531)	28,940	-
Revenue from external customers	151,692	117,339	40,476	(199)	-	309,308
Segment profit (loss) before income tax	30,031	15,203	3,490	(3,431)	-	45,293
Segment assets	131,060	461,155	28,708	43,531	-	664,454
Segment liabilities	34,653	197,583	17,486	26,094	-	275,816
Unaudited						
Six months ended 30 June 2021						
Total segment revenue	99,829	127,375	43,622	1,347	(18,337)	253,836
Inter-segment revenue	-	-	(16,985)	(1,352)	18,337	-
Revenue from external customers	99,829	127,375	26,637	(5)	-	253,836
Segment profit (loss) before income tax	15,514	29,363	2,761	(4,495)	-	43,143
Segment assets	106,461	422,637	20,738	81,476	-	631,312
Segment liabilities	22,192	163,320	11,817	48,584	-	245,913
Audited						
Year ended 31 December 2021						
Total segment revenue	218,852	243,422	81,878	3,453	(33,054)	514,551
Inter-segment revenue	-	-	(30,166)	(2,888)	33,054	-
Revenue from external customers	218,852	243,422	51,712	565	-	514,551
Segment profit (loss) before income tax	32,104	20,688	3,834	(8,099)	-	48,527
Segment assets	112,530	347,376	22,382	102,483	-	584,771
Segment liabilities	27,064	126,005	12,961	28,427	-	194,457

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

## 5. SEASONALITY OF BUSINESS

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

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

## 6. REVENUE

	Unaudited		Audited
	Six months ended		Year ended
	30 June	30 June	31 December
	2022	2021	2021
	\$000's	\$000's	\$000's
By nature:			
Revenue from the sale of goods	256,586	205,468	428,738
Revenue from the rendering of services	50,874	37,395	69,082
Fees and commission	(5)	(5)	13
Net foreign exchange (loss) gain	(1,565)	8,303	12,268
Rental revenue	3,418	2,675	4,450
	<u>309,308</u>	<u>253,836</u>	<u>514,551</u>
By segment and type:			
Horticulture - sale of agricultural produce	107,652	116,242	226,606
Horticulture - agricultural produce related services	6,274	8,463	12,375
Horticulture - other	3,413	2,670	4,441
Global proteins - sale of pet food ingredients	147,343	97,353	213,416
Global proteins - other	4,349	2,476	5,436
Logistics services	40,476	26,637	51,712
Other	(199)	(5)	565
	<u>309,308</u>	<u>253,836</u>	<u>514,551</u>

## 7. DIVIDENDS

During the six months ended 30 June 2022 the Directors paid an interim dividend of 9.5 cents per share and resolved to pay a final dividend of 9.5 cents per share in respect of the year ended 31 December 2021. This final dividend was paid on 8 July 2022.

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

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

## 8. RESERVES

	Revaluation \$000's	Cash flow hedge \$000's	Share of joint ventures \$000's	Equity- settled employee benefits \$000's	Foreign exchange translation \$000's	Pension plan reserve \$000's	Total reserves \$000's
Unaudited							
Six months ended 30 June 2022							
At 1 January 2022	86,310	5,021	(70)	1,277	(168)	(210)	92,160
Other comprehensive income (loss)	-	(17,426)	(364)	-	1,289	-	(16,501)
Transfer to retained earnings	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	289	-	-	289
Shares fully vested	-	-	-	(584)	-	-	(584)
Balance at 30 June 2022	86,310	(12,405)	(434)	982	1,121	(210)	75,364
Unaudited							
Six months ended 30 June 2021							
At 1 January 2021	65,625	19,947	661	1,802	(860)	(401)	86,774
Other comprehensive income (loss)	-	(10,053)	(508)	-	296	-	(10,265)
Transfer to retained earnings	(2,224)	-	-	-	-	-	(2,224)
Recognition of share-based payments	-	-	-	450	-	-	450
Shares fully vested	-	-	-	(1,251)	-	-	(1,251)
Balance at 30 June 2021	63,401	9,894	153	1,001	(564)	(401)	73,484
Audited							
Year ended 31 December 2021							
At 1 January 2021	65,625	19,947	661	1,802	(860)	(401)	86,774
Other comprehensive income (loss)	22,909	(14,926)	(731)	-	692	191	8,135
Transfer to retained earnings	(2,224)	-	-	-	-	-	(2,224)
Recognition of share-based payments	-	-	-	726	-	-	726
Shares fully vested	-	-	-	(1,251)	-	-	(1,251)
Balance at 31 December 2021	86,310	5,021	(70)	1,277	(168)	(210)	92,160

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

## 9. EARNINGS PER SHARE

	Unaudited		Audited
	Six months ended		Year ended
	30 June	30 June	31 December
	2022	2021	2021
Profit attributable to equity holders of the Company (\$000's):	26,059	28,314	26,925
Weighted average number of shares:			
Ordinary shares	140,900,047	140,664,105	140,900,047
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	351,554	360,608	351,554
Weighted average number of ordinary shares for diluted earnings per share	<u>141,251,601</u>	<u>141,024,713</u>	<u>141,251,601</u>
Earnings per share (cents):			
Basic	18.5	20.1	19.1
Diluted	18.4	20.1	19.1

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

## 10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

	Unaudited		Audited
	30 June 2022 \$000's	30 June 2021 \$000's	Year ended 31 December 2021 \$000's
<b>Current financial assets at fair value:</b>			
Foreign currency derivative instruments	3,912	8,166	5,923
Interest rate swap contracts and forward rate agreements	176	-	-
	<u>4,088</u>	<u>8,166</u>	<u>5,923</u>
<b>Non-current financial assets:</b>			
<b>At fair value:</b>			
Foreign currency derivative instruments	10,259	11,689	10,185
Interest rate swap contracts and forward rate agreements	941	-	198
Shares in unlisted companies	184	184	184
<b>At amortised cost:</b>			
Employee loans	990	1,444	507
	<u>12,374</u>	<u>13,317</u>	<u>11,074</u>
<b>Current financial liabilities at fair value:</b>			
Foreign currency derivative instruments	11,069	481	1,822
Interest rate swap contracts and forward rate agreements	-	396	173
Put option	4,889	4,359	5,415
	<u>15,958</u>	<u>5,236</u>	<u>7,410</u>
<b>Non-current financial liabilities at fair value:</b>			
Foreign currency derivative instruments	23,840	423	6,387
Interest rate swap contracts and forward rate agreements	-	298	-
Put option	788	1,137	1,951
	<u>24,628</u>	<u>1,858</u>	<u>8,338</u>

### Foreign currency derivative instruments

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

These foreign currency instruments are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from movements in foreign currency exchange rates on anticipated future transactions. It is anticipated that the sales will take place during the 2022 to 2027 financial years at which stage the amount deferred in equity will be released into profit or loss.

# Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

## 10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES (CONTINUED)

### Interest rate swap contracts and forward rate agreements

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

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

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

## 11. RELATED PARTY DISCLOSURES

### (a) Transactions with related parties

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

### (b) Key management personnel remuneration

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

	Unaudited Six months ended		Audited Year ended
	30 June 2022	30 June 2021	31 December 2021
	\$000's	\$000's	\$000's
Short-term employee benefits and directors' fees	1,764	1,751	2,986
Share-based payments	386	213	416
Post-employment benefits	57	51	99
	<u>2,207</u>	<u>2,015</u>	<u>3,501</u>

### (c) Transactions with equity accounted entities

Revenue from sale of goods	1,235	725	1,623
Revenue from services	2,897	1,981	4,547
Materials and consumables purchased	(311)	-	(1,034)
Dividends received	500	1,000	2,250
Trade receivables at balance date	584	336	479



## Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2022

### 12. CAPITAL COMMITMENTS

	Unaudited		Audited
	Six months ended		Year ended
	30 June	30 June	31 December
	2022	2021	2021
	\$000's	\$000's	\$000's
Commitments entered into in respect of apple trees	3,180	2,566	1,264
Commitments entered into in respect of property, plant and equipment	441	-	2,912
	<u>3,621</u>	<u>2,566</u>	<u>4,176</u>

### 13. PURCHASE OF NON-CONTROLLING INTEREST

In May 2022, the minority shareholders of Fern Ridge Produce Limited exercised their option to put their shareholding to New Zealand Apple Limited for the total value of \$2,180,000.

### 14. EVENTS OCCURRING AFTER BALANCE DATE

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