Scales Corporation Limited

Annual Report 2023

Scales global nutrition

Weathering the Storm

At the heart of Scales is resilience and tenacity. Cyclone Gabrielle may have wreaked havoc on Hawke's Bay, but it did not suppress the ability of our people to recover from adversity.

Before

After

Welcome to our Annual Report for our 112th year of trading.

Scales delivered a commendable Group 2023 performance in what was a very disruptive year. Once again, our diversified strategy, combined with the ability of each of our divisions to execute their individual strategies during testing times, proved to be important factors in our success. However, this was only made possible by our dedicated team of staff, who worked hard in difficult physical, mental and economic conditions.

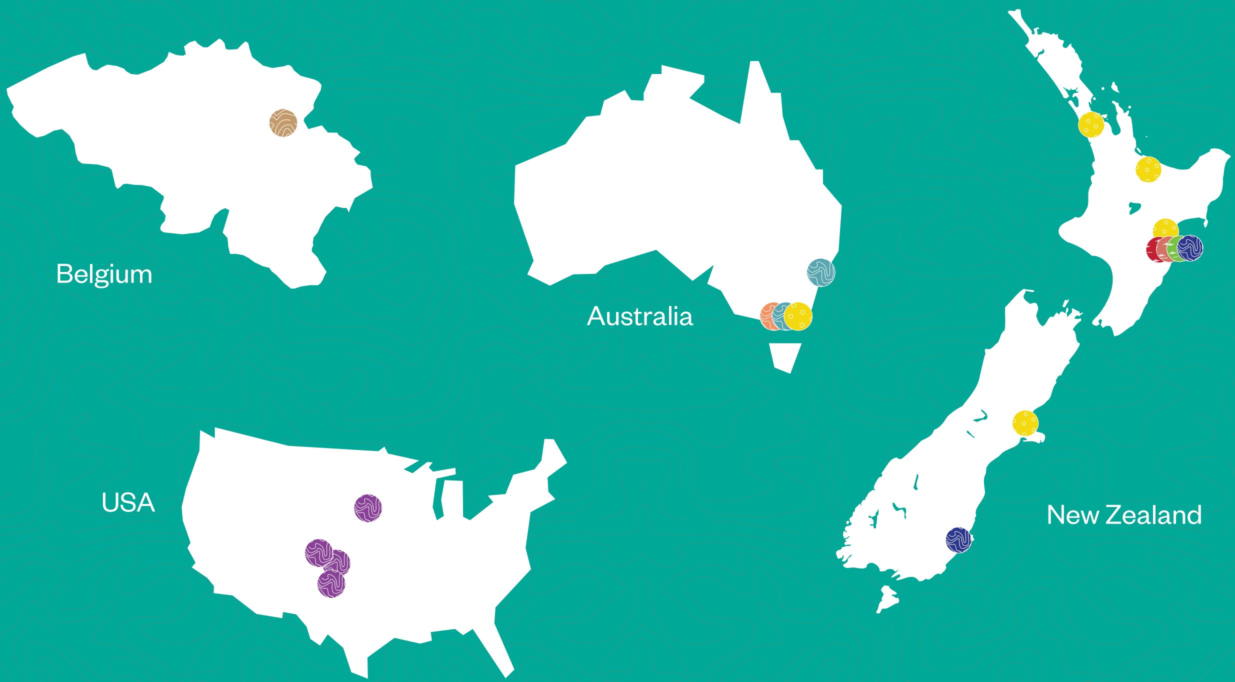
It is difficult to believe that this time last year the Hawke's Bay community was reeling from the devastating effects of Cyclone Gabrielle. One year on, unfortunately many parts of the community and its people continue to be affected. And whilst Mr Apple is not quite yet back to its pre-Cyclone capacity, the hard work and dedication of our team has resulted in an amazing transformation of our facilities, from silt and debris to orchards that have been remediated and are being harvested.

Global Proteins continued on its growth path, investing in Esro Petfood in August 2023. Esro Petfood is a 50 / 50 joint venture with Esro Food Group, and it provides us with a strategically important location in Europe. We are extremely pleased that Esro Food Group has chosen to partner with Scales, and we believe there will be significant long-term opportunities from, and benefits to, working together.

Sustainability was to the forefront of our minds whilst we remediated our orchards, and we made progress on a number of water and decarbonisation initiatives. We also look forward to sharing our first standalone Climate-Related Disclosures (CRD) report, which will be released this year.

More than ever, the standout performers of Scales this year were our staff. We are immensely proud of the efforts of all our people around the world, who have worked extremely hard in difficult circumstances. To them, we say a sincere "thank you".

Operational Locations



Global Proteins	Shelby Foods	●	Petfood ingredient procurers, processors & marketers
	meateor	●	
	meateor	●	
	meateor	●	
	esro Food Group	●	
	FAYMAN International Group	●	Edible protein exporter
Horticulture	Mr APPLE NZ	●	Vertically integrated apple grower, packer & marketer
	FERN RIDGE Fresh	●	Apple marketer
	profruit (2006) LTD	●	Juice manufacturer
Logistics	Scales Logistics	●	Air & sea freight

Contents

Our Numbers

Revenue

$565.4m

▼ (2022: $619.2m)

NPAT attributable to shareholders

$5.2m

▼ (2022: $19.4m)

Underlying NPAT attributable to shareholders

$19.0m

▼ (2022: $27.6m)

NPAT

$24.7m

▼ (2022: $38.2m)

Underlying NPAT

$38.4m

▼ (2022: $46.4m)

Underlying EBITDA

$67.5m

▼ (2022: $77.9m)

Return on capital employed

10.8%

▼ (2022: 13.5%)

Earnings per share

3.7c

▼ (2022: 13.7c)

Underlying earnings per share

13.4c

▼ (2022: 19.5c)

Dividends paid

19.0c

per share

(2022: 19.0c)

Net cash

$12.0m

▼ (2022: $27.0m)

2.73m

TCEs of own-grown apples exported

▼ (2022: 3.32m)

3.92m

TCEs of all apples exported

▼ (2022: 4.58m)

137,477 MT

of petfood ingredients sold [1]

▼ (2022: 158,595 MT)

5.8m

litres of juice sold

▲ (2022: 5.7m litres)

26,010

TEUs of ocean freight managed

▼ (2022: 27,580 TEUs)

[1] Includes 100 per cent of volumes from relevant businesses, i.e. total volumes controlled directly and indirectly by Global Proteins, but excludes volumes sold by Meateor Australia and Esro Petfood.

Managing Director and Chair's Report

Overview – Positive Results in a Testing Year

Andy Borland (L) and Mike Petersen (R)

On behalf of the Board, we are delighted to present Scales' Annual Report for the year ended 31 December 2023 with Net Profit After Tax (NPAT) of $24.7 million. This was a very commendable Group performance in a disrupted year, underpinned by strong Global Proteins earnings.

The Group generated revenue of $565.4 million, down 9 per cent on the record revenue of the previous year (2022: $619.2 million).

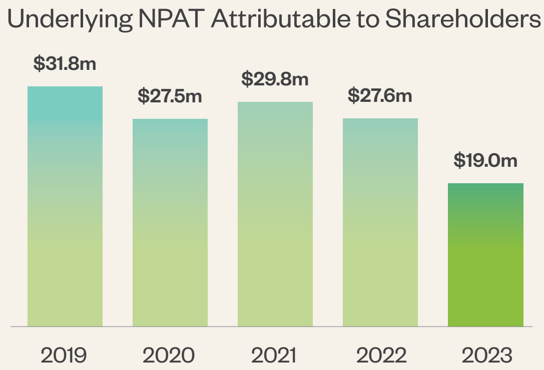
NPAT Attributable to Shareholders was $5.2 million, also down on last year (2022: $19.4 million) partly due to NZ IFRS goodwill impairment and asset write-downs at Mr Apple of $13.2 million. These adjustments were due to the impact of Cyclone Gabrielle together with general market conditions.

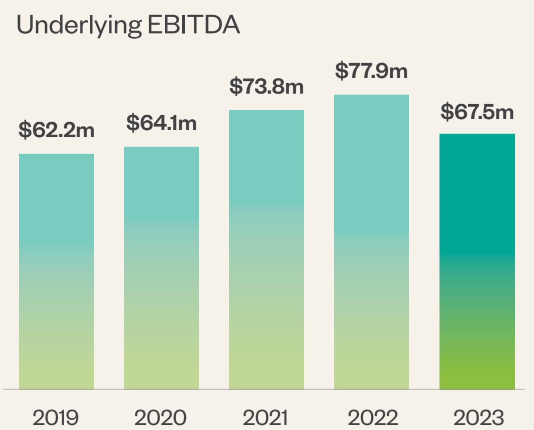
Our Underlying results were positive, with Underlying NPAT Attributable to Shareholders of $19.0 million, Underlying NPAT of $38.4 million and Underlying EBITDA of $67.5 million.

We continued to benefit from our diversified agribusiness strategy, with the strengths of each division being leveraged to improve the performance of the Group.

	2023 $000's	2022 $000's	Variance
Revenue	565,356	619,173	-9%
EBITDA	53,675	68,516	-22%
Underlying EBITDA	67,514	77,893	-13%
NPAT	24,674	38,231	-35%
Underlying NPAT	38,422	46,396	-17%
NPAT Attributable to Shareholders	5,235	19,412	-73%
Underlying NPAT Attributable to Shareholders	18,982	27,577	-31%

The graphs below show the Underlying EBITDA and Underlying NPAT Attributable to Shareholders trend for a 5-year period.





[1] Directors and management use non-GAAP (Underlying) profit measures when discussing financial performance in this document. 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. Underlying profit measures are used internally to evaluate performance of our divisions, establish operational goals and to allocate resources. They also represent some of the profit measures required by Scales' debt providers. Non-GAAP (Underlying) profit measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other entities report and should not be viewed in isolation or considered as a substitute for GAAP (NZ IFRS) measures reported by Scales. Underlying profit measures were not subject to an audit or review. Underlying NPAT and Underlying EBITDA are shown before the deduction of share of Non-Controlling Interests. A full reconciliation between Underlying and NZ IFRS measures is provided on pages 36 to 39.

Esro Petfood

On 10 August 2023, Scales announced it had finalised an agreement to expand the Global Proteins division through the subscription for a 50 per cent shareholding in a newly established petfood ingredient processing operation, Esro Petfood. Our joint venture partner in the business is Esro Food Group, a key operator in Europe's animal by-product processing with factories in the Netherlands, Belgium and Spain. Esro Food Group is owned by the Netherlands-based Rooijackers family, the Fayman family (who Scales invested alongside last year in their Australian business) and Rabobank Investment, the investment franchise of Rabobank.

Esro Petfood is headquartered in the Netherlands, with its first plant based in Belgium. The site was an existing processing facility that was previously used by Esro Food Group for edible by-product processing and has been converted to a dedicated petfood ingredient plant. The first processing line was commissioned in the last quarter of 2023, with the plant commencing salmon and beef processing sourced from the Netherlands.

This investment complements our existing petfood ingredients businesses in the USA, New Zealand and Australia and continues to demonstrate our commitment to Global Proteins, in terms of both expanding our geographical reach as well as the range of products that we are able to supply.

We are delighted to welcome Esro Food Group to the Scales Group.

Shareholder Returns

We continue to be conscious of the long-term return to our shareholders. Shareholders who invested in our IPO in July 2014 will have achieved a 198 per cent return[1] on funds invested to the end of February 2024. By comparison, an investment in the S&P NZX50 would have delivered a 126 per cent return on funds invested over the same period.

Strategy

Scales' Mission

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

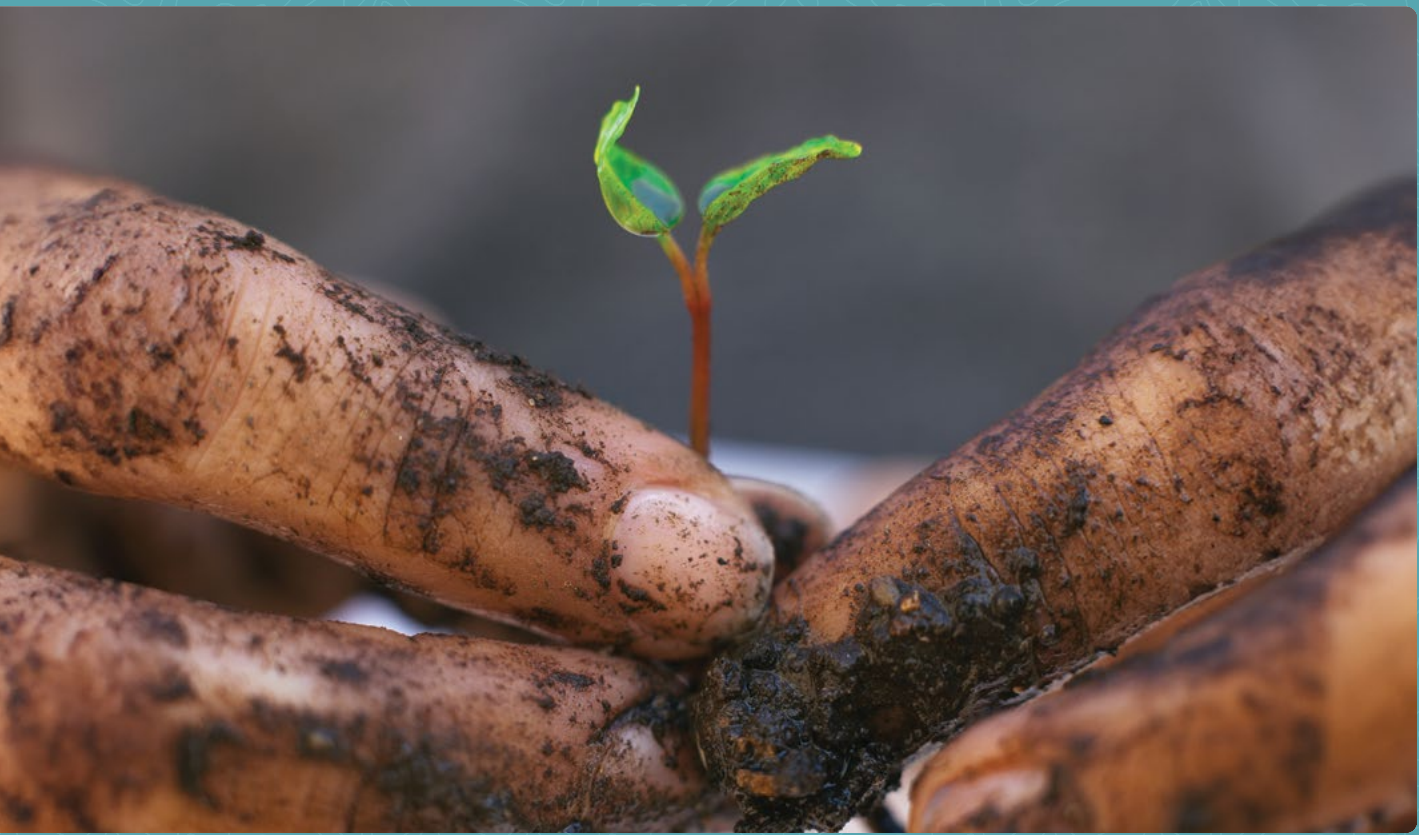
Scales' Long-term Goal

To generate a long-run average 12.5 per cent ROCE across the portfolio.

Corporate and Competitive Strategies

Our investment pillars determine our portfolio & capital allocation across 3 key divisions. While all divisions have different business models, we are able to leverage our knowledge, partnerships, and Group synergies to create competitive advantages and generate sustainable value for our stakeholders.

[1] Calculated as the difference between the closing share price on 29 February 2024 plus all net dividends paid (a total of $1.62 per share) and the IPO listing price of $1.60.



Strategic Update

We continued to proactively search for and review potential investment opportunities, both internal and external during 2023. Our strategy is outlined below.

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

Goal
12.5% ROCE

Investment Pillars

People and Partnerships
- People first approach
- Strong partnerships across the value chain
- Leverage our internal capability and skills

Sustainable Growth
- Sectors/businesses that align to long term trends
- Businesses that are protecting and preserving their resources
- Diversification of customers/markets/ products

Operational Excellence
- Ability to add value through innovation and efficiency
- Consistent quality and service delivery through knowledge, location and technology

Customer Focused Innovation
- Product leadership - development of new products
- Customer intimacy - integrated business planning and customisation to their specific needs

Portfolio & Capital Allocation

Global Proteins

Horticulture

Logistics

Competitive Strategy

Product
- Investment in new petfood ingredient products
- Develop broader species mix in petfood ingredients
- Investment in new plant varieties
- Redevelopment to position variety mix towards growth markets

Market/Channel
- Develop integrated channels and business plans with our petfood customers
- Enter new markets for our petfood ingredients
- Continue to develop Mr Apple's brand/sales channels across Asia markets

Infrastructure/Systems
- Investment in new ERP systems across Global Proteins
- Continual assessment of orchard/post-harvest location and infrastructure
- Investment in new processing technology/ automation (all divisions)

Resources
- Decarbonisation roadmaps (all divisions)
- Improve water efficiencies (all divisions)
- Improve orchard practices to reduce inputs (Mr Apple)
- Develop a Group-wide people strategy

We have committed to refresh our Group strategy to integrate our climate assessment process, after we have set our greenhouse gas emissions assurance base year in 2024. Embedding climate assessment into our strategic framework will allow us to test the resilience of our existing strategy and also allows us to review our targets and reset them accordingly.

We were delighted to be nominated as a finalist in the Best Growth Strategy category for the Deloitte Top 200 awards in 2023. This award recognises an organisation's outstanding growth performance. Criteria include:

- Revenue and profit growth of the previous year
- Whether the growth appears to be sustainable
- Whether the growth is based on international business expansion
- The short and long-term advantages of growth for the organisation

This nomination provided us with positive recognition of the strategic direction being undertaken by the Group and we were proud to be one of only 3 finalists.

Specific Strategic Targets

	Target	Status
Group	**Financial and operational** • Maintain financial returns in line with, or above, industry returns • Continue to seek acquisitive and organic growth opportunities to expand the business	**Excellent Progress** • Investment made in Esro Petfood • Other acquisition and internal growth opportunities regularly reviewed
Group	**Shareholder returns** • Continue to provide shareholders with an attractive yield on dividends • Deliver capital gains and shareholder liquidity through careful strategic execution	**Ongoing** • Interim dividend of 4.25 cents per share paid in January 2024, with second instalment to be reviewed and advised on in early May 2024 • Group ROCE of 10.8 per cent
Group	**Sustainability** • Develop Group and divisional sustainability strategies, including clear goals and targets • Further develop and evolve our reporting and measuring of key sustainability aspects affecting Scales' businesses	**Good Progress** • First standalone CRD report to be released in 2024 • Positive progress on people strategy, particularly at Mr Apple • Progress on our water and decarbonisation initiatives
Global Proteins	**Increase scale and expand offering** • Review strategic initiatives and consider organic and acquisition opportunities to increase divisional scale	**Excellent Progress** • Continued to benefit from diversified geographies and proteins provided by divisional businesses • Established the Esro Petfood joint venture • Commissioned the Meateor Australia plant, with first sales made towards the end of 2023 • Commissioned the first processing line at Esro Petfood • Introduced new blending capability in New Zealand and the USA • Ongoing global growth opportunities being actively investigated
Horticulture	**Operational and branding** • Reach 4 million TCEs of our own-grown apples • Continue to increase market penetration into Asia • Continue to develop the Mr Apple brand, particularly within our key markets of Asia and the Middle East • Acquire new Plant Variety Rights (PVRs) to meet emerging needs • Redevelop lower-performing orchards and varieties into higher value crops	**Ongoing** • 2.73 million TCEs exported • Significant proportion of sales made to the Asia and Middle East markets • A wide variety of marketing and branding initiatives undertaken, particularly across the Asia and the Middle East region • Continued growth in sales of PVRs such as Dazzle™ and Posy™ • Development of Dazzle™ and Posy™ accelerated during 2023
Logistics	**Expand logistics offerings** • Develop scale to utilise the expertise and capacity within the team	**Ongoing** • Strategic benefit of in-house logistics provider reiterated during period of geopolitical tensions in key trade routes

Sustainability

Scales is focused on:

- Our broader obligations as a responsible corporate citizen
- The desire of our stakeholders to receive clear reporting on our environmental footprint and sustainability improvements
- Our ability to better identify and manage all risks (as well as opportunities) facing the business and align our future strategic plans

The effects of Cyclone Gabrielle reinforced the commitment and resilience of our teams. Whilst we were thankful that all our team members were safe and well following the Cyclone, there were many within the Hawke's Bay community that were not as lucky. We supported our staff, including our Recognised Seasonal Employer (RSE) workers, in the weeks and months following Cyclone Gabrielle with tailored assistance, counselling, well-being workshops, replacement of possessions and medical health checks. At Mr Apple, this has been accompanied by progress made on its people strategy, including annual leadership programmes and new digital systems.

Progress across the environment categories has focussed on water and decarbonisation initiatives, including upgrade of the boiler at Shelby's Amarillo plant, refrigeration upgrades at Meateor NZ and new electric forklifts, installation of a new condensing boiler unit and CO_2 refrigeration at Meateor Australia. We have also implemented water efficiency initiatives, including commissioning a new water reticulation system at Mr Apple. The latter system is reducing water usage at the Whakatu packhouse.

Our summary Sustainability Report is provided in the next section, and we will be publishing our inaugural standalone CRD report this year. We hope that you will take the time to read both of these reports.

Scales' Team

Our people are the lifeblood of our operations and our success is largely down to the skill and ability of our staff and management teams. We believe that we have a strong and unique culture and it is important to us that we nurture highly inclusive workplaces where our people can excel personally and professionally, whilst contributing to the Group's success.

Health and safety continues to be a primary focus for us and we are proud of our health and safety programmes. We welcome feedback on this as well as any other human resource matters, and we will continue to make improvements as our people are our number one priority.

It has been inspiring to see the results of the hard work of everyone this year despite the adversity that they faced. The tenacity and resilience of everyone has been impressive. Accordingly, on behalf of the Board, we would like to say thank you to each and every Scales team member for their hard work. Without them, we would not be in the positive position that we are in.

Appropriately Incentivising our Team

Compensation of the Scales' management team continues to link remuneration with the delivery of the strategies as directed by the Board, drive a performance-led culture and connect the long-term sustainable success of the business with our values. It also aligns to retaining and developing high-performing team members as well as promoting positive personal performance.

We have therefore maintained a strong incentive-based remuneration scheme, with shorter term incentives being balanced alongside long-term business and shareholder interests. Our remuneration philosophy and analysis of executive remuneration is detailed more fully in the Corporate Governance Statement on pages 94 to 112.

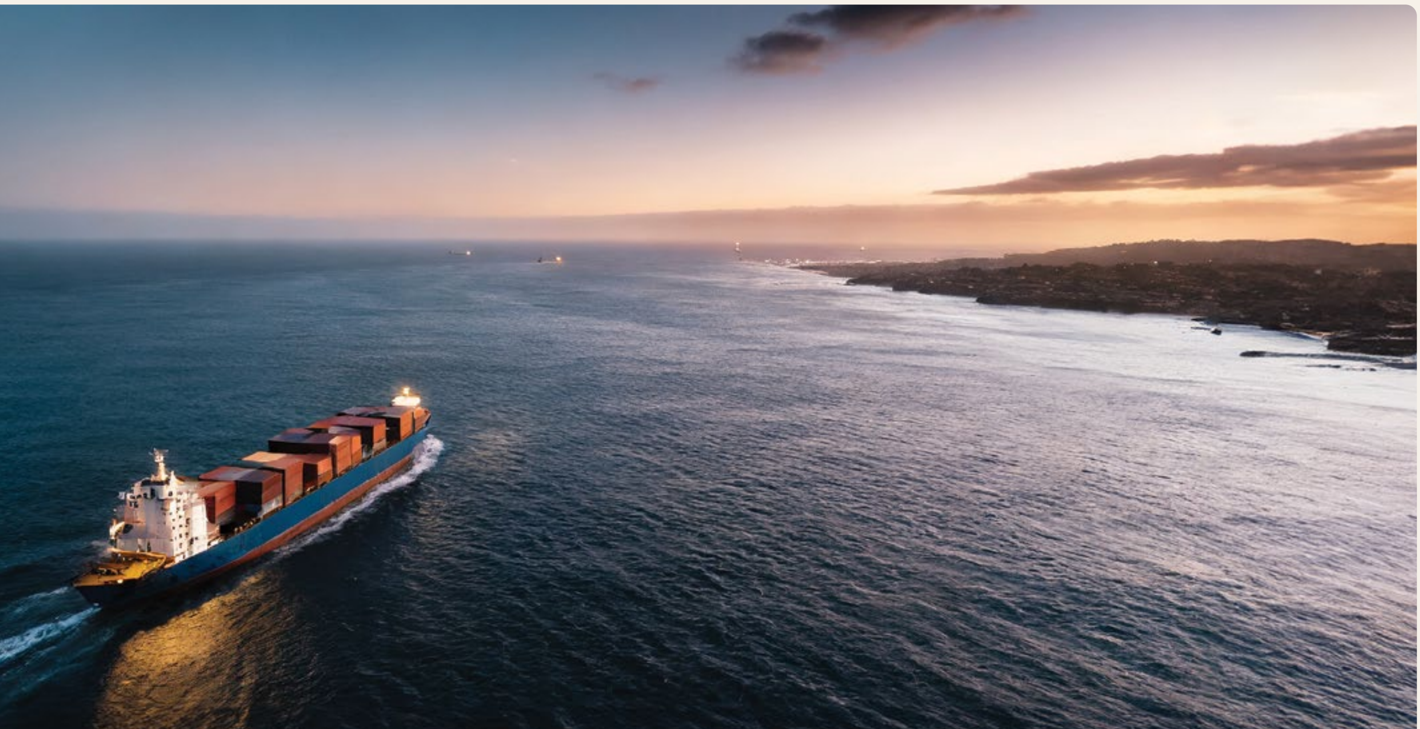
Board Succession – Mike Petersen


Mike Petersen

As announced last year, Mike Petersen was appointed as the 10th Chair of Scales at the 2023 Annual Shareholders' Meeting (ASM), taking over from Tim Goodacre.

Mike has over 30 years' management and governance experience in the agribusiness sector, including as New Zealand's Special Agricultural Trade Envoy for 6 years. In this role he advocated for New Zealand's agriculture trade and market access interests and identified opportunities for New Zealand to commercialise its agricultural expertise offshore. Mike also has advisory roles with a number of other privately-owned companies.

We are delighted to welcome Mike to the Board and to be able to benefit from his knowledge. Additional background on Mike is provided in our Leadership Profiles section.



Group Financials

Summary

In a unique and testing year, Scales delivered admirable results for the year ended 31 December 2023.

Underlying NPAT Attributable to Shareholders was $19.0 million and Reported NPAT Attributable to Shareholders was $5.2 million. Revenue was $565.4 million and Underlying EBITDA was $67.5 million.

Additional detail of the performance of each division is provided in the Divisional Overview section.

Income Statement

	2023 $000's	2022 $000's
Revenue	565,356	619,173
Underlying EBITDA	**67,514**	**77,893**
Underlying EBIT	**48,061**	**58,207**
Underlying NPAT	**38,422**	**46,396**
After tax impact of:		
Non-cash, NZ IFRS and other adjustments	(13,748)	(8,165)
NPAT	**24,674**	**38,231**
Underlying NPAT Attributable to Shareholders	**18,982**	**27,577**
NPAT Attributable to Shareholders	**5,235**	**19,412**
Capital employed	440,958	445,670
Return on capital employed	10.8%	13.5%

Capital Management

ROCE is a measure of how efficiently we are generating a return on our assets. It continues to be an important performance metric for each division and the Group and is at the heart of how we monitor the performance of the portfolio and make decisions around capital expenditure. Prior to committing to an investment in assets, we need to be confident that we will generate a return that meets or exceeds our targets.

The ROCE targets vary by division, given each division's specific asset and risk profiles. In 2023, ROCE was affected by lower earnings.

	2023	2022
ROCE		
Global Proteins	46.8%	67.4%
Horticulture	-1.0%	-0.4%
Logistics	39.4%	61.1%
Group	**10.8%**	**13.5%**
Target	*12.5%*	*12.5%*

Group capital employed decreased by $4.7 million in 2023, primarily as a result of goodwill impairment and asset write-downs in the Horticulture division.

Scales' Reported basic earnings per share for the year ended 31 December 2023 was 3.7 cents per share (2022: 13.7 cents per share)[1]. Scales' Underlying basic earnings per share for the year ended 31 December 2023 was 13.4 cents per share (2022: 19.5 cents per share.

Financing

Average Net Debt for the year was $8.9 million (2022: Net Cash $21.9 million), a reduction of $30.8 million, with the movement primarily relating to investments in Fayman, Meateor Australia and Esro Petfood as well as Cyclone-related capital expenditure.

Hedging Strategy

As an exporter, we continue to have significant exposure to foreign exchange movements. This is most prevalent in Mr Apple, with our Global Proteins and Logistics divisions also affected. We also have exposure to movements in interest rates, both on borrowings and deposits.

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

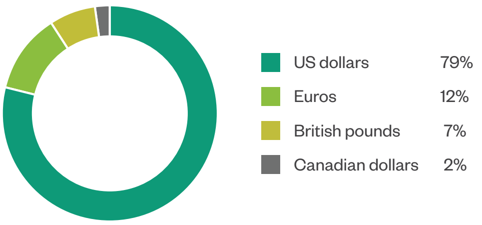
Under this policy we may take foreign exchange cover for Mr Apple for up to 60 months forward using a variety of foreign exchange instruments (including options and forward contracts). Scales maintains a blend of instruments. In addition, Scales manages the cover levels for seasonal and market variations for future years.

We continue to have a natural hedge covering some of our US dollar exposure as international shipping is payable in US dollars. We take cover on the remaining expected net US dollar, Euro, British pound and Canadian dollar exposures.

In general, Global Proteins and Logistics take foreign currency cover once exposures have been confirmed.

Foreign currency

In 2023, Mr Apple's net foreign currency exposures were as shown below.



The average conversion rate of Mr Apple's main foreign currency exposures since 2020 were as noted below.

	2023	2022	2021	2020
USD	.6515	.6588	.6697	.6424
EUR	.5452	.5449	.5455	.5671
GBP	.4912	.4962	.5027	.5101
CAD	.8407	.8597	.8651	.8657

[1] Based on the weighted average number of ordinary shares

The hedging position for Mr Apple's main foreign currency exposures, as at 29 February 2024, was:

		2024	2025	2026	2027	2028
USD	% cover of expected exposure	100%	85%	74%	51%	39%
	Average rate of cover	.6358	.6307	.6110	.5949	.5941
EUR	% cover of expected exposure	86%	81%	67%	39%	18%
	Average rate of cover	.5475	.5449	.5347	.5419	.5130

Interest rates

In addition, we take out interest rate swaps and forward rate agreements, which provide some certainty on interest costs on Scales' long-term and short-term borrowings. We funded the US dollar investment in Shelby via a US dollar term loan to provide a hedge on the investment. Similarly, we funded the Fayman and Meateor Australia investments via an AUD term loan. As at 31 December 2023 our US dollar term debt was 47 per cent hedged by interest rate swaps.

Dividend

A final 2022 fully imputed cash dividend of 9.5 cents per share (a gross amount of 13.2 cents per share) was paid on 7 July 2023. Together with 2022 interim dividends of 6.0 cents per share (a gross amount of 8.3 cents per share) that was paid on 16 January 2023 and 3.5 cents per share (a gross amount of 4.9 cents per share) that was paid on 31 March 2023, this brought the annual dividends for 2022 to a total of 19.0 cents per share (a gross amount of 26.4 cents per share).

A fully imputed initial interim 2023 cash dividend of 4.3 cents per share (a gross amount of 5.9 cents per share) was declared on 8 December 2023 and paid on 18 January 2024. We will review, and advise on, a final dividend for 2023 in early May 2024.

As always, any dividend is subject to Board approval. It is standard practice for the Directors to consider all aspects of the Group's performance and financial position prior to declaring any dividend. Total dividends are expected to be between 50 per cent and 75 per cent of Underlying NPAT Attributable to Shareholders.

Capital Expenditure

Capital expenditure in 2023 was $17.1 million, an increase of $1.5 million on the prior year (2022: $15.6 million).

A significant proportion of 2023 capital expenditure was Cyclone-related, principally in respect of the replanting and grafting of trees. Other material capital expenditure related to capital work-in-progress at Shelby, more details of which will be provided once complete.

	2023 $000's	2022 $000's
Operational capital expenditure		
Global Proteins	2,622	1,631
Horticulture	2,291	2,607
Logistics	234	168
Other	137	26
Total operational capital expenditure	**5,284**	**4,431**
Margin sustainability capital expenditure		
Horticulture	944	6,564
Total margin sustainability capital expenditure	**944**	**6,564**
Growth capital expenditure		
Global Proteins	3,535	1,860
Horticulture	210	2,730
Total growth capital expenditure	**3,745**	**4,590**
Cyclone capital expenditure		
Horticulture	7,162	-
Total Cyclone expenditure	**7,162**	**-**
Total capital expenditure	**17,135**	**15,585**

Outlook

Whilst the start of 2023 presented us with some challenges, we finished the year positively, with earnings at the top end of our market guidance. Our balance sheet remains strong and our divisions did an admirable job of executing their respective strategies during testing times.

Within the Global Proteins division, we anticipate that our petfood customers will continue to rebalance their inventory levels to pre-COVID levels. Meateor Australia and Esro Petfood continue to progress through their transitional and start-up phases respectively, and we look forward to realising exciting opportunities from these key markets in the long-term. We also continue to investigate both internal and external expansion opportunities globally.

For Horticulture, the 2024 apple harvest has commenced with picking and packing operations underway. Current crop indications are positive and there is strong initial demand for our early fruit.

Cyclone Gabrielle touched the lives of a significant number of our staff members, and many more people within our Hawke's Bay community. Their hard work in the face of adversity, and the willingness to go above and beyond, was testament to the 'Stronger Together' culture that exists within the Group as a whole.

We are also delighted to advise that the Board has reappointed Andy Borland for a further 5-year term as Managing Director. Andy's contribution to the Group has been significant and we look forward to a continuation of this work over the following years.

On behalf of the Board, we would like to thank all our management and staff, fellow Directors, suppliers, customers and other stakeholders for their hard work, support and commitment in our 112th year of trading.

Mike Petersen
Chair

Andy Borland
Managing Director

18 March 2024

Sustainability Report

Forward Together

Introduction

2023 was a disruptive year for Scales with Cyclone Gabrielle creating devastating impacts in Hawke's Bay. Whilst the focus has been on the recovery and supporting our community, we have made good progress on our sustainability agenda by preparing our first Climate-Related Disclosures (CRD) report, which will be published by 30 April 2024 (https://scalescorporation.co.nz/sustainability), hiring our first Group Sustainability Manager and working to develop a more thorough greenhouse gas emissions inventory.

~600
Permanent staff members

47 years
Longest serving employee

39
Operational sites[1]

>1,200
RSE workers

36%
Permanent female staff Scales-wide

43%
Female senior leadership / management staff

2023 sustainability snapshot:

- Prepared our first mandatory CRD report
- Developed our first Sustainability Policy and Emissions Inventory Policy
- Mr Apple's sixth year in the Toitū Carbon reduce programme
- Donated $250,000 to the Cyclone Gabrielle recovery in Hawke's Bay
- Reinstated our regenerative trial on 2 Mr Apple orchards
- Mr Apple reduced its Lost Time Injury (LTI) rate by 43 per cent since 2022
- Increased female leaders / management by 15 per cent since 2022
- Completed several decarbonisation and water reduction initiatives

Materiality

Considering the views and perspectives of Scales' internal and external stakeholders is important to us, which is why Scales has committed to periodically conduct materiality assessments. We define materiality through the Global Reporting Initiative (GRI) framework of double materiality, which considers both financial and non-financial impacts to a wider stakeholder group.

Our last assessment was in 2021, conducted by thinkstep-anz. This assessment gave us an extensive list of material topics, which we then narrowed down to key areas (see below). We will be updating our materiality assessment prior to our strategic refresh in 2025.

People
- People affordability
- Labour security
- Health, safety & labour practice

Marketplace
- Market access
- Consumer preferences
- Innovation
- Regulation

Environment
- Water management
- Carbon emissions
- Climate conditions & weather events
- Biodiversity

Corporate
- Brand reputation

[1] Owned or leased.

People

Mr Apple People Strategy and Initiatives

As the largest employer across Scales group with over 2,000 staff at peak season, it is important for Mr Apple to attract, retain, create a positive work culture and drive high performance. To best support their employees, Mr Apple formalised its 5-year people strategy at the end of 2021, making great progress since then.

2023 Mr Apple initiatives and 2024 goals are outlined below:

Pillar	Purpose	2023 initiatives	2024 goals
People and culture digitalisation	Automation of people processes and transactional people activity	Implementation of two modules (remuneration and engagement surveys) of the new Human Resource Information System (HRIS) and full roll out of the Applicant Tracking System (ATS)	RSE recruitment integrated into the ATS system (centralised recruitment across the 2,000+ staff)
Attraction and retention	Create and launch a brand narrative that aligns to our Employee Value Proposition (EVP) and connects to talent by engaging with schools, polytechnics and universities	Embedding our domestic brand, which is built around our EVP Increased online presence across multiple channels (LinkedIn, Facebook, Instagram, etc) Market review of ATS providers Programmes run in partnership with industry bodies	Widening our visibility within the community both inside and outside the industry and leveraging our partnerships
Leadership development	Identify and develop the skills of current and future leaders to ensure there is a strong pipeline of talent and a positive culture	Programmes rolled out to business support services personnel, with improved content for our second year course for our orchards and post-harvest staff	Continue to embed the Mr Apple Leadership Programme in the business and measure success Build and deliver bite-size training to provide ‘just in time’ upskilling in people skills (e.g. respect & dignity, recruitment)
Succession planning and talent development	To ensure that Mr Apple continues to run smoothly and without interruption after critical talent move on to new opportunities, retire or other	Mapping talent across orchards for succession planning	Mapping talent across post-harvest and business support services (IT, People & Culture, Finance, Sales, Marketing, Logistics and Operations, and identify successors)
Performance and reward management	Develop a framework to improve performance measurement and monitoring, and drive a high-performance culture	Introduced a pay-for-performance model, implemented pay principles and automated the end of year remuneration process	Implementation of the performance and reward management framework via our HRIS (connected to our pillar of Digitisation)
Career pathways and personal development	Help employees to grow and shape their careers on their competencies and interests	Since 2021, Mr Apple has implemented a job-sizing methodology	Develop career pathways via the ‘My Career’ hub on Mr Apple’s intranet

Other initiatives implemented in 2023 include:

- Internal communications: built Mr Apple's first intranet platform, The Crunch, in 2022. In 2023, Mr Apple made this accessible to all permanent, seasonal and RSE staff, to connect and inform them on key company initiatives, updates, celebrations and safety information
- Sow the Seed: a 6-month pilot program giving 2 year-12 students the opportunity to understand the horticulture industry. They will gain exposure to career paths on-orchard, post-harvest and within our business support roles

Cyclone Gabrielle

Hawke's Bay suffered significant loss and disruption as a result of Cyclone Gabrielle in February 2023. Three of Mr Apple's orchards suffered extensive damage and a 4th orchard was moderately affected. The recovery effort required was larger than predicted and extensive orchard remediation was undertaken by our teams.

The primary focus has been on supporting our people and community, with initiatives including:

- Committing $250,000 in donations to the recovery, with donations being distributed to the Evergreen Foundation and the Rural Support Trust, which provide a wide range of support services for Cyclone-affected families and communities
- Providing tailored assistance to staff members who were particularly affected
- Offering third-party facilitated wellbeing workshops to all staff, providing specialist trauma advice and tools
- Providing financial contributions towards replacing lost belongings and offering free legal services for insurance issues
- Supporting our RSE teams post-cyclone by providing counselling from Vitae (an Employee Assistance Programme provider)
- Immediately housing displaced RSE workers at our Hastings accommodation centres and providing them with new personal possessions
- Partnering with the District Health Board to undertake medical health checks for our RSE workers, particularly those involved in evacuations
- Providing laundry services to the community, keeping our facility operating for 6 days a week with the help of volunteers who delivered ~500 loads a month to affected families
- Assisting other growers with their harvest by lending machinery and helping with their remediation works where possible

Health & Safety

For Scales, health, safety and wellbeing is one our top priorities and continues to be a focus for our everyday operations. Improvements continued to be made across the Group, with Mr Apple shifting to a Health, Safety and Wellbeing Partnership model, which meant more on-site support and proactive action, leading to a reduction in its LTI rate of 43 per cent since 2022. This was supported by the ongoing use of an in-house Injury Management Specialist (physiotherapist) to work with on-orchard and post-harvest teams on injury prevention while also supporting injured staff on a quicker recovery.

Community

Mr Apple and Napier Port joined together in 2023 to help support the health of the waterway that runs along the back of Mr Apple's Whakatu property, Graeme's Drain. Native plants were donated by Mr Apple, which now line the strip and will improve the stream health and water quality. The plants will help filter out sediment and unnecessary nutrients before they go into the water, stabilise the bank to reduce erosion and provide shade to keep the water temperature healthy.

Mr Apple continues to support the community through the following initiatives:

- Donating non-export apples to food banks throughout the country
- Providing apples to sporting events including the Peak Trail Blazer
- Hosting a yearly planting day, with RSEs volunteering their time

Additionally, Mr Apple continues to offer ongoing assistance to staff members who were impacted by Cyclone Gabrielle. We hosted an end of year function with around 350 permanent staff who gave donations, which were distributed to individuals and families in need.

RSE Spotlight

Mr Apple's RSE strategy is built around partnering with Pacific Island governments to develop recruitment plans that can meet the goals of their respective communities and Mr Apple. Mr Apple develops and maintains strong bilateral links with the governments from the 8 Pacific Island countries it employs from and is exploring ways to enhance the strength of these partnerships.

One example has been our partnership with the Fijian Government to select workers from communities in need. One of these communities is Kia Island in the very north of Fiji, which was struck by category 5 Cyclone Yasa. Mr Apple was able to offer employment to a team from the island, which will support the rebuild of their community.

Supporting the Hastings – Falealili Partnership

Mr Apple has employed Samoan workers since the beginning of its participation in the RSE scheme. Over this time we have developed a strong relationship with the communities of Falealili District, with both communities having benefited from this arrangement. The Mayor of Hastings, To'asavili Sandra Hazlehurst, has received a chiefly title and signed a sister city agreement with the district of Falealili, further strengthening the relationship with this community.

Marketplace

Having a global market presence across multiple sectors means Scales needs to adapt to changing market requirements and customer demands. Scales will continue to invest in infrastructure, people, systems and processes to produce safe and sustainable products.

Certifications and Audits

Completing sustainability audits is essential for promoting transparency, accountability and continuous improvement in an organisation's sustainability performance. Accordingly, our business units are engaged in the following programmes:

- Meateor New Zealand and Meateor Australia complete regular Sedex Members Ethical Trade Audit (SMETA) and Ecovadis audits, measuring their environmental, social and ethical performance
- Mr Apple completes regular audits from Brand Reputation through Compliance (BRC) and GLOBALG.A.P. (GG):
  - Updated versions of the Global Food Safety Initiative audits (BRC and GG) have shown increased interest in both the ethical and environmental aspects of the audits, along with an increased focus in the food safety culture of the business
  - Customer and market audits have increased following the removal of COVID restrictions

Environment

In 2023 Scales has focused on building our processes and upskilling our business units on the requirements of the new mandatory CRDs. We have now built this into our annual processes, which will result in climate assessments being integrated into our group strategic frameworks.

Looking to 2024, Scales will be focusing its efforts on completing a Scope 3 screening exercise as we establish our emissions base year. Following this, we will refresh our Group strategy, aligning appropriate targets. This work will build on the decarbonisation roadmaps and water footprints we developed in 2022. While targets will not be set until 2025, after our assurance base year, the business units have been using the roadmaps to begin their decarbonisation journey.

Meateor New Zealand has completed a number of initiatives contributing to a reduction in emissions and leading to more efficient factories:

- Installed LED lights in the Dunedin plant, replacing neon units
- Installed a new refrigeration plant in Hastings for its plate freezers. This has the potential for heat recovery, reducing gas usage in the future
- Moving to a lower Global Warming Potential (GWP) refrigerant for its chiller unit

Scales Logistics is trialling a partnership with Future Post, a company that recycles domestic and commercial waste plastic into premium products, to take a portion of its plastic packaging for recycling. Future Post partners with Kilmarnock Enterprises, a social enterprise creating employment and development opportunities for people with intellectual disabilities in Christchurch. Kilmarnock Enterprises accepts plastic from Scales Logistics, which is baled before delivery to Future Post, who recycle it into premium fencing. The fencing is designed to have a range of performance and environmental benefits and can be used across operations from marine to agriculture. Scales is investigating how we can expand this relationship to other business units to divert more plastic waste from landfill.

Shelby installed a new boiler at Amarillo, completed in August 2023, which increased the fuel utilisation efficiency of the boiler by 18 per cent. In addition, Meateor Australia's newly commissioned plant in Melbourne included initiatives such as electric forklifts, the installation of a condensing boiler unit to reduce the water heating requirement and a CO_2 refrigeration system for the plate freezers.

Regenerative Trial

Mr Apple continues to focus on its pest and disease strategy with a regenerative planting trial. The trial began on Kinross Orchard in 2022 although this was unfortunately damaged by Cyclone Gabrielle. However, Mr Apple restarted the trial in December 2023, reinstating Kinross and establishing Blyth Orchard with 4 inter-row treatments.

The potential benefits we are seeking to prove include increased soil organic matter together with improved nutrient and water holding capacity. This will hopefully improve drainage, the overall health of the trees and reduce required orchard inputs.

Testing in December 2023 and February 2024 will give us baseline data for comparison of soil characteristics. Fruit quality will then be tested in May 2024.

Water efficiencies

Mr Apple is Scales' largest water consumer, accounting for 96 per cent of water usage across the Group. Mr Apple has already made water reductions, largely from the installation of its water reticulation system at its Whakatu packhouse, which was fully operational in 2023. This recycles water from the processing line, filtering it through five tanks. Additionally, further water metering was installed on-orchard to continually improve our data.

We continue to investigate ways we can reduce our freshwater consumption, improve water quality and recycle water where possible.

Divisional Overview

Structure builds confidence

This section provides a summary of each of our 3 operating divisions, including their performance and key operating statistics. In line with our Group results, we focus on the Underlying financial performance of our business divisions, excluding certain non-cash NZ IFRS and other adjustments.

Global Proteins

Overview

Our Global Proteins division converts agricultural by-products into valuable food commodities. The division comprises 6 business operations:

- Meateor NZ – 50 per cent ownership of a processor and marketer of petfood ingredients for the global petfood industry with processing plants in Whakatu and Dunedin
- Meateor International – 100 per cent ownership of a supplier and marketer of petfood ingredients from Australia and other markets
- Shelby – 60 per cent ownership of a US procurer, processor and marketer of ingredients for the petfood industry
- Fayman – 50 per cent ownership of the Australian operations of Fayman International and 42.5 per cent ownership of ANZ Exports, a global exporter of edible proteins sourced principally from Australia
- Meateor Australia – 33.33 per cent ownership of a new petfood protein manufacturing facility in Melbourne
- Esro Petfood – 50 per cent ownership of a newly established petfood ingredient processing operation in Europe

Meateor NZ*

Petfood ingredient processor and marketer, New Zealand

(50%)

Meateor International**

Petfood ingredient supplier, Australia & other markets

(100%)

Meateor Australia*

Petfood protein manufacturer, Australia

(33.33%)

Shelby Foods**

Petfood ingredient procurer, processor and marketer, USA

(60%)

Fayman*

Edible by-products exporter, Australia

(50% Fayman International / 42.5% ANZ Exports)

Esro Petfood*

Petfood ingredient procurer, processor and marketer. Europe

(50%)

*Equity accounted.
** Fully consolidated into Scales' financial results, with Shelby non-controlling interest of $19.4 million deducted from NPAT (2022: $18.8 million)

Operational and Financial Performance

The table below outlines key operational metrics and the summarised financial performance for Global Proteins.

		2023	2022
Key Operational Metrics			
Petfood ingredients volume sold	MT	137,477	158,595
Edible proteins volume sold*	MT	85,900	9,047
Financial Performance		**$000's**	**$000's**
Global Proteins revenue		298,547	319,923
Underlying Global Proteins EBITDA		**54,520**	**60,158**
Depreciation and amortisation		(791)	(747)
Depreciation of right-of-use assets		(66)	(64)
Underlying Global Proteins EBIT		**53,662**	**59,347**
Global Proteins EBITDA		**52,245**	**58,913**
Global Proteins EBIT		**51,388**	**58,102**
Capital employed		120,848	106,605
ROCE		46.8%	67.4%

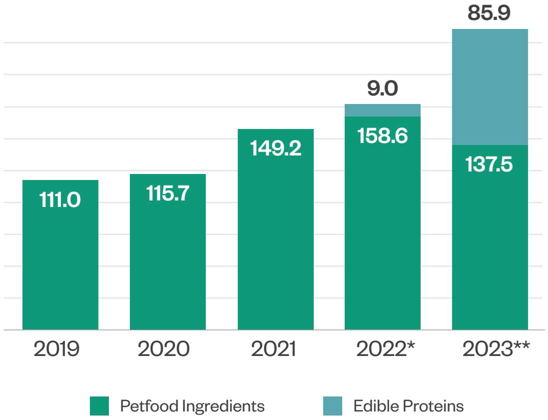
*2022 - 2 months only
NB: A reconciliation of Underlying to Reported profit measures follows this Divisional Overview section.

Operational Summary

Global Proteins produced a solid performance in a year when its petfood ingredient customers were rebalancing their inventories to lower, pre-COVID levels and we were undergoing the first year of our Australian transition. This resulted in a 13 per cent decrease of petfood ingredient volumes sold, from 158,595 MT to 137,477 MT.

We are also pleased to provide details of the edible proteins volumes sold by Fayman, with its volumes for its first full year of trading with us being 85,900 MT.

Volumes Sold (MT 000s)



* 2022 edible proteins volumes are for a 2 month period.
** 2023 petfood ingredient volumes exclude those sold at Meateor Australia and Esro Petfood, both of which were operational by the end of 2023.

Financial Summary

Despite the market conditions, the division performed well, adjusting its operations accordingly. Revenue was $298.5 million, a 7 per cent decrease on prior year (2022: $319.9 million), whilst Underlying EBITDA was $54.5 million, a 9 per cent decrease (2022: $60.2 million). The division's profit margins remained in line with last year.

Fayman produced a pleasing first full year result and we believe that, as an edible protein exporter, it complements our petfood ingredients operations well.

We also continued to invest in our 2 newer joint ventures, Meateor Australia and Esro Petfood. Whilst these are currently in a start-up stage, we believe these investments will be extremely strategically important for the long-term.

Industry and Strategy Update

The petfood market is large, growing and underpinned by influential global trends:

- There is a large and growing pet population linked to socio-demographics changes and growth in emerging markets
- There is increasing premiumisation driven by rising incomes and humanisation of pets
- It has proven to be resilient to recessions and downturns
- The US has become the largest exporter of petfood products to China

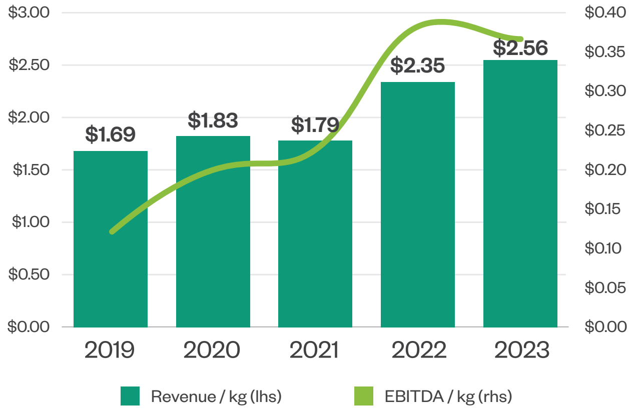
This growth, and related downstream investment in capacity, has led to concerns around supply chain reliability and supply capacity.

As a result, we believe that Scales is uniquely positioned to capture this opportunity due to our track record, investment strategy, supply chain excellence and business model.

Margin Performance

The graph below shows the growth in unit revenue and Underlying EBITDA for petfood ingredients over the last 5 years.

Petfood Ingredients Revenue and Underlying EBITDA / kg



The key drivers of this positive performance have been:

- An increase in the percentage of processed product versus traded product, which drives greater margin
- A change in species mix to higher margin products (e.g. beef)
- The introduction of blending and new product development at key US facilities, leading to improved product mix, increased yields and higher margins
- Leveraging of our supply chain excellence and reliability during COVID to drive overall division performance
- The ability to manage supply / demand dynamics maintaining margin despite lower volumes in 2023

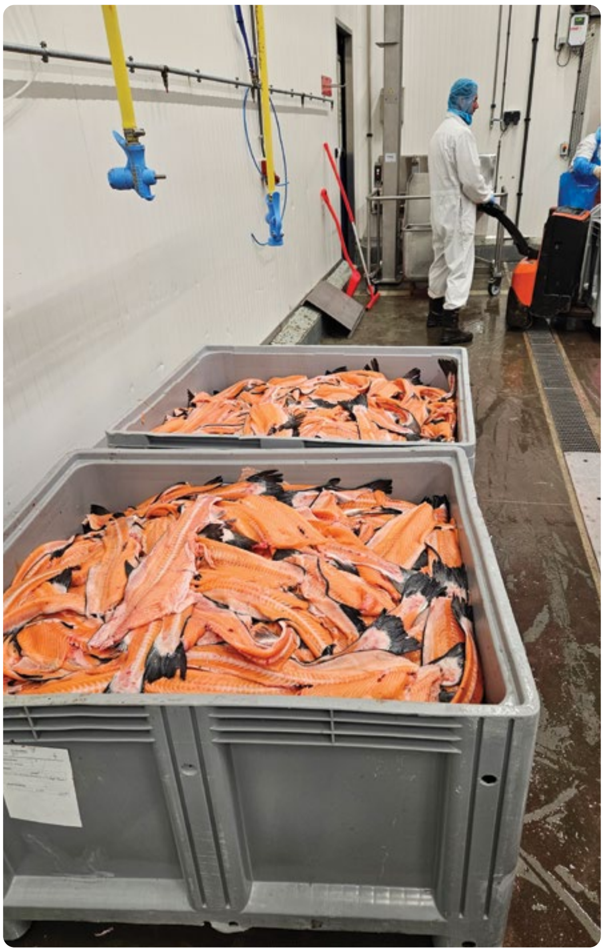
Strategic Milestones Achieved During 2023

During 2023, the Global Proteins division made significant progress towards it strategic goals. These included:

- Commissioning the Meateor Australia plant, with first sales being made in the last quarter of 2023
- Establishing the Esro Petfood joint venture and commissioning the first processing line in Belgium in the last quarter of 2023:
  - The plant has already commenced salmon and beef processing, sourced from the Netherlands
  - Other locations and site optimisation will be investigated throughout 2024
- Introducing new blending capability:
  - A blending project in Hastings was completed
  - A new blending line in the Dodge City toll processing plant was commissioned

Meator Australia

Esro Petfood



Salmon processing at Esro Petfood

We look forward to updating you on our progress in 2024.

2024 Outlook

The outlook for Global Proteins is positive with 2024 starting well. However, we anticipate there will be some further re-balancing of inventories amongst petfood manufacturing customers in the first half of 2024.

Whilst Meateor Australia and Esro Petfood made significant progress in 2023, both these operations have some headway to make before they complete their start-up phases. However, once concluded, we believe there will be a number of exciting opportunities to be realised, and we will work closely with our partners on these.

We look forward to providing further updates on the division's strategic, operational and financial progress in 2024.

Horticulture

Overview

Our Horticulture division comprises:

- Mr Apple – New Zealand's largest fully vertically integrated apple business, based in Hawke's Bay
- Fern Ridge – a fresh produce exporter in Hawke's Bay
- Profruit – 50 per cent ownership of a manufacturer of high-quality apple, kiwifruit and pear juice concentrates, located in Hawke's Bay

During 2023, we operated 3 packhouses. Each of our packhouses is equipped with high-speed optical grading machines. Mr Apple also operates 6 coolstores.

Cyclone Gabrielle – Remediation of our Damaged Orchards

Many images have been publicised showing the effect of Cyclone Gabrielle on Hawke's Bay, and the following are just a couple of the photos that capture the condition of our orchards immediately following Cyclone Gabrielle and their current condition, post-remediation.

Before → **After**

The 'before' photo is an example of how the land and trees were devastated, which was upsetting and distressing to everyone involved.

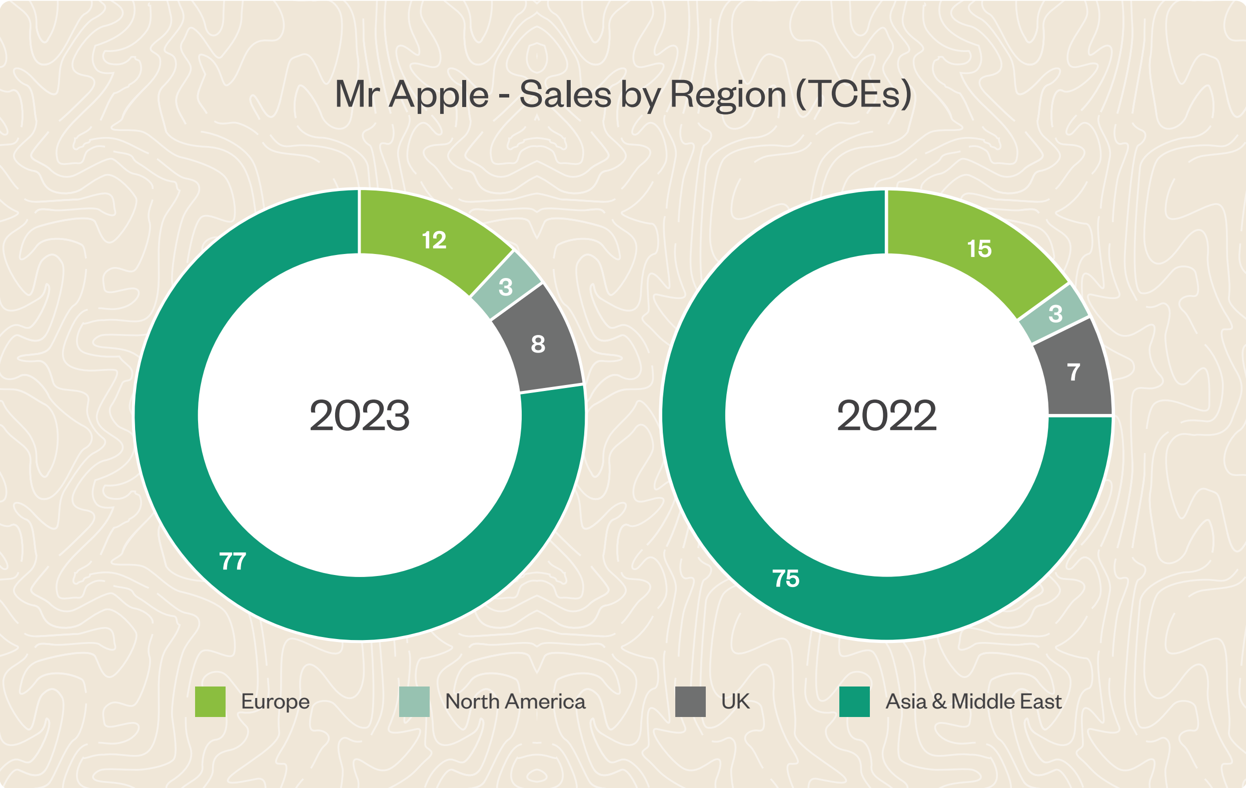
Thanks to the incredible hard work and tenacity of our Horticulture team, together with support from local and national governments, most of our orchards have now been remediated and, looking at the 'after' photo, it could be hard to believe that the Cyclone had such a devastating effect. Encouragingly, only around 5 per cent of the land that we have retained is not currently useable.

Fortunately, the impact of Cyclone Gabrielle is largely expected to be limited to the 2023 season, with volumes and performance in 2024 anticipated to return to more normal levels.

Markets

Our apples are sought after around the world, with Mr Apple selling to approximately 115 customers in around 28 countries.

Asia and the Middle East continue to be our largest markets, accounting for approximately 77 per cent of export sales volumes (2022: 75 per cent).



Marketing and Branding Developments

In 2023, our sales were supported by targeted marketing activities across the Asia and Middle East regions, but with a specific focus on China and Vietnam.

In addition to development of the Mr Apple brand, our emphasis is on the development of high value variety brands such as Dazzle™, Posy™ and Diva™, which achieve significantly higher NZD FOB prices than traditional apples. Development of these varieties was accelerated during 2023 following the Cyclone, and we anticipate ongoing increases in average prices as the plantings mature.

Our marketing activities included:

- Retail customers supported with instore sampling activity, branded point-of-sale displays and packaging material
- Market launches with wholesale customers for key apple varieties
- Growing our digital and social media presence in key markets, using data to drive efficiency
- Season launch events undertaken to complement brand advertising
- Partnerships with social media influencers
- Activities with key opinion leaders and social media influencers, providing e.g. apple and merchandise as prizes and gifts

Sampling of 12 varieties of apples at iconic locations in Hanoi, Vietnam

Gift packs sent to key opinion leaders, Vietnam

A 5km run held in conjunction with KEEP, a running app in China, which has over 200 million users

Financial Performance and Key Operating Statistics

Summary Performance

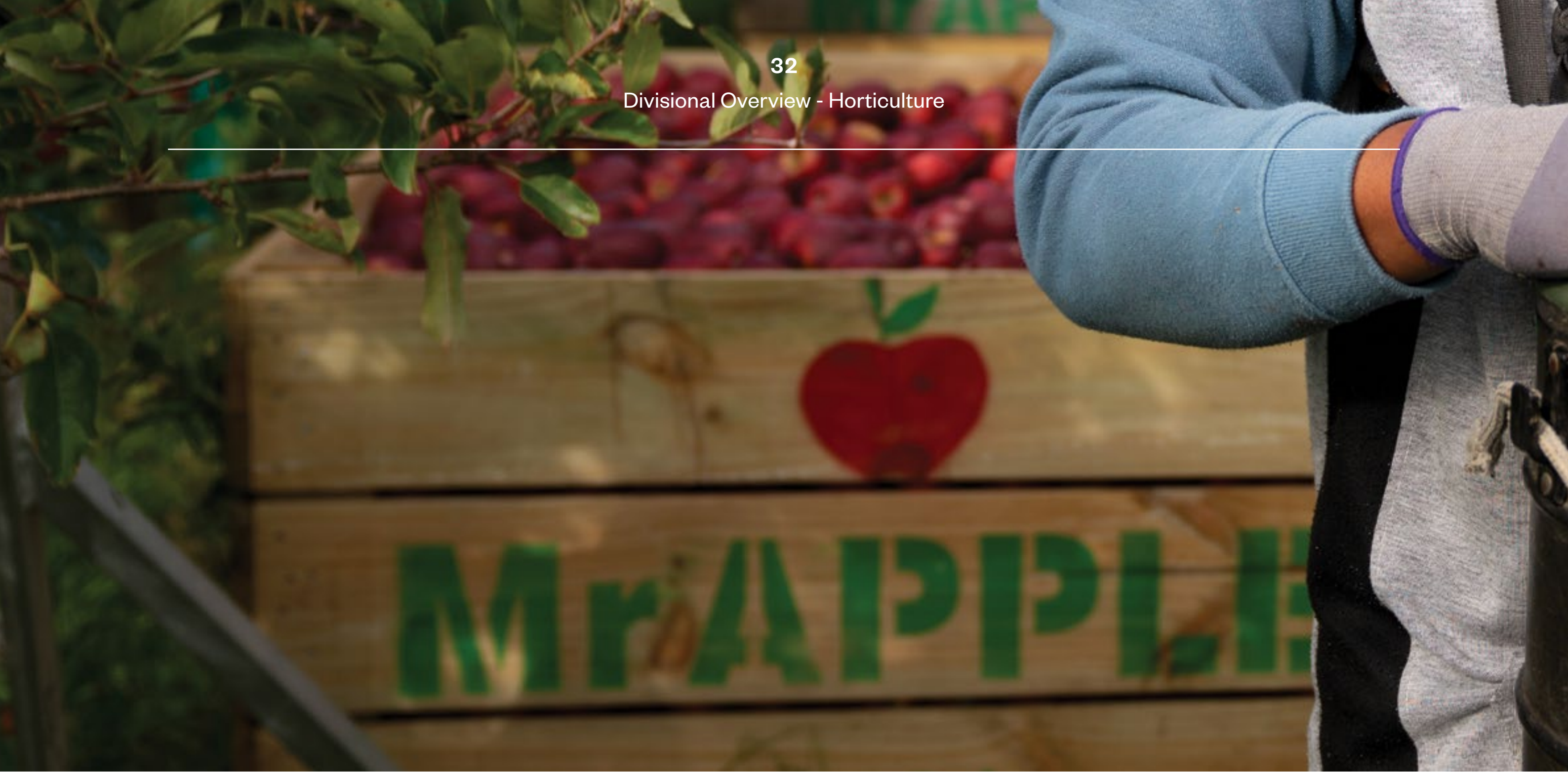
The table below shows the financial performance of our Horticulture division for 2023 and 2022.

	2023 $000's	2022 $000's
Horticulture revenue	209,939	228,854
Underlying EBITDA		
Mr Apple	11,286	14,649
Fern Ridge	1,786	1,263
Profruit	1,762	1,069
Underlying Horticulture EBITDA	**14,834**	**16,980**
Depreciation and amortisation	(9,687)	(9,645)
Depreciation of right-of-use assets	(8,071)	(8,393)
Underlying Horticulture EBIT	**(2,923)**	**(1,058)**
Horticulture EBITDA	**4,493**	**10,332**
Horticulture EBIT	**(13,265)**	**(7,707)**
Capital employed	292,615	299,837
ROCE	-1.0%	-0.4%

NB: A reconciliation of Underlying to Reported profit measures follows this Divisional Overview section.

The Horticulture division generated a very commendable result given the physical, financial and volumetric impacts of Cyclone Gabrielle. Volumes were lower due to the Cyclone, resulting in a decline in revenue and Underlying EBITDA. However, stronger sales in the second half of the year together with higher in-market prices helped to offset the lower volumes. Margins remained in line with 2022.

Both Profruit's volumes and profitability were steady, with our share of earnings being $1.8 million (2022: $1.1 million).



Orchard Statistics

We continue to monitor and report against various operating statistics, a selection of which are noted below:

		2023	2022	2021	2020	2019
Orchard						
Total planted orchard (at time of harvest)[1]	Ha.	1,150	1,167	1,201	1,186	1,158
Fully mature equivalent planted orchard	Ha.	1,050	1,024	1,050	1,028	1,023
Apples picked (Mr Apple orchards)	TCE 000s	3,872	4,281	4,757	5,119	4,841
Apples packed (Mr Apple + external growers (Hawke's Bay))	TCE 000s	3,330	3,960	4,430	4,858	4,747
Exported volume						
Mr Apple	TCE 000s	2,733	3,324	3,651	3,915	3,822
External growers	TCE 000s	1,187	1,256	1,332	1,824	2,132
Total	**TCE 000s**	**3,920**	**4,580**	**4,983**	**5,739**	**5,953**
Mr Apple packout %	%	71%	78%	77%	76%	79%
Total NZ production	TCE 000s	17,264	18,777	19,666	22,199	21,755
Mr Apple own-grown volume share of NZ production	%	15.8%	17.7%	18.6%	17.6%	17.6%
Profruit						
Juice concentrate sold	litres 000s	5,783	5,748	6,497	6,544	6,170

As previously mentioned, volumes in 2023 were affected by Cyclone Gabrielle:

- Gross production was down 10 per cent to 3.87 million TCEs (2022: 4.28 million TCEs)
- Own-grown export volumes were down 18 per cent to 2.73 million TCEs (2022: 3.32 million TCEs)
- Total exported volumes, were down 14 per cent to 3.92 million TCEs (2022: 4.58 million TCEs)

Unsurprisingly, the national apple crop was down on the prior year, with a decrease of 8 per cent compared to 2022. As a result, we continued to contribute significantly to the national apple crop in 2023, with production from our owned and leased orchards accounting for 15.8 per cent of New Zealand's apple exports (2022: 17.7 per cent).

[1] Planted orchard at the end of the year was 1,095 hectares (2022: 1,149 hectares).

Volumes and Prices

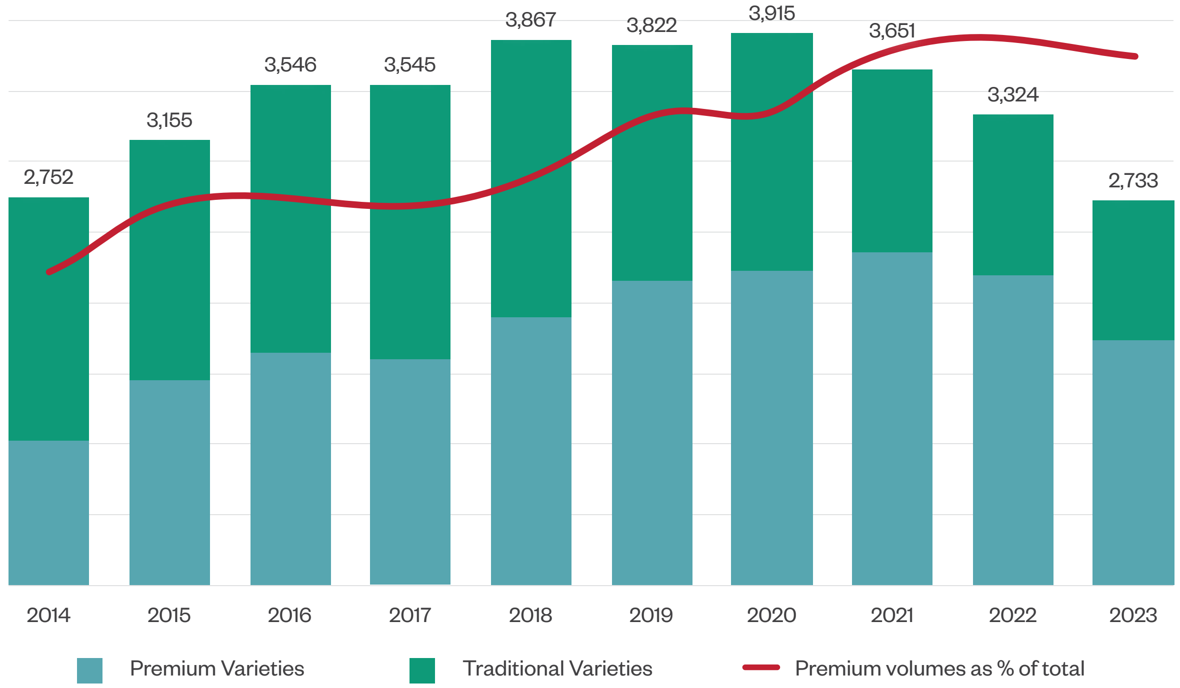
Volumes and prices (on a NZD FOB basis) for 2023 and 2022 are noted below.

Volumes by Variety (TCE 000s)		2023	2022
Premium Varieties			
NZ Queen	TCE 000s	337	439
Pink Lady	TCE 000s	249	305
Red Sports (Fuji and Royal Gala)	TCE 000s	820	1,056
Dazzle™ & Posy™	TCE 000s	269	215
Other	TCE 000s	68	181
Total	**TCE 000s**	**1,742**	**2,196**
Growth	%	(21%)	(7%)
% premium		64%	66%
Traditional varieties			
Braeburn	TCE 000s	263	338
Royal Gala	TCE 000s	265	298
Other	TCE 000s	463	492
Total	**TCE 000s**	**991**	**1,128**
Growth	%	(12%)	(12%)
Total Mr Apple owned and leased orchards	**TCE 000s**	**2,733**	**3,324**
Growth	%	(18%)	(9%)
Prices by Variety (NZD / TCE (FOB))			
Weighted average price for premium varieties	NZD / TCE	44.1	40.6
Weighted average price for traditional varieties	NZD / TCE	33.5	27.3
Total weighted average price	NZD / TCE	40.3	36.1

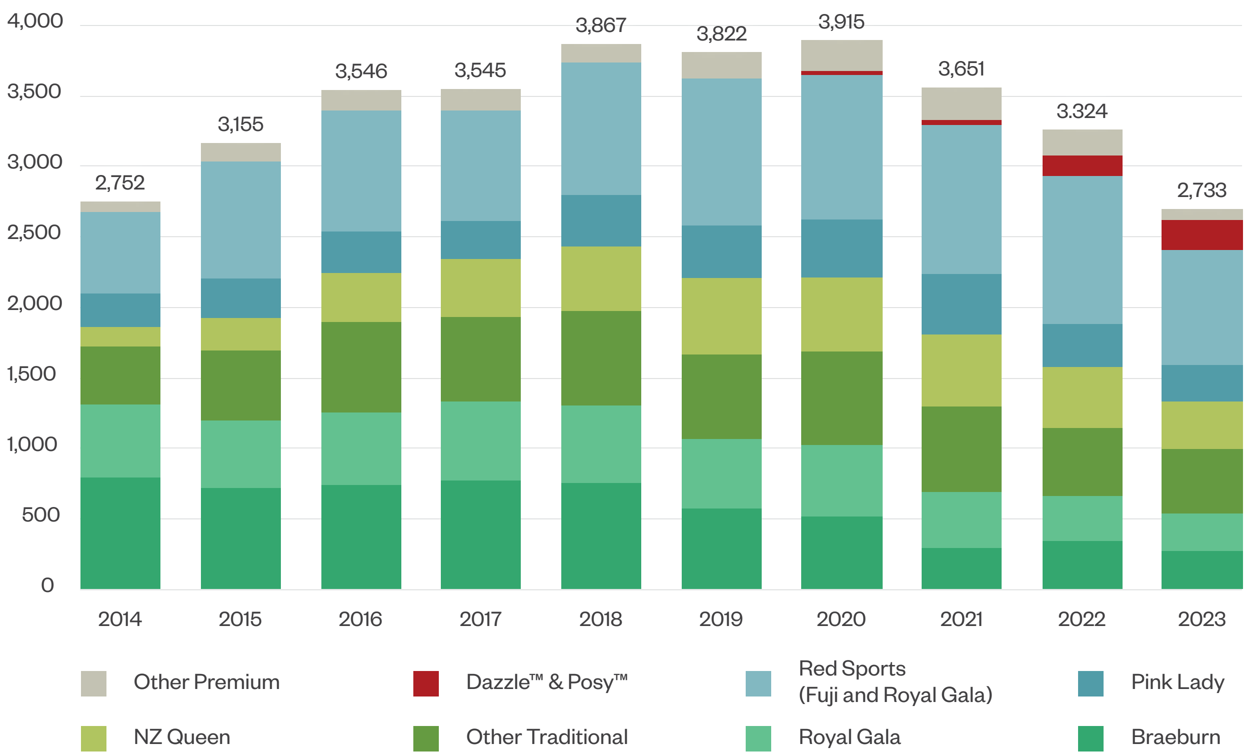
Volumes of Premium and Traditional varieties were down 21 per cent and 12 per cent respectively in 2023 although Dazzle™ and Posy™ volumes grew by a pleasing 25 per cent. Premium volumes accounted for around 64 per cent of all exports in 2023, in line with 2022 (66 per cent).

Mr Apple experienced a strong finish to its 2023 season which was, in part, due to limited supply of fruit in key markets. This in turn contributed to higher in-market pricing and an overall increase in the weighted average pricing for both Premium and Traditional varieties.

Mr Apple Own Export Volume (TCE 000s)



Volumes by Variety (TCE 000s)



2024 Outlook

The Horticulture season has commenced well, with picking and packing of the 2024 harvest in progress at Mr Apple. As previously noted, we believe that the effects of Cyclone Gabrielle will largely be limited to the 2023 season and current volume indications suggest Mr Apple own export volumes of 3.4 million TCEs in 2024. There is strong initial demand from the Asia and Middle East markets, and our first shipment of Posy™ departed for China in mid-February.

Logistics

Overview and Divisional Developments

The services of Scales Logistics include:

- Ocean freight services to exporters and importers of perishable products, with offices in Auckland, Christchurch, Tauranga, Hawke's Bay and Melbourne
- Air freight services, including chiller facilities in Christchurch and Auckland together with warehousing facilities in Christchurch

Operational and Financial Performance

The key operational metrics and the summarised financial performance for the Logistics division for 2023 and 2022 are shown below.

		2023	2022
Key Operational Metrics			
Ocean freight volume	TEUs	26,010	27,580
Airfreight volume	MT	4,464	5,553
Financial Performance		**$000's**	**$000's**
Logistics Revenue		92,568	123,338
Underlying Logistics EBITDA		**4,281**	**6,595**
Depreciation and amortisation		(234)	(194)
Depreciation of right-of-use assets		(493)	(572)
Underlying Logistics EBIT		**3,555**	**5,829**
Logistics EBITDA		**4,281**	**6,595**
Logistics EBIT		**3,555**	**5,829**
Capital employed		10,499	7,556
ROCE		39.4%	61.1%

NB: A reconciliation of Underlying to Reported profit measures follows this Divisional Overview section.

The Logistics division produced a steady result despite the impact of reduced produce volumes and the need to navigate geopolitical difficulties in key trade routes. Airfreight volumes were also, in part, affected by a slow start to the 2023 stone fruit season.

Revenue was down 25 per cent to $92.6 million (2022: $123.3 million) and Underlying EBITDA was down 35 per cent to $4.3 million (2022: $6.6 million). Underlying earnings were in line with the results of 2019 to 2021.

The strategic benefits that this division brings to the Group is not solely measured in key performance indicators, but also the extremely important strategic value that it brings to the Group.

2024 Outlook

The outlook for the global supply chain market suggests that disruptions to key trade routes will remain in place during 2024. In addition, suppliers and manufacturers are expected to continue rebalancing their inventory holdings throughout the first half of the year.

However, we believe that the resilience and flexibility previously exhibited by Scales Logistics will stand the division in good stead and that it will continue to provide strategic value in excess of its positive financial contribution.

Reconciliation of Underlying to Reported Profit Measures

The following table provides a reconciliation of Underlying profitability to Reported profitability for the Group and each division.

	Group		Global Proteins	
	2023	2022	2023	2022
	$000's	$000's	$000's	$000's
Underlying EBITDA (excluding NZ IFRS 16)	55,940	66,550	54,441	60,083
NZ IFRS 16 *Leases*	11,736	9,383	78	76
NZ IFRS 16 *Leases* - renewal reassessment	(162)	1,960	-	-
Underlying EBITDA (including NZ IFRS 16)	**67,514**	**77,893**	**54,520**	**60,158**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,353)	(3,729)	-	-
Impairment of goodwill	(8,531)	-	-	-
Cyclone Gabrielle - net costs and proceeds	901	-	-	-
Equity settled employee benefits	(456)	(609)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	162	(1,960)	-	-
Fayman acquisition entries	1,176	1,619	1,176	1,619
Equity accounting losses not recognised	670	-	670	-
Intercompany FX	-	(568)	-	260
Change in fair value gain on apple inventory	480	131	-	-
Change in gross liability for non-controlling interests and joint venture options	(4,121)	(4,215)	(4,121)	(4,193)
Profruit - segment transfer	-	-	-	1,069
Transaction costs	(767)	(47)	-	-
Reported EBITDA	**53,675**	**68,516**	**52,245**	**58,913**
Underlying EBIT (excluding NZ IFRS 16)	45,198	55,951	53,650	59,335
NZ IFRS 16 *Leases*	3,025	296	12	11
NZ IFRS 16 *Leases* - renewal reassessment	(162)	1,960	-	-
Underlying EBIT (including NZ IFRS 16)	**48,061**	**58,207**	**53,662**	**59,347**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,353)	(3,729)	-	-
Impairment of goodwill	(8,531)	-	-	-
Cyclone Gabrielle - net costs and proceeds	901	-	-	-
Equity settled employee benefits	(456)	(609)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	162	(1,960)	-	-
Fayman acquisition entries	1,176	1,619	1,176	1,619
Equity accounting losses not recognised	670	-	670	-
Intercompany FX	-	(568)	-	260
Change in fair value gain on apple inventory	480	131	-	-
Change in gross liability for non-controlling interests and joint venture options	(4,121)	(4,215)	(4,121)	(4,193)
Profruit - segment transfer	-	-	-	1,069
Transaction costs	(767)	(47)	-	-
Reported EBIT	**34,222**	**48,830**	**51,388**	**58,102**

Horticulture		Logistics		Corporate and eliminations	
2023	**2022**	**2023**	**2022**	**2023**	**2022**
$000's	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
4,185	6,532	3,550	5,843	(6,237)	(5,907)
10,811	8,488	730	752	116	67
(162)	1,960	-	-	-	-
14,834	**16,980**	**4,281**	**6,595**	**(6,122)**	**(5,841)**
(3,353)	(3,729)	-	-	-	-
(8,531)	-	-	-	-	-
901	-	-	-	-	-
-	-	-	-	(456)	(609)
162	(1,960)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(828)
480	131	-	-	-	-
-	(22)	-	-	-	-
-	(1,069)	-	-	-	-
-	-	-	-	(767)	(47)
4,493	**10,332**	**4,281**	**6,595**	**(7,344)**	**(7,324)**
(5,501)	(3,114)	3,317	5,649	(6,268)	(5,919)
2,740	95	238	180	35	9
(162)	1,960	-	-	-	-
(2,923)	**(1,058)**	**3,555**	**5,829**	**(6,233)**	**(5,910)**
(3,353)	(3,729)	-	-	-	-
(8,531)	-	-	-	-	-
901	-	-	-	-	-
-	-	-	-	(456)	(609)
162	(1,960)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(828)
480	131	-	-	-	-
-	(22)	-	-	-	-
-	(1,069)	-	-	-	-
-	-	-	-	(767)	(47)
(13,265)	**(7,707)**	**3,555**	**5,829**	**(7,455)**	**(7,394)**

The following table provides a reconciliation of Underlying profitability to Reported profitability for the Group and each division.

	Group		Global Proteins	
	2023	2022	2023	2022
	$000's	$000's	$000's	$000's
Underlying NPAT (excluding NZ IFRS 16)	38,626	46,897	45,367	49,145
NZ IFRS 16 *Leases*, net of tax	(87)	(1,913)	(1)	(1)
NZ IFRS 16 *Leases* - renewal reassessment, net of tax	(117)	1,412	-	-
Underlying NPAT (including NZ IFRS 16)	**38,422**	**46,396**	**45,367**	**49,144**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,353)	(3,729)	-	-
Impairment of goodwill	(8,531)	-	-	-
Cyclone Gabrielle - net costs and proceeds	901	-	-	-
Equity settled employee benefits	(456)	(609)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	162	(1,960)	-	-
Fayman acquisition entries	1,307	1,619	1,307	1,619
Equity accounting losses not recognised	670	-	670	-
Intercompany FX	-	(568)	-	260
Change in fair value gain on apple inventory	480	131	-	-
Change in gross liability for non-controlling interests and joint venture options	(4,121)	(4,215)	(4,121)	(4,193)
Profruit - segment transfer	-	-	-	1,069
Transaction costs	(767)	(47)	-	-
Tax effect of other NZ IFRS adjustments	(40)	1,212	(547)	(812)
Reported NPAT	**24,674**	**38,231**	**42,677**	**47,087**
Underlying NPATAS (excluding NZ IFRS 16)	19,187	28,078	25,928	30,327
NZ IFRS 16 *Leases*, net of tax	(87)	(1,913)	(1)	(1)
NZ IFRS 16 *Leases* - renewal reassessment, net of tax	(117)	1,412	-	-
Underlying NPATAS (including NZ IFRS 16)	**18,982**	**27,577**	**25,927**	**30,326**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,353)	(3,729)	-	-
Impairment of goodwill	(8,531)	-	-	-
Cyclone Gabrielle - net costs and proceeds	901	-	-	-
Equity settled employee benefits	(456)	(609)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	162	(1,960)	-	-
Fayman acquisition entries	1,307	1,619	1,307	1,619
Equity accounting losses not recognised	670	-	670	-
Intercompany FX	-	(568)	-	260
Change in fair value gain on apple inventory	480	131	-	-
Change in gross liability for non-controlling interests and joint venture options	(4,121)	(4,215)	(4,121)	(4,193)
Profruit - segment transfer	-	-	-	1,069
Transaction costs	(767)	(47)	-	-
Tax effect of other NZ IFRS adjustments	(40)	1,212	(547)	(812)
Reported NPAT Attributable to Shareholders	**5,235**	**19,412**	**23,237**	**28,268**

Horticulture		Logistics		Corporate and eliminations	
2023	**2022**	**2023**	**2022**	**2023**	**2022**
$000's	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
(3,419)	(2,010)	2,381	4,015	(5,703)	(4,252)
(10)	(1,849)	(73)	(61)	(4)	(2)
(117)	1,412	-	-	-	-
(3,545)	**(2,448)**	**2,308**	**3,954**	**(5,707)**	**(4,253)**
(3,353)	(3,729)	-	-	-	-
(8,531)	-	-	-	-	-
901	-	-	-	-	-
-	-	-	-	(456)	(609)
162	(1,960)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(828)
480	131	-	-	-	-
-	(22)	-	-	-	-
-	(1,069)	-	-	-	-
-	-	-	-	(767)	(47)
507	1,556	-	-	-	469
(13,380)	**(7,542)**	**2,308**	**3,954**	**(6,931)**	**(5,269)**
(3,419)	(2,012)	2,381	4,015	(5,703)	(4,252)
(10)	(1,849)	(73)	(61)	(4)	(2)
(117)	1,412	-	-	-	-
(3,545)	**(2,449)**	**2,308**	**3,954**	**(5,707)**	**(4,253)**
(3,353)	(3,729)	-	-	-	-
(8,531)	-	-	-	-	-
901	-	-	-	-	-
-	-	-	-	(456)	(609)
162	(1,960)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(828)
480	131	-	-	-	-
-	(22)	-	-	-	-
-	(1,069)	-	-	-	-
-	-	-	-	(767)	(47)
507	1,556	-	-	-	469
(13,380)	**(7,543)**	**2,308**	**3,954**	**(6,930)**	**(5,268)**

Leadership

Management Profiles

Andy Borland
Managing Director

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

Kent Ritchie
CEO Scales Logistics

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

Brett Frankel
President Shelby Foods

Brett established Shelby Foods in 2007 and has been its President since inception. Brett has over 20 years' experience in petfood, having had a senior procurement role prior to starting Shelby. He also represents the third generation of family involvement in the sector, following in the footsteps of both his father and grandfather.

John Sainsbury
CEO Meateor Group

John has been with Meateor in various management roles for over 20 years. Prior to that, John worked in senior management, marketing and operational roles in the United States. John was appointed CEO of Meateor Foods in 2015, and CEO of Meateor Group in 2019.

Tim Harty
General Manager
Meateor Pet Foods

Tim was appointed General Manager at the inception of the JV with Alliance in 2019. Tim has had over 20 years' experience in the export meat industry, in marketing and operational roles, both in New Zealand and overseas.

Geoff Smith
Chief Operations Officer

Geoff joined Scales in 2022 from Zespri where he was Head of New Zealand Supply. Geoff has extensive experience across a variety of agribusinesses, particularly in operations, supply chain, strategy and investment. Geoff has both an Honours degree and Doctorate from Lincoln University.

Steve Kennelly
Chief Financial Officer

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

Andrew van Workum
CEO Mr Apple

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

Chantelle Ramage
General Manager Profruit

Chantelle has been with Profruit for 17 years, including 15 as General Manager. Prior to that Chantelle held Production Manager and Technical Manager roles with the company. Chantelle graduated from Lincoln University with a Bachelor of Science, majoring in Food.

Hamish Davis
Managing Director Fern Ridge Fresh
Hamish joined Fern Ridge in 2001, becoming Managing Director in 2008. He has over 30 years' experience in the growing and post-harvest sectors of the apple industry, and remains very active in export sales for the company.

Board of Directors

(as at 18 March 2024)

In order from left to right:

Nadine Tunley

Non-Executive
Independent Director

Nadine was appointed to the Board in 2019. Nadine is currently CEO of Horticulture New Zealand and has extensive horticulture and wider primary industry management experience from previous roles, including as the former CEO of Oha Honey LP. Nadine also brings experience from a wide variety of governance and advisory roles, including as a Director of Plant & Food Research, a member of Ngā Pouwhiro Taimatua and a former member of the Primary Sector Council. Nadine was also a former Chair of New Zealand Apples & Pears Incorporated. Nadine is Chair of Scales' Health & Safety and Sustainability Committee.

Alan Isaac

Non-Executive
Independent Director

Alan was elected to the Board in 2014. Alan was the President of the International Cricket Council between 2012 and 2014 and is currently: Chair of the Basin Reserve Trust, a Director of Oceania Healthcare (NZ) Limited, Skellerup Holdings Limited and a number of private companies. Alan has an extensive background in the accounting and finance field and is a former National Chair of KPMG. He was made a Companion of the New Zealand Order of Merit (CNZM) in 2013 for services to cricket and business. Alan is Chair of Scales' Audit and Risk Management Committee.

Andrew (Andy) Borland

Executive Director

Andy joined Scales in 2007 and became Managing Director in 2011. Prior to joining Scales he had a 20-year career in banking, with his final role being Head of Corporate at Westpac New Zealand. Andy has overall responsibility for the strategic direction and day-to-day management of Scales. In addition to his directorships of the Group, Andy is currently the Chair of Primary Collaboration New Zealand Limited and Primary Collaboration New Zealand (Shanghai) Co. Limited. Andy is a member of Scales' Finance and Treasury Committee and Scales' Health & Safety and Sustainability Committee.

Tony Batterton

Non-Executive
Independent Director

Tony was appointed to the Board in August 2023, having previously been a director of Scales from 2011 to 2014. Tony has a private equity and investment banking background, in New Zealand with Evergreen Partners and Direct Capital, and in London with HSBC Investment Bank. Tony is currently an Independent Non-Executive Director of Briscoe Group Limited, where he is also Chair of the Audit & Risk Committee. In addition to this role, Tony is currently a Partner and Director of Evergreen Partners and a Non-Executive Director of NZ Fine Touring Group. Tony is Chair of Scales' Nominations and Remuneration Committee and of Scales' Finance and Treasury Committee. Tony is also a member of Scales' Audit and Risk Management Committee.

Mike Petersen

Non-Executive Independent Chair

Mike was appointed to the Board in April 2023. Mike has over 30 years' management and governance experience in the agribusiness sector. He is currently a director of ANZCO Foods and Kelso Genetics Limited and is Chair of agri-food digital marketplace developers, Nui Markets Limited. Mike also has advisory roles with a number of other privately-owned companies. Mike was previously Chair of Beef + Lamb New Zealand and was also New Zealand's Special Agricultural Trade Envoy for 6 years. Mike is a member of Scales' Nominations and Remunerations Committee.

Nick Harris

Non-Executive Independent Director

Nick was elected to the Board in 2014, having been appointed a Director of both Scales' Storage & Logistics division and Meateor in 2012. Nick was previously the Managing Director and was one of the founding shareholders of Hellers Limited, New Zealand's largest bacon, ham and small goods company. Nick is currently the Managing Director of Harris Meats and Glenturret Farm in Cheviot, North Canterbury, and is also a Shareholder and Director of several private companies. Nick is a member of Scales' Audit and Risk Management Committee.

Miranda Burdon

Non-Executive Independent Director

Miranda was appointed to the Board in August 2022. Miranda has over 20 years executive and entrepreneurial experience, centered on fast moving consumer goods in New Zealand and globally, including as the Global Marketing Manager for Pernod Ricard. Miranda is currently Chair of Meadow Mushrooms and Live Ocean. Miranda is also the former CEO of Global Women. In 2019 Miranda co-founded Food Nation, a New Zealand based food manufacturer that developed plant-powered products. Miranda is a member of Scales' Health & Safety and Sustainability Committee.

Qi Xin

Non-Executive Director

Xin was appointed to the Board in 2021. He is a Senior Director of a department within China Resources Enterprise, Limited, which holds a 15.0% shareholding in Scales. Xin has held Director and CFO roles within China Resources (Holdings) Co, Limited. Xin holds a Bachelor of Engineering from the Beijing Institute of Technology and a MBA from the University of North Carolina at Chapel Hill.

Financial Statements

The Numbers

Contents

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2023

	Note	2023 $000's	2022 $000's
Revenue	B1	565,356	619,173
Cost of sales	B2	(444,662)	(492,547)
		120,694	**126,626**
Administration and operating expenses	B2	(64,123)	(53,003)
Impairment of property, plant and equipment	C1	(4,729)	(3,729)
Impairment of goodwill	C4	(8,531)	-
Share of profit of entities accounted for using the equity method	C3	8,131	4,624
Other income	B3	8,569	67
Other losses	B3	(6,336)	(6,069)
EBITDA		**53,675**	**68,516**
Amortisation	C7	(497)	(379)
Depreciation	C1	(10,245)	(10,220)
Depreciation of right-of-use asset	G2	(8,711)	(9,087)
EBIT		**34,222**	**48,830**
Finance revenue		2,056	1,045
Finance cost	B4	(3,331)	(1,284)
Finance cost of lease liability	G2	(3,144)	(2,953)
PROFIT BEFORE INCOME TAX EXPENSE		**29,803**	**45,638**
Income tax expense	B5	(5,129)	(7,407)
PROFIT FOR THE YEAR		**24,674**	**38,231**
Profit for the year is attributable to:			
Equity holders of the Company		5,235	19,412
Non-controlling interests		19,439	18,819
		24,674	**38,231**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share (cents)	D5	3.7	13.7
Diluted earnings per share (cents)	D5	3.7	13.7

The notes to the financial statements on pages 53 to 89 form part of and should be read in conjunction with this statement.

Consolidated Statement of Comprehensive Income (continued)

for the year ended 31 December 2023

	Note	2023 $000's	2022 $000's
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Gain (loss) on cash flow hedges		11,231	(10,704)
Income tax relating to cash flow hedges		(3,145)	2,997
Share of other comprehensive income of joint ventures	C3	1,554	817
Income tax relating to share of other comprehensive income of joint ventures		22	(229)
Foreign exchange gain on translating foreign operations		307	330
		9,969	**(6,789)**
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings		(3,122)	10,355
Income tax relating to buildings		(740)	(331)
Revaluation of apple trees		936	(3,873)
Income tax relating to apple trees		(262)	1,084
Remeasurement of net defined benefit liability		238	372
Income tax relating to remeasurement of net defined benefit liability		(36)	(44)
		(2,986)	**7,563**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**6,983**	**774**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**31,657**	**39,005**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		12,123	20,037
Non-controlling interests		19,534	18,968
		31,657	**39,005**

The notes to the financial statements on pages 53 to 89 form part of and should be read in conjunction with this statement.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	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 2022		**99,588**	**92,160**	**192,644**	**384,392**	**5,922**	**390,314**
Profit for the year		-	-	19,412	19,412	18,819	38,231
Other comprehensive income for the year		-	625	-	625	149	774
Total comprehensive income for the year		-	625	19,412	20,037	18,968	39,005
Recognition of share-based payments	D2	-	609	-	609	-	609
Shares sold	D1	116	-	-	116	-	116
Shares fully vested	D1, D2	2,271	(804)	(234)	1,233	-	1,233
Dividends	D3	-	-	(21,947)	(21,947)	(17,516)	(39,463)
Balance at 31 December 2022		**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**

The notes to the financial statements on pages 53 to 89 form part of and should be read in conjunction with this statement.

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	2023 $000's	2022 $000's
EQUITY			
Share capital	D1	103,445	101,975
Reserves	D2	99,435	92,590
Retained earnings		170,472	189,875
Equity attributable to Scales Corporation Limited shareholders		**373,352**	**384,440**
Equity attributable to non-controlling interests		11,596	7,374
TOTAL EQUITY		**384,948**	**391,814**
CURRENT ASSETS			
Cash and bank balances		77,638	68,144
Trade and other receivables	E1	34,029	42,102
Current tax assets		3,938	5,334
Other financial assets	E2	5,989	4,938
Unharvested agricultural produce	C2	24,222	25,149
Inventories	C5	29,543	42,647
Prepayments		4,337	4,783
TOTAL CURRENT ASSETS		**179,696**	**193,097**
NON-CURRENT ASSETS			
Property, plant and equipment	C1	221,219	221,204
Investments accounted for using the equity method	C3	63,902	54,743
Goodwill	C4	36,972	45,527
Defined benefit plan net asset		60	-
Other financial assets	E2	29,077	15,511
Software	C7	1,160	1,332
Right-of-use asset	G2	49,572	49,044
TOTAL NON-CURRENT ASSETS		**401,962**	**387,361**
TOTAL ASSETS		**581,658**	**580,458**
CURRENT LIABILITIES			
Bank overdrafts		-	2,368
Trade and other payables	E3	26,446	37,226
Dividend declared	D3	6,041	8,503
Current tax liabilities		616	-
Other financial liabilities	E5	18,524	15,445
Lease liability	G2	10,963	10,925
TOTAL CURRENT LIABILITIES		**62,590**	**74,467**
NON-CURRENT LIABILITIES			
Borrowings	E4	65,647	38,732
Deferred tax liabilities	B5	17,104	17,821
Defined benefit plan net liability		-	170
Other financial liabilities	E5	6,699	13,388
Lease liability	G2	44,670	44,066
TOTAL NON-CURRENT LIABILITIES		**134,120**	**114,177**
TOTAL LIABILITIES		**196,710**	**188,644**
NET ASSETS		**384,948**	**391,814**

The notes to the financial statements on pages 53 to 89 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 $000's	2022 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		571,987	606,293
Insurance proceeds		4,809	-
Government grants received		1,986	-
Dividends and distributions received		751	1,876
Interest received		1,814	1,393
		581,347	**609,562**
Cash was disbursed to:			
Payments to suppliers and employees		(502,201)	(545,477)
Interest paid		(6,475)	(4,237)
Income tax paid		(7,971)	(14,983)
		(516,647)	**(564,697)**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**64,700**	**44,865**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from maturing term deposits		-	85,000
Advances repaid		255	112
Sale of property, plant and equipment and software		(424)	161
		(169)	**85,273**
Cash was applied to:			
Purchase of property, plant and equipment	C1	(16,808)	(14,592)
Purchase of software	C7	(325)	(994)
Purchase of non-controlling shareholding		-	(2,180)
Acquisition of interest in joint ventures		-	(25,968)
Advances to joint ventures		(11,869)	(2,818)
		(29,002)	**(46,552)**
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		**(29,171)**	**38,721**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Treasury stock sold		96	116
Drawdowns of term facility borrowings	E4	27,306	-
		27,402	**116**
Cash was applied to:			
Dividends paid	D3	(26,955)	(26,863)
Dividends paid to non-controlling interests	F2	(15,312)	(17,516)
Repayments of lease liabilities	G2	(8,420)	(8,281)
		(50,687)	**(52,660)**
NET CASH USED IN FINANCING ACTIVITIES		**(23,285)**	**(52,544)**

The notes to the financial statements on pages 53 to 89 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2023

	2023 $000's	2022 $000's
NET INCREASE IN NET CASH	**12,244**	**31,042**
Net foreign exchange difference	(382)	1,532
Cash and cash equivalents at the beginning of the year	65,776	33,202
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**77,638**	**65,776**
Represented by:		
Cash and bank balances	77,638	68,144
Bank overdrafts	-	(2,368)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	77,638	65,776
NET CASH GENERATED BY OPERATING ACTIVITIES		
Reconciliation of profit for the year to net cash generated by operating activities:		
Profit for the year	24,674	38,231
Non-cash items:		
Depreciation (including on right-of-use asset)	18,956	19,307
(Gain) loss on lease modification	(177)	1,854
Impairment on revaluation	4,729	3,729
Amortisation	497	379
Share of equity accounted results	(8,131)	(4,624)
Hedging instruments	(416)	192
Gain on disposal of property, plant and equipment	(118)	(66)
Share-based payments	456	609
Change in value of call and put options	4,121	4,215
Deferred tax	(4,867)	(1,774)
Interest capitalised into loans	(111)	(24)
Fair value loss on interest-free related party loans, net of interest income	1,913	-
Impairment of goodwill	8,531	-
Foreign exchange on related party loans	232	-
Joint ventures purchase price receivable	(1,307)	-
Operating cash receipts not included in profit for the year:		
Dividends received from equity accounted entities	750	1,875
Changes in net assets and liabilities:		
Trade and other receivables	9,662	(12,812)
Unharvested agricultural produce	927	(588)
Inventories	13,040	(12,553)
Prepayments	445	(712)
Trade and other payables	(11,131)	13,429
Current tax assets and liabilities	2,025	(5,802)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**64,700**	**44,865**

The notes to the financial statements on pages 53 to 89 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2023

Statement of Cash Flows

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

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.

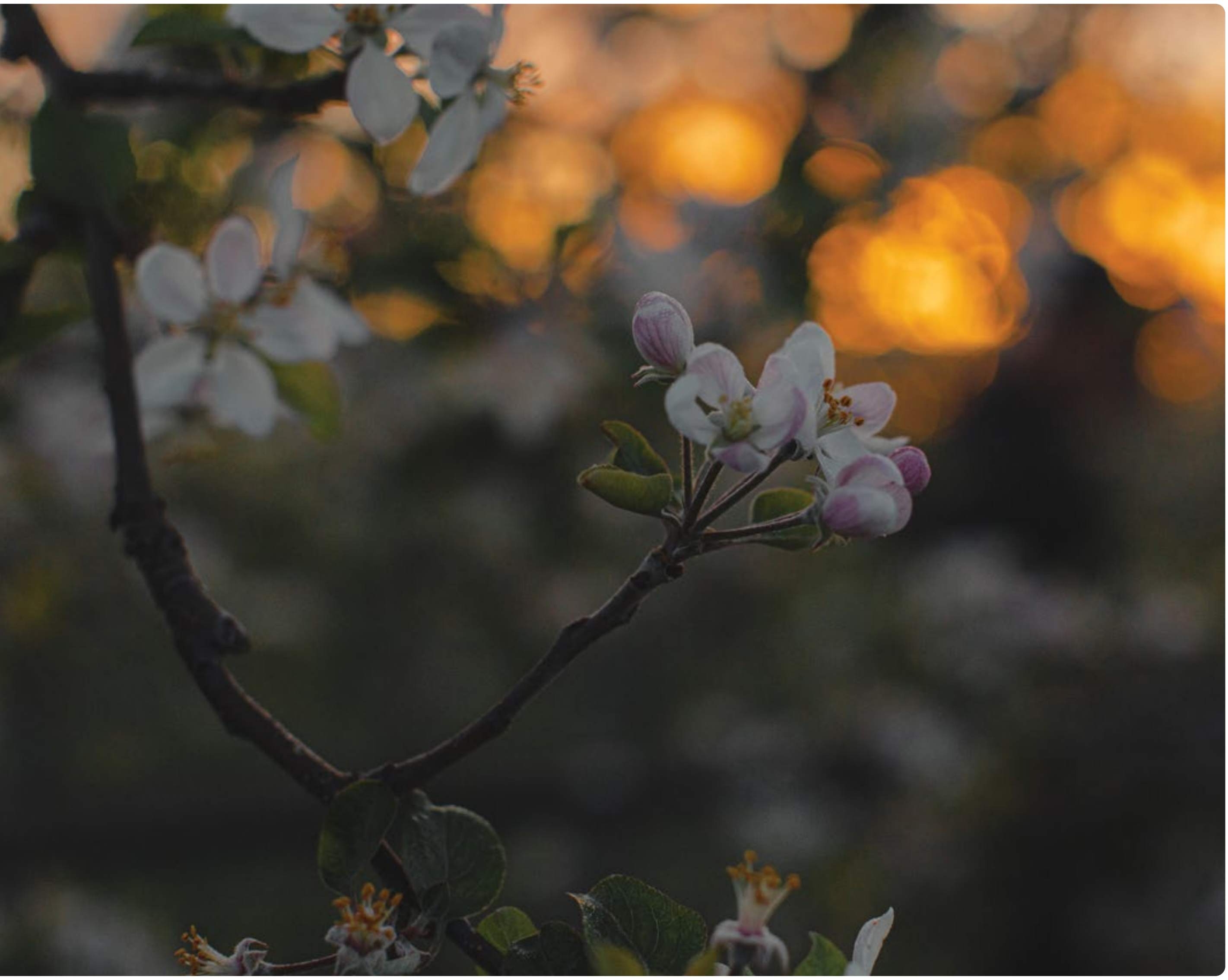
Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

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 21 February 2024.

Mike Petersen, Chair

Andy Borland, Managing Director



The notes to the financial statements on pages 53 to 89 form part of and should be read in conjunction with this statement.

Notes to the Financial Statements

for the year ended 31 December 2023

About This Report

IN THIS SECTION

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.

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

The financial statements have been prepared:

- in accordance with Generally Accepted Accounting Practice (GAAP), International Financial Reporting Standards (IFRS), the New Zealand equivalents to International Financial Reporting 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.

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.

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.

The Group has reviewed the 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.

A. Segment Information

IN THIS SECTION

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

- total segment revenue and revenue from external customers;
- segment profit before income tax; and
- total segment assets and liabilities.

Segment Reporting

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.

Change in segments:

In 2022 the presentation of operating segments was amended. The Food Ingredients segment was renamed to Global Proteins and now includes the new entities acquired during the previous year. Profruit (2006) Limited was moved to the Horticulture segment. This impacted the share of profit in entities accounted for using the equity method and the carrying value of investments accounted for using the equity method.

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, Fern Ridge Produce Limited, Longview Group Holdings Limited and Profruit (2006) Limited.

Logistics: logistics services. Scales Logistics Limited and Scales Logistics Australia Pty Ltd.

Other: Scales Corporation Limited, Geo. H. Scales Limited, Scales Employees Limited, Scales Holdings Limited and Selacs Insurance Limited.

	Global Proteins $000's	Horticulture $000's	Logistics $000's	Other $000's	Eliminations $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

Segment Reporting (continued)

	Global Proteins $000's	Horticulture $000's	Logistics $000's	Other $000's	Eliminations $000's	Total $000's
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	(0)	10,051	356	760	-	11,167
2022						
Total segment revenue	319,923	228,854	123,338	2,893	(55,835)	619,173
Inter-segment revenue	-	-	(52,894)	(2,941)	55,835	-
Revenue from external customers	**319,923**	**228,854**	**70,444**	**(48)**	**-**	**619,173**

Segment Reporting (continued)

	Global Proteins $000's	Horticulture $000's	Logistics $000's	Other $000's	Eliminations $000's	Total $000's
Gain on sale of non-current assets	-	66	-	-	-	66
Share of profit of entities accounted for using the equity method	3,556	1,068	-	-	-	4,624
Reversal of (impairment) impairment on evaluation	-	(3,729)	-	-	-	(3,729)
Loss on lease modification	-	(1,854)	-	-	-	(1,854)
EBITDA	**58,913**	**10,332**	**6,595**	**(7,324)**	**-**	**68,516**
Amortisation expense	-	(361)	(18)	-	-	(379)
Depreciation expense	(747)	(9,285)	(176)	(12)	-	(10,220)
Depreciation of right-of-use asset	(64)	(8,393)	(572)	(58)	-	(9,087)
Finance revenue	36	20	18	971	-	1,045
Finance costs	(25)	(62)	(39)	(1,158)	-	(1,284)
Finance cost of lease liability	(14)	(2,664)	(264)	(11)	-	(2,953)
Income tax expense	(11,012)	2,871	(1,615)	2,323	26	(7,407)
Segment profit (loss) after income tax	**47,087**	**(7,542)**	**3,929**	**(5,269)**	**26**	**38,231**
Segment assets	169,018	345,096	29,032	37,312	-	580,458
Segment liabilities	46,398	107,850	15,967	18,429	-	188,644
Segment carrying value of investment accounted for using the equity method	47,885	6,858	-	-	-	54,743
Segment acquisition of property, plant and equipment and software	3,491	11,898	168	26	-	15,583
Segment acquisition of right of use assets	42	6,614	33	-	-	6,689

Non-current assets other than financial instruments by geographical location

	New Zealand		Australia		USA		Total	
	2023 $000's	2022 $000's	2023 $000's	2022 $000's	2023 $000's	2022 $000's	2023 $000's	2022 $000's
Property, plant and equipment	208,421	213,614	25	31	12,773	7,559	221,219	221,204
Investments accounted for using the equity method	29,503	27,674	34,399	27,069	-	-	63,902	54,743
Goodwill	7,657	16,189	-	-	29,315	29,338	36,972	45,527
Software	1,160	1,332	-	-	-	-	1,160	1,332
Right-of-use asset	49,197	48,578	123	149	252	317	49,572	49,044

B. Financial Performance

IN THIS SECTION

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

- accounting policies, judgements and estimates that are relevant for understanding items recognised in the statement of comprehensive income; and
- analysis of Scales' performance for the year by reference to key areas including revenue, expenses and taxation.

B1. Revenue

	2023 $000's	**2022 $000's**
By nature:		
Revenue from the sale of goods	492,874	525,298
Revenue from the rendering of services	77,271	88,990
Fees and commission	16	13
Net foreign exchange loss/(gain)	(9,450)	(544)
Rental revenue	4,645	5,416
	565,356	**619,173**
By market:		
New Zealand	68,354	95,627
Asia	159,907	162,097
Europe	30,540	32,262
North America	304,001	325,855
Other	2,554	3,332
	565,356	**619,173**
By segment and type:		
Horticulture - sale of agricultural produce	193,759	214,084
Horticulture - agricultural produce related services	11,543	9,363
Horticulture - other	4,637	5,407
Global Proteins - sale of pet food ingredients	290,216	310,517
Global Proteins - other	8,331	9,406
Logistics services	56,884	70,444
Other	(14)	(48)
	565,356	**619,173**

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.

B1. Revenue (continued)

Sale of agricultural produce

The Group sells apples to more than 160 customers in 40 countries. 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.

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.

B2. Cost of Sales, Administration and Operating Expenses

	2023 $000's	2022 $000's
Auditor's remuneration:		
Deloitte Limited (New Zealand):		
Audit of the financial statements:		
Audit of the annual financial statements	321	285
Other assurance services:		
Audit of solvency certificate for Selacs Insurance Limited	9	7
Sheehan & Company CPA, PC (United States):		
Group reporting audit	134	115
Review of subsidiary financial statements	37	35
Lowe Lippmann (Australia):		
Group reporting audit	22	-
Bad debts incurred (recovered)	2,847	(112)
Change in fair value adjustment to unharvested agricultural produce	(480)	(131)
Change in inventories	11,559	(12,688)
Direct expenses	91,267	99,408
Directors' fees	716	677
Donations	261	10
Electricity	3,036	3,583
Employee benefits expense:		
Post employment benefits - defined contribution plans	1,232	1,265
Post employment benefits - defined benefit plans	627	689
Salaries, wages and related benefits	87,778	94,037
Other employee benefits	456	609
Grower payments	35,318	31,568
Insurance	4,537	4,190
Management fees	48	44
Materials and consumables	153,817	182,046
Ocean and air freight	92,533	118,136
Operating lease expenses	1,990	2,218
Packaging	13,673	14,029
Provision (reversal of) for write-down of inventories	1,825	(107)
Repairs and maintenance	5,222	5,637
	508,785	**545,550**
Disclosed as:		
Cost of sales	444,662	492,547
Administration and operating expenses	64,123	53,003
	508,785	**545,550**

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

	2023 $000's	2022 $000's
Dividends	1	1
Gain on disposal of property, plant and equipment	118	66
Insurance proceeds	4,809	-
Gain on joint ventures earn-out provision settlement	1,307	-
Gain on joint ventures call options	171	-
Government grants - Cyclone Gabrielle	1,986	-
Gain (loss) on lease modification	177	(1,854)
Fair value loss on interest-free related party loans	(2,044)	-
Remeasurement of gross liability on put options to non-controlling interest	(4,292)	(4,215)
	2,233	**(6,002)**
Disclosed as:		
Other income	8,569	67
Other losses	(6,336)	(6,069)
	2,233	**(6,002)**

B4. Finance Cost

Interest on loans	3,234	1,140
Other interest	7	73
Bank facility fees	90	71
	3,331	**1,284**

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.

B5. Taxation

Income tax recognised in profit or loss		
Income tax expense comprises:		
Current tax expense	8,077	9,324
Adjustments recognised in the current year in relation to the current tax of prior years	1,919	(143)
Deferred tax expense relating to the origination and reversal of temporary differences	(4,867)	(1,774)
Total income tax expense recognised in profit or loss	**5,129**	**7,407**

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	**29,803**	**45,638**
Income tax expense calculated at applicable corporate tax rates	7,973	11,830
Non-assessable income	(7,650)	(5,404)
Non-deductible expenses	4,454	1,124
Under (over) provision of income tax in previous year - current tax	1,919	(143)
(Over) under provision of income tax in previous year - deferred tax	(1,567)	-
	5,129	**7,407**

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 26.82% (2022: 25.5%) payable by US entities under US tax law, being federal tax 21% and weighted average state tax 5.82% (2022: 4.5%). 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.

B5. Taxation (continued)

	Opening balance $000's	Charged to profit or loss $000's	Charged to other comprehensive income $000's	Foreign exchange movements $000's	Closing Balance $000's
Deferred tax liability					
Taxable and deductible temporary differences arise from the following:					
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 (NZ IFRS 16)	(1,686)	(32)	-	-	(1,718)
Other financial assets and liabilities, joint ventures and pension plan	(869)	(1,540)	3,159	(1)	749
Net deferred tax liability	**17,821**	**(4,867)**	**4,161**	**(11)**	**17,104**
31 December 2022					
Deferred tax liabilities (assets):					
Trade and other receivables	11	71	-	-	82
Unharvested agricultural produce	6,877	165	-	-	7,042
Property, plant and equipment and software	15,985	(1,409)	(753)	137	13,960
Trade and other payables	(850)	142	-	-	(708)
Lease liability and right-of-use asset (NZ IFRS 16)	(939)	(743)	-	(4)	(1,686)
Other financial assets and liabilities, joint ventures and pension plan	1,860	-	(2,724)	(5)	(869)
Net deferred tax liability	**22,944**	**(1,774)**	**(3,477)**	**128**	**17,821**

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.

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.

C. Key Assets

IN THIS SECTION

This section shows the key assets Scales uses to generate operating revenues. There is information about:

- property, plant and equipment;
- unharvested agricultural produce;
- investments accounted for using the equity method;
- goodwill; and
- inventories.

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 2022	**143,451**	**35,394**	**71,308**	**12,401**	**8,065**	**270,619**
Additions	721	2,437	11,055	1,793	(1,414)	14,592
Disposals	-	-	(100)	(534)	(21)	(655)
Revaluation	8,257	(6,030)	-	-	-	2,227
Effect of foreign currency translation	158	-	301	2	29	490
Balance at 31 December 2022	**152,587**	**31,801**	**82,564**	**13,662**	**6,659**	**287,273**
Additions	258	1,373	6,100	1,195	7,882	16,808
Disposals	(402)	-	(1,274)	(815)	(30)	(2,521)
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**	**14,397**	**295,407**
Accumulated depreciation, and impairment						
Balance at 1 January 2022	**1,264**	**800**	**44,986**	**9,700**	**-**	**56,750**
Depreciation expense	2,098	2,157	4,909	1,056	-	10,220
Disposals	-	-	(39)	(519)	-	(558)
Revaluation	(2,098)	(2,157)	-	-	-	(4,255)
Impairment on revaluation	67	3,661	-	-	-	3,728
Effect of foreign currency translation	-	-	183	1	-	184
Balance at 31 December 2022	**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**
Net book value						
As at 31 December 2022	151,256	27,340	32,525	3,424	6,659	221,204
As at 31 December 2023	**145,073**	**25,441**	**33,009**	**3,299**	**14,397**	**221,219**

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.

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

Depreciation is provided on property, plant and equipment, including 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:

Apple trees	30 years
Buildings	10 to 50 years
Office Equipment and Motor Vehicles	2 to 20 years
Plant and Equipment	2 to 25 years

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

Land and buildings carried at fair value

Land and buildings shown at valuation were valued at fair value as at 31 December 2023 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.

The impact of Cyclone Gabrielle has been considered as part of the valuation process, refer to note G5.

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.

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 $6 - $250 per square metre (2022: $5 - $250) and the capitalisation rates of 6.4% - 10% (2022: 5.6% - 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 $27,400 - $170,000 per hectare (2022: $39,500 to $180,000).

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 $59,556,000 (2022: $62,365,000).

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 2023.

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 impact of Cyclone Gabrielle has been considered as part of the valuation process, refer to note G5.

C1. Property, Plant and Equipment (continued)

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

	2023	2022
Production levels (gross tray carton equivalent (tce)) per hectare	2,894 - 5,459	2,485 - 5,249
Orchard gate returns per tce	$22.00 - $55.00	$20.00 - $62.00
Orchard costs per tce	$19.00 to $31.44	$20.21 to $37.16
Discount rate	15.5% - 17.5%	15.6% - 17.1%

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 $11,039,000 (2022: $13,873,323).

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

	Total hectares planted	
	2023	**2022**
Premium varieties:		
NZ Queen	206	205
Pink Lady	101	117
Red sports (Fuji and Royal Gala)	275	268
Other premium	236	174
Traditional varieties:		
Braeburn	34	86
Royal Gala	122	152
Other traditional	112	147
	1,086	**1,149**

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

	2023 $000's	2022 $000's
Balance at beginning of the year	25,149	24,561
Decrease due to harvest	(25,149)	(24,561)
Development expenditure	24,981	26,388
Fair value adjustment	(759)	(1,239)
Balance at end of the year	**24,222**	**25,149**

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.

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:

	2023	2022
Production levels (tonnes per hectare per annum)	42 - 164	60 - 111
Orchard gate returns per tce	$24 to $67	$23 to $65
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 2023	Holding 2022	Balance date
ANZ Exports Pty Ltd	Trading company	Australia	42.50%	42.50%	30 June
Esro Petfood B.V	Trading company	the Netherlands	50%	N/A	31 December
FI Group Holding Pty Ltd	Trading company	Australia	50%	50%	30 June
Meateor Australia Pty Ltd	Trading company	Australia	33.33%	33.33%	30 June
Meateor Pet Foods Limited Partnership	Trading company	New Zealand	50%	50%	31 December
Profruit (2006) Limited	Trading company	New Zealand	50%	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.

On 31 October 2022, Scales acquired the shareholdings of FI Group Holding Pty Limited, ANZ Exports Pty Limited and Meateor Australia Pty Limited. On the same date, 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.

On 10 August 2023, Scales subscribed to a 50% shareholding in a Europe based newly established petfood ingredient processing operation, Esro Petfood B.V.

Summarised financial information for Profruit (2006) Limited for the year ended 31 December

	2023 $000's	2022 $000's
Current assets	17,096	14,558
Non-current assets	6,032	6,015
Current liabilities	(7,390)	(4,717)
Non-current liabilities	-	(2,142)
Net assets	**15,738**	**13,714**
Group's share in the net assets	7,869	6,857
Carrying amount of investment in equity accounted entities	**7,869**	**6,857**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	491	164
Current financial liabilities (excluding trade and other payables and provisions)	(2,143)	(326)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	(2,142)
Capital commitments	357	278
Revenue	26,225	26,504
Profit for the year after tax	3,525	2,128
Other comprehensive income attributable to the owners of the company	-	-
Total comprehensive income	**3,525**	**2,128**
The above profit for the year includes the following:		
Depreciation and amortisation	668	646
Interest expense	734	469
Income tax expense	1,383	838

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:

	2023 $000's	2022 $000's
Share of profit before taxation	2,454	1,484
Share of income tax	(692)	(415)
Share of other comprehensive income (net of tax)	-	-
Share of net profit for the year and total comprehensive income	**1,762**	**1,069**
Carrying value at beginning of the year	6,857	6,663
Dividends and distributions paid	(750)	(875)
Investment in equity accounted entities	**7,869**	**6,857**
Summarised financial information for Meateor Pet Foods Limited Partnership for the year ended 31 December		
Current assets	28,162	25,679
Non-current assets	33,389	29,328
Current liabilities	(14,421)	(10,526)
Non-current liabilities	(3,862)	(2,847)
Net assets	**43,268**	**41,634**
Group's share in the net assets of equity accounted entities	21,634	20,817
Carrying amount of investment in equity accounted entities	**21,634**	**20,817**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	422	320
Current financial liabilities (excluding trade and other payables and provisions)	(8,400)	(3,600)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-
Capital commitments	750	2,000
Revenue	53,007	52,665
Profit for the year after tax	1,788	3,224
Other comprehensive income attributable to the owners of the company	(154)	1,634
Total comprehensive income	**1,634**	**4,858**
The above profit for the year includes the following:		
Depreciation and amortisation	1,322	1,253
Interest expense	649	245
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	894	1,612
Share of income tax	-	-
Share of other comprehensive income (net of tax)	(77)	817
Share of net profit for the year and total comprehensive income	**817**	**2,429**
Carrying value at beginning of the year	20,817	19,388
Dividends and distributions paid by equity accounted entities	-	(1,000)
Investment in equity accounted entities	**21,634**	**20,817**

C3. Investments Accounted for Using the Equity Method (continued)

Summarised financial information for the Fayman equity accounted entities for the year ended 31 December

The accounting for the acquisitions of FI Group Holdings Pty Limited, ANZ Exports Pty Limited and Meateor Australia Pty Limited have been finalised during 2023. The 2022 comparatives have been restated to record the goodwill on acquisition. The finalisation of the acquisition accounting resulted in the restatement of the 2022 comparatives to record goodwill on acquisition.

	2023 $000's	**2022 (Restated) $000's**
Current assets	62,020	35,931
Non-current assets	67,693	33,756
Current liabilities	(43,255)	(21,613)
Non-current liabilities	(37,668)	(13,678)
Net assets	**48,790**	**34,396**
Group's share in the net assets of equity accounted entities	24,059	17,199
Goodwill	10,117	10,713
Effect of foreign exchange translation	224	(841)
Carrying amount of investment in equity accounted entities	**34,400**	**27,071**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	492	1,533
Current financial liabilities (excluding trade and other payables and provisions)	(27,035)	(14,742)
Non-current financial liabilities (excluding trade and other payables and provisions)	(39,036)	(13,607)
Revenue	384,033	48,546
Profit for the year after tax	10,511	4,112
Other comprehensive income attributable to the owners of the company	1,031	-
Total comprehensive income	**11,542**	**4,112**
The above profit for the year includes the following:		
Depreciation and amortisation	876	7
Interest expense	1,820	268
Income tax expense	5,177	1,706
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	7,121	2,783
Share of income tax	(1,647)	(839)
Share of other comprehensive income (net of tax)	1,631	-
Share of net profit for the year and total comprehensive income	**7,105**	**1,944**
Carrying value at beginning of the year	27,071	-
Investment acquired	-	25,968
Dividends and distributions paid by equity accounted entities	-	-
Effect of foreign exchange translation	224	(841)
Investment in equity accounted entities	**34,400**	**27,071**

C3. Investments Accounted for Using the Equity Method (continued)

Summarised financial information for Esro Petfood B.V. for the year ended 31 December	**2023 $000's**
Current assets	1,838
Non-current assets	5,479
Current liabilities	(1,040)
Non-current liabilities	(7,984)
Net assets	**(1,707)**
Group's share in the net assets of equity accounted entities	(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	566
Current financial liabilities (excluding trade and other payables and provisions)	(105)
Non-current financial liabilities (excluding trade and other payables and provisions)	(7,984)
Revenue	714
Profit for the year after tax	(1,340)
Other comprehensive income attributable to the owners of the company	-
Total comprehensive income	**(1,340)**
The above profit for the year includes the following:	
Depreciation and amortisation	69
Interest expense	211
Income tax expense	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	-
Dividends and distributions paid by equity accounted entities	-
Effect of foreign exchange translation	-
Investment in equity accounted entities	**-**

Esro Petfood B.V. generated a loss of $1.3m, (Scales share of $0.6m) for the year end 31 December 2023. Scales does not provide a guarantee which results in the loss being capped at zero. For financial reporting purposes no profit has been recognised in Scales Group result for 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.

C4. Goodwill

	2023 $000's	2022 $000's
Gross carrying amount		
Balance at beginning of the year	45,527	43,392
Impairment of goodwill	(8,531)	-
Effect of foreign currency exchange differences	(24)	2,135
Balance at end of the year	**36,972**	**45,527**

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.

Horticulture - Fern Ridge	5,702	5,702
Horticulture - Mr Apple	-	8,531
Global Proteins - Shelby	29,315	29,339
Logistics	1,955	1,955
	36,972	**45,527**

As at 31 December 2023, the Directors have determined, based on discounted cash flow and value in use calculations, that there is no impairment of goodwill associated with Fern Ridge, Shelby 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 model was based on the following key assumptions:

	2023	2022
Pre-tax discount rates	12-16%	12-16%
Annual growth rates	3%	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.

The directors have determined that there is an impairment of the Mr Apple CGU as at 30 June 2023, as the carrying value exceeded the recoverable amount. The impairment arose due to the orchard damage and reduced volumes due to Cyclone Gabrielle, refer to note G5, and increasing interest rates.

The directors estimated the recoverable amount of the Mr Apple CGU based on a value in use calculation which uses future cash flows covering a 5-year period.

Mr Apple CGU	**$000's**
Recoverable amount of the Mr Apple CGU	211,978
Carrying value	220,509
Impairment	**(8,531)**

	2023	2022
Key assumptions:		
Post-tax discount rate	9.02%	8.67%
Terminal growth rate beyond year 5	2.10%	2.00%

The post-tax discount rate was determined based on the weighted average cost of capital which utilises past experience and external sources.

The sensitivity of the recoverable amount of the Mr Apple CGU to reasonably possible changes is set out below:

	$000's +0.5%	$000's -0.5%
Post-tax discount rate	(14,784)	17,007
Terminal growth rate	12,214	(10,568)
	+5%	**-5%**
Forecast earnings	16,781	(16,781)

As a result of the impairment testing, the impairment was wholly allocated to the Mr Apple CGU goodwill.

C5. Inventories

	2023 $000's	2022 $000's
Finished goods	24,854	37,810
Other	4,689	4,837
	29,543	**42,647**

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 $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.

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 live of 3 years is used in the calculation of amortisation.

	2023 $000's	2022 $000's
Gross carrying amount		
Opening balance	8,233	7,239
Additions	325	994
Closing balance	**8,558**	**8,233**
Accumulated amortisation		
Opening balance	(6,901)	(6,522)
Amortisation expense	(497)	(379)
Closing balance	**(7,398)**	**(6,901)**
Net book value	**1,160**	**1,332**

D. Capital Funding

IN THIS SECTION

This section explains how Scales manages its capital structure and how dividends are returned to shareholders. In this section there is information about:

- equity;
- dividends paid; and
- earnings per share.

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 143,095,981 fully paid ordinary shares (2022: 142,721,868) less treasury stock of 1,160,229 shares (2022: 1,088,295 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	
	2023	**2022**
Fully paid ordinary shares:		
Opening balance	142,721,868	142,394,837
Share Scheme - shares issued	374,113	327,031
Closing balance	**143,095,981**	**142,721,868**
Treasury stock:		
Opening balance	1,088,295	1,230,166
Share Scheme - shares issued	374,113	327,031
Share Scheme - shares forfeited and sold	(28,898)	(27,657)
Share Scheme - shares fully vested	(273,281)	(441,245)
Closing balance	**1,160,229**	**1,088,295**

The available subscribed capital of $50,313,936 (2022: $49,101,810) 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.

Movement in share capital related to share-based payments:	**2023 $000's**	**2022 $000's**
Equity-settled employee benefit share scheme vested		
Interest-free loan became full recourse	730	1,233
Accumulated share option value reclassified from reserve into share capital	499	804
Accumulated dividends reclassified from retained earnings into share capital	145	234
	1,374	**2,271**

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 2022	**86,310**	**5,021**	**(70)**	**1,277**	**(168)**	**(210)**	**92,160**
Other comprehensive income (loss)	7,235	(7,707)	588	-	330	179	625
Transfer to retained earnings	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	609	-	-	609
Shares fully vested	-	-	-	(804)	-	-	(804)
Balance at 31 December 2022	**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
Transfer to retained earnings	-	-	-	-	-	-	-
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**

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.

			Number of shares				
Grant date	**Vesting date**	**Exercise price ($)**	**Opening balance**	**Granted**	**Forfeited**	**Vested and exercised**	**Closing balance**
30 April 2020 - FY19	30 April 2023	3.20	282,125	-	(8,844)	(273,281)	-
28 June 2020 - FY19R	24 August 2024	4.19	194,511	-	-	-	194,511
30 April 2021 - FY20	30 April 2024	3.20	284,628	-	(8,922)	-	275,706
30 April 2022 - FY21	30 April 2025	3.20	327,031	-	(11,132)	-	315,899
30 April 2023 - FY22	30 April 2026	3.33	-	374,113	-	-	374,113
Total			**1,088,295**	**374,113**	**(28,898)**	**(273,281)**	**1,160,229**

The weighted average share price for shares that vested during 2023 was $3.14.

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.

D2. Reserves (continued)

The inputs into the option pricing calculator are:

	2023 FY22	2022 FY21
Issue date share price, $	3.24	5.03
Expected share price volatility, %	25	25
Option life, years	3	3
Risk-free interest rate, %	4.14	3.27
Exercise price, $	3.33	3.20
Fair value, at the grant date, $	**0.69**	**2.21**

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.

Performance rights granted are summarised below:

		Number of rights				
Grant date	**Vesting date**	**Opening balance**	**Granted**	**Forfeited**	**Vested and exercised**	**Closing balance**
20 December 2023 - FY23 Tranche 1	9/03/26	-	56,748	-	-	56,748
20 December 2023 - FY23 Tranche 2	23/03/26	-	38,113	-	-	38,113
20 December 2023 - FY23 Tranche 3	9/03/26	-	228,095	-	-	228,095

Total Shareholder Return (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. The percentage of TSR related performance rights vest according to the following performance criteria for each unvested tranche:

	FY23 Round
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

	FY23 Round
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

D2. Reserves (continued)

The fair value of the TSR performance rights have been valued under a variant of the dividend adjusted Monte Carlo simulation.

The fair value of TSR performance rights, along with the assumptions used to simulate the future share prices are shown below:

	FY23 - Tranche 1	FY23 - Tranche 3
Current price at grant date	$3.17	$3.17
Risk free interest rate	4.53%	4.53%
Expected life (years)	2.2 years	2.2 years
Expected share volatility[1]	31.12%	31.12%

1. Volatility represents the volatility of the Scales Corporation's NZD share price over a 3-year period to December 2023.

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

EPS Hurdles - 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. The percentage of EPS related performance rights vest according to the following performance criteria:

	FY23 Round
Tranche 2 - % vesting	
0%	< 5% CAGR
25%	= 5% CAGR
26% - 99% (Straight-line prorata)	> 5%, < 10% CAGR
100%	= 10% CAGR

The EPS performance is calculated across the following periods:

Round	Vesting Period
FY23 - Tranche 2	20 December 2023 the announcement date of the FY25 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 nil (2022: 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

	2023 $000's	2022 $000's
Final dividend paid - 13.00 (2022: 9.50) cents per share	18,452	13,444
Interim dividend declared - 4.25 (2022: 6.00) cents per share	6,041	8,503
	24,493	**21,947**

All above dividends were fully imputed.

The 2023 interim dividend was declared on 8 December 2023 and paid on 18 January 2024.

D4. Imputation Credit Account

	2023 $000's	2022 $000's
Balance at end of the year	8,651	18,057

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 and Fern Ridge Produce Limited.

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.

	2023	2022
Profit attributable to equity holders of the Company ($000's):	5,235	19,412
Weighted average number of shares:		
Ordinary shares	141,831,545	141,413,787
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	116,268	302,534
Weighted average number of Ordinary Shares for diluted earnings per share	**141,947,813**	**141,716,321**
Earnings per share (cents):		
Basic - continuing	3.7	13.7
Diluted - continuing	3.7	13.7

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. In this section of the notes there is information on:

- the accounting policies, judgements and estimates relating to financial assets and liabilities; and
- the financial instruments used to manage risk.

Accounting Policies

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.

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.

E. Financial Assets and Liabilities (continued)

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.

E1. Trade and Other Receivables

	2023 $000's	2022 $000's
Trade receivables	25,589	36,170
Other receivables	3,637	1,964
Owing by entities accounted for using the equity method	1,628	924
Goods and services tax	3,175	3,044
	34,029	**42,102**

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 35.95% (2022: 5 customers who represented 44.42%) 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. The ageing of these past due trade receivables is:

1 month	5,159	4,998
2 months	2,049	1,288
More than 2 months	6,895	13,981
	14,103	**20,267**

There was an ECL provision of $0.4m as at 31 December 2023 (2022: nil), which is included within the Trade Receivables balance above.

E2. Other Financial Assets

Current:	2023 $000's	2022 $000's
At fair value:		
Foreign currency derivative instruments	5,217	4,435
Interest rate swap contracts and forward rate agreements	772	503
	5,989	**4,938**
Non-current:		
At fair value:		
Foreign currency derivative instruments	13,678	9,853
Interest rate swap contracts and forward rate agreements	262	1,004
Joint venture call option	171	-
Shares in unlisted companies	184	184
At amortised cost:		
Employee loans	2,103	1,628
Related party loans	12,679	2,842
	29,077	**15,511**

E3. Trade and Other Payables

Trade payables	10,224	16,127
Accruals	11,816	15,565
Employee entitlements	4,406	5,534
	26,446	**37,226**

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. The AUD and USD denominated loans are designated as a hedge of net investments in foreign operations.

	Facility limit		Undrawn facility	
Facility	**2023 $000's**	**2022 $000's**	**2023 $000's**	**2022 $000's**
Rabobank term facility, NZD	1,000	1,000	-	-
Rabobank term facility, USD	11,635	11,635	-	-
Rabobank term facility, AUD	12,500	-	-	-
Rabobank seasonal facility, NZD	5,000	1,000	5,000	1,000
Westpac term facility, NZD	1,000	1,000	-	-
Westpac term facility, USD	11,635	11,635	-	-
Westpac term facility, AUD	12,500	-	-	-
Westpac seasonal facility, NZD	5,000	1,000	5,000	1,000
ANZ overdraft, NZD	1,000	1,000	1,000	1,000

E4. Borrowings (continued)

The floating interest rate is 4.24% to 6.87% (2022: 1.91% to 5.85%) and the term borrowing facility expiry date is 1 July 2025. 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 2023 are Scales Corporation Limited, Scales Holdings Limited, Mr Apple New Zealand Limited, New Zealand Apple Limited, Fern Ridge Produce Limited, Geo.H.Scales Limited, Meateor Foods Limited, Scales, Logistics Limited and Meateor Group Limited.

	Term borrowings	
	2023 $000's	**2022 $000's**
Seasonal (current) and term (non-current) borrowings:		
Opening balance	38,732	36,060
Drawdowns	27,306	-
Effect of foreign currency translation	(391)	2,672
	65,647	**38,732**

E5. Other Financial Liabilities

Current financial liabilities at fair value:	**2023 $000's**	**2022 $000's**
Foreign currency derivative instruments	4,554	7,209
Put options	13,970	8,236
	18,524	**15,445**
Non-current financial liabilities at fair value:		
Foreign currency derivative instruments	6,699	11,802
Put option	-	1,586
	6,699	**13,388**

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.

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.

E6. Interest Rate Risk (continued)

Details of interest rate swap contracts for the Group are:

	Fixed Interest Rate		Notional Principal Amount		Fair Value	
	2023 %	2022 %	2023 $000's	2022 $000's	2023 $000's	2022 $000's
Maturity Date						
Within 1 year	-	-	-	-	-	-
2-5 years	0.97	1.20	17,350	17,364	1,034	1,507
After 5 years	-	-	-	-	-	-
			17,350	**17,364**	**1,034**	**1,507**

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.

	2023		2022	
	+1% $000's	-1% $000's	+1% $000's	-1% $000's
Impact on net profit after tax	158	(158)	(131)	131
Impact on cash flow hedge reserve net of tax	246	(254)	337	(352)

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.

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

	2023		2022	
	Contract Value $000's	Fair Value $000's	Contract Value $000's	Fair Value $000's
Sale commitments forward foreign exchange contracts	371,325	5,888	422,810	(3,795)
Sale commitments foreign exchange options	185,240	1,754	158,067	(928)

E7. Foreign Currency Risk (continued)

These foreign currency instruments are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from movements in foreign currency exchange rates on anticipated future transactions. It is anticipated that the sales will take place during the 2024 to 2028 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.

	2023		2022	
	+5% $000's	-5% $000's	+5% $000's	-5% $000's
USD				
Impact on net profit after tax	(655)	724	(783)	865
Impact on cash flow hedge reserve net of tax	(15,408)	13,943	(15,976)	14,479
AUD				
Impact on net profit after tax	(4)	4	644	(1,082)
Impact on cash flow hedge reserve net of tax	-	-	176	176
EUR				
Impact on net profit after tax	(10)	11	(2)	2
Impact on cash flow hedge reserve net of tax	(1,886)	1,704	(2,143)	1,940
GBP				
Impact on net profit after tax	-	-	(7)	7
Impact on cash flow hedge reserve net of tax	(801)	720	(991)	898
CAD				
Impact on net profit after tax	-	-	-	-
Impact on cash flow hedge reserve net of tax	(216)	195	(383)	347

E8. Categories of Financial Instruments

	2023 $000's	2022 $000's
Financial assets:		
Amortised cost	123,274	111,672
Derivative instruments in designated hedge accounting relationships	19,929	15,795
Fair value through profit or loss	355	184
	143,558	**127,651**
Financial liabilities:		
Amortised cost	98,134	86,829
Derivative instruments in designated hedge accounting relationships	11,253	19,011
Fair value through profit or loss	13,970	9,822
	123,357	**115,662**

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

E9. Maturity Profile of Financial Liabilities

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.

	Within 3 months $000's	4 months to 1 year $000's	1-5 years $000's	Total $000's
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**
2022				
Trade and other payables	37,226	-	-	37,226
Dividend declared	8,503	-	-	8,503
Put options	8,236	-	1,586	9,822
Borrowings	570	2	39,885	40,457
Foreign currency derivatives	2,083	5,076	11,852	19,011
	56,618	**5,078**	**53,323**	**115,019**

F. Group Structure

IN THIS SECTION

This section provides information to help readers understand the Scales Group structure and how it affects the financial position and performance of the Group. In this section there is information about subsidiaries and non-controlling interests.

F1. Subsidiary Companies

			Holding		
Subsidiary Companies	**Principal Activity**	**Country of Incorporation**	**2023**	**2022**	**Balance Date**
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
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.

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:

		Non-controlling holding	
Subsidiary companies:	**Country of incorporation and operation**	**2023**	**2022**
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 2023, reflecting 100% of the underlying subsidiary's relevant figures, is set out below:

	2023 $000's	2022 $000's
Statement of financial position		
Current assets	31,013	29,827
Non-current assets	11,362	6,163
Current liabilities	(8,174)	(11,697)
Non-current liabilities	(140)	(435)
Net assets	**34,060**	**23,858**
Attributable to:		
Equity holders of the Company	20,436	14,315
Non-controlling interests	13,624	9,543

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.

Total dividends paid to non-controlling interests	15,312	17,313
Statement of comprehensive income		
Total revenue	214,624	220,425
Net profit for the year	48,647	47,155
Attributable to:		
Equity holders of the Company	29,188	28,293
Non-controlling interests	19,459	18,862
Statement of cash flows		
Net cash provided by operating activities	45,350	48,064
Net cash used in investing activities	(6,160)	(4,238)
Net cash used in financing activities	(38,346)	(43,344)
Net increase in net cash	**844**	**482**

G. Other

IN THIS SECTION

This section includes the remaining information relating to Scales' financial statements which is required to comply with NZ IFRS.

G1. Capital Commitments

	2023 $000's	2022 $000's
Commitments entered into in respect of apple trees purchases as at balance date	1,540	2,530
Commitments entered into in respect of property, plant and equipment purchases as at balance date	469	371

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.*

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.

G2. Leases (continued)

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.

The lease modification in the current year relates to leases that were not renewed due to damage from Cyclone Gabrielle. The impact of not renewing these leases was the derecognition of the lease liability and right-of-use asset relating to these leases. The difference has been recorded as a gain on lease modification in the statement of comprehensive income. In the 31 December 2022 year the modification related to the reassessment of renewal terms for leases extending longer than 10 years. The impact reduced the lease liability and right-of-use asset proportionately based on the reduction in the overall lease term assumed. The difference has been recorded as a loss on lease modification in the statement of comprehensive income.

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 2022	71,667	300	4,464	**76,431**
Additions	2,327	796	3,567	**6,690**
Lease modification	(24,989)	-	-	**(24,989)**
Depreciation expense	(6,332)	(390)	(2,365)	**(9,087)**
Balance at 31 December 2022	**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**

	2023 $000's	2022 $000's
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	8,711	9,087
(Gain) loss on lease modification	(177)	1,854
Interest expense on lease liabilities	3,144	2,953
Expense relating to short-term leases and low-value assets	1,990	2,218
Lease liabilities		
Current	10,963	10,925
Non-current	44,670	44,066
Maturity analysis (undiscounted cash flows)		
Year 1	10,963	10,932
Year 2	10,059	9,930
Year 3	9,489	9,065
Year 4	8,611	8,466
Year 5	6,698	7,578
Onwards	30,517	26,483
	76,337	**72,454**
Cash outflows for leases		
Interest on lease liabilities	3,144	2,953
Repayments of lease liabilities	8,420	8,281
Short-term leases and low-value asset leases	1,990	2,218
	13,554	**13,452**

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.

Key management personnel remuneration

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

	2023 $000's	2022 $000's
Short-term employee benefits	8,622	3,445
Share-based payments	295	574
Post-employment benefits	263	113
	9,180	**4,132**

During 2023, 1,120,541 (2022: 975,164) shares were on issue to key management personnel in accordance with the Share Scheme described in note D2.

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

Transactions with equity accounted entities		
Revenue from sale of goods	4,079	2,428
Revenue from services	7,388	6,179
Loss on related party loans	2,044	-
Dividends and distributions received	750	1,875
Interest received	323	24
Materials and services received	(1,001)	(998)
Trade receivables at balance date	1,628	924
Purchase of property, plant and equipment	-	15
Related party loans	12,679	2,842

On 31 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. As at 1 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.

On 9 August 2023 a financing arrangement was agreed with Esro Petfood B.V. The total facility available to Esro Petfood B.V. is EUR 15m. Interest is charged on each drawdown calculated quarterly at an interest rate of EURIBOR plus 4%.

G4. Contingent Liability

There are no contingent liabilities as at 31 December 2023 (2022: Nil).

G5. Cyclone Gabrielle

In February 2023, Cyclone Gabrielle struck the Hawke's Bay region. This impacted the Group's operations, in particular our orchards. The specific impact of the cyclone on the Group is disclosed below.

(a) Land, buildings and apple trees carried at fair value

Land and buildings shown at valuation were valued at fair value as at 31 December 2023 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. The impact of Cyclone Gabrielle has been considered as part of the current year valuations performed. Refer to note C1.

(b) Leases

Some leases of orchards damaged by Cyclone Gabrielle were not renewed at their renewal dates, prior to 30 June 2023. The leased orchards not renewed included 41 hectares of planted apple trees. The impact of not renewing these leases was the derecognition of the lease liability and right-of-use asset relating to these leases. The difference has been recorded as a gain on lease modification in the statement of comprehensive income. Refer to note G2.

(c) Plant and equipment impairment

Orchard plant, equipment and motor vehicles damaged or lost due to the flooding caused by Cyclone Gabrielle were fully impaired. The impairment has been recorded as an impairment of property plant and equipment in the statement of comprehensive income. Refer to note C1.

Any insurance proceeds relating to these assets are recognised when it is virtually certain that the related insurance claim is accepted and the value of the claim can be reliably measured. Accordingly, the Group recognised $4.8m relating to insurance proceeds. Insurance proceeds are included in other income in the statement of financial performance. Refer to note B3.

(d) Goodwill

The directors have determined that there is an impairment of the Mr Apple CGU as at 30 June 2023, as the carrying value exceeded the recoverable amount. Refer to note C4.

(e) Government grants

The Group recognised a total of $1.98m government grant revenue related to Cyclone Gabrielle relief programs, included in other income. Refer to note B3.

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.

(2022: Amendment to the lending facility agreements with Rabobank and Westpac. The facility of AUD 25 million was drawn down 7 February 2023.

Cyclone Gabrielle resulted in flooding of some the Group's Hawke's Bay orchards. The initial assessment is that 4 of 15 orchards were impacted. Of the four damaged orchards, three had extensive damage and one moderate. Further limited crop damage is also anticipated to the remaining orchards from the effects of the cyclone. Crop/fruit damage from the event is not covered by insurance. The 2023 harvest started prior to the cyclone and, with 3% picked, there is still a substantial proportion of the crop available and remaining to be harvested for export. Picking has recommenced, with cool-storage and packing activities back underway. Group packhouses and coolstores remain fully operational. Other than disclosed above, the impact on unharvested agricultural produce, land and buildings, apple trees, or goodwill carrying values is not able to be quantified as at the financial statement authorisation date. Group does not expect material operating impact on its other business units, which accounted for the majority of Group's operating profits for previous years.)

Deloitte.

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 2023, 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 46 to 89, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

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 Company 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, we have no relationship with or interests in the entity. 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 $1.9m.

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 $24.2 million at balance date as described in note C2. A revaluation loss of $0.8 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, including weather events like Cyclone Gabrielle, 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 and impacts of Cyclone Gabrielle, 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 $25.4 million. A revaluation gain of $0.7 million has been recorded in other comprehensive income, with an impairment of $2.4 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 are 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. In the current year, a number of inputs were inherently impacted by Cyclone Gabrielle, including production levels, market activity 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; • Reviewed managements assessment of any further trees that require impairment due to the impacts of Cyclone Gabrielle; • 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; - We challenged the discount rates by comparing them with prior year valuation discount rates and considering the risks associated with the orchards; and - We challenged the valuer on how the impacts (if any) of Cyclone Gabrielle have been incorporated into the valuation.

Group component auditor oversight

Scales Corporation has continued to grow its Global Proteins segment including through its recent investment in Australian based FI Group Holdings Pty Limited, ANZ Exports Pty Limited and Meateor Australia Pty Limited (together the 'Fayman entities') in October 2022. As disclosed in note C3, 30 June 2023 reflects the first full year 12-month equity share of profits from the Fayman entities contributing $7.1 million (24%) to the Group's profit before tax of $29.8 million. The equity accounted share of profits is a significant portion of the Group's profits.

In addition to the impact on the Group's profit we note the following:

- first time engagement for the Fayman entities with new component audit firm based in Australia;
- the Fayman entities have different balance dates to Group; and
- first time adoption of NZ IFRS for the Fayman entities,

The level of audit effort has increased to address the matters noted above.

Given the significance of the equity accounted results of the Fayman entities, and the increased level of audit effort in, obtaining sufficient audit evidence over the new Fayman entities including, Group component auditor oversight, this has been considered to be a key audit matter.

Our procedures focused on having appropriate involvement in the component auditor's risk assessment for the Fayman entities, including involvement in the design of specific audit procedures, and oversight of audit evidence to support conclusions.

We performed the following:

- Performed a Group risk and component materiality assessment to determine the risks and scope of procedures to be performed for the Fayman entities;
- Determined component specific materiality for the Fayman entities and based on the nature, size and risks associated with the Fayman entities assigned a level of significance for the component;
- Identified group specific risks associated to the Fayman entities, including the extent of audit procedures, as a result of the component significance;
- Communicated to the Fayman entities audit team significant and other risks identified and the extent and nature of audit procedures to be performed;
- Held discussions throughout the audit process with Fayman entities audit team to oversee the work performed, conclusions reached, including understanding any key judgements and findings relevant to the Group audit;
- Performed a review of the Fayman entities auditor's work performed as part of their planning activities and the final audit procedures in accordance with the referral instructions;
- Held discussions with Fayman entities management; and
- Performed a site visit to Melbourne where the Fayman entities are located, meeting with local management and inspecting the new manufacturing plant facilities. At the same time, we met with the auditors of the Fayman entities and assessed the auditor's competency and skills to rely on evidence gathered on our behalf to support the Group opinion.

The component auditor was required to provide written confirmation to the group audit team explaining work performed, the results of that work as well as key documents supporting significant findings or observations. We performed an assessment of the appropriateness of their procedures and conclusions by reviewing work completed.

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-Related Disclosure, which is expected to be made available to us after the date of the audit report.

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

Our responsibility is to read the other information 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 the Climate-Related Disclosure, 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:

www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-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
21 February 2024

Corporate Governance Statement

The board of directors (the Board) of Scales Corporation Limited's (Scales or the Company) is committed to ensuring that the Company meets best practice governance principles and maintains the highest ethical standards. This Corporate Governance Statement provides an overview of the Company's governance framework. It is structured to follow the NZX Corporate Governance Code (NZX Code), dated 1 April 2023 and discloses the practices relating to the NZX Code's recommendations.

The extent to which Scales has followed the recommendations of the NZX Code is detailed below. The Board believes our governance structures, in particular our approach to remuneration, meet our strategic objectives. In forming our conclusions, we have sought external feedback from shareholders and advisors to challenge our thinking and validate our findings, which we have appreciated.

The Company also complies with the corporate governance requirements of the NZX Listing Rules.

The Board regularly reviews and assesses Scales' governance structures and processes to ensure that they are consistent with best practice.

The following corporate governance documents referred to in this Corporate Governance Statement, including charters and policies, can be found at www.scalescorporation.co.nz/about-us/governance:

- Corporate Governance Code
- Code of Ethics
- Diversity Policy
- External Auditor Independence Policy
- Security Trading Policy
- Shareholder Communications and Market Disclosure Policy
- Audit and Risk Management Committee Charter
- Finance and Treasury Committee Charter
- Health & Safety and Sustainability Committee Charter
- Nominations and Remuneration Committee Charter

Scales' Corporate Governance documents listed above were reviewed and updated in February 2024. This Corporate Governance Statement was approved by the Board on 18 March 2024.

Principle 1 – Ethical Standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

RECOMMENDATION 1.1

The Board should document minimum standards of ethical behaviour to which the issuer's Directors and employees are expected to adhere (a Code of Ethics).

Code of Ethics

Scales' Board sets a framework of ethical standards for the Company via its Code of Ethics. These standards are expected of all Directors and employees of Scales and its subsidiaries.

The Code of Ethics covers a wide range of areas including:

- Standards of behaviour
- Conflicts of interest
- Proper use of Company information and assets
- Accepting gifts
- Delegated authorities
- Compliance with laws and policies
- Reporting concerns
- Corporate opportunities

The procedure for advising the Company of a suspected breach is set out in the Code of Ethics. No breaches were identified during the year.

Every new Director, employee and contractor is to be provided with a copy of the Code of Ethics and must confirm that they have read and understand the Code of Ethics. The Code of Ethics is also available on the Company's website.

Regular training on ethics and on aspects of the Code of Ethics is undertaken. Training is completed via a combination of facilitated sessions for Directors and senior management, and by individual subsidiaries, in sessions tailored to their specific businesses. Scales last provided training to Directors via a facilitated session in 2020, with training planned for 2024. Employee training in ethics is delivered, for Scales' largest subsidiary, Mr Apple New Zealand Limited (Mr Apple), via Respect & Dignity workshops. These workshops cover the subsidiary's Code of Conduct, ethics, how to report ethics concerns and were last delivered in 2023. In addition to the training currently provided, Scales is exploring the introduction of online training resources in a number of policy areas, including the Code of Ethics and this training will be rolled out to all Scales employees during 2024.

The Code of Ethics is subject to annual review by the Board.

RECOMMENDATION 1.2

An issuer should have a financial product dealing policy which applies to employees and Directors.

Share trading by Company Directors and Employees

The Board has implemented formal procedures to handle trading in the Company's securities by Directors, employees and advisors of the Company, with approval being required before trading can occur. Approval is required to be obtained from the Chairperson, other Directors, the Managing Director or the Chief Financial Officer depending on who is trading. As part of the Company's update of its Corporate Governance documents in February 2024, the Company amended its Securities Trading Policy to impose a blackout period for all Directors and employees between the end of the half year and full year and the release to NZX of the results for that period.

The policy provides that shares may not be traded at any time by any individual holding material information. The full procedures are outlined in the Securities Trading Policy and Guidelines.

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

Principle 2 – Board Composition & Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

RECOMMENDATION 2.1

The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board.

Responsibilities of the Board

The Board has overall responsibility for all decision making within Scales. In this regard the Board is responsible for laying solid foundations for the direction, management and oversight of the Company in support of its objectives. It has delegated day-to-day management of the Company to the Managing Director and the senior management team.

The main functions of the Board include to:

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

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

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

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

The Company Secretary provides company secretarial services to the Board and is accountable to the Board through the Chair.

Details of the Board's role, composition, responsibilities, operation, policies and Committees are provided in Scales' Corporate Governance Code.

RECOMMENDATION 2.2

Every issuer should have a procedure for the nomination and appointment of Directors to the Board.

Director nomination and appointment

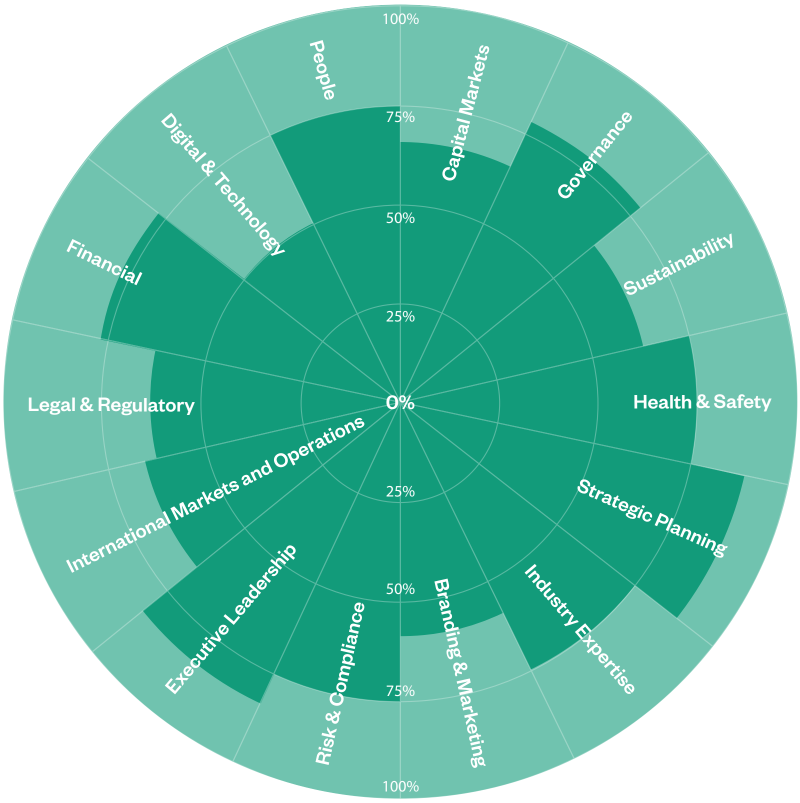
The Board is responsible for appointing Directors. The Nominations and Remuneration Committee manages the appointment process for new Directors and the re-election of existing Directors in order to make a recommendation to the Board. When considering an appointment, the Committee will undertake a thorough check of the candidate and his or her background. Where the Board determines a person is an appropriate candidate, shareholders are notified of that and are provided with all material information that is relevant to the decision on whether to elect or re-elect a Director.

The Nominations and Remuneration Committee also has responsibility for reviewing the composition of the Board to ensure that the Company has access to the most appropriate balance of skills, qualifications, experience, perspectives and diversity to effectively govern the Company.

Using the Board skills matrix, the Board has determined that to operate effectively and to meet its responsibilities it requires competencies in disciplines including strategic planning, executive leadership, financial, health & safety, industry expertise, people, risk & compliance, capital markets, international markets & operations, legal & regulatory, sustainability, branding & marketing and digital & technology.

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

The following graphic illustrates the current collective Board skill level for each discipline.



The Board seeks external advice where required to strengthen its oversight of issues in all disciplines.

As at 31 December 2023 the Board had a majority of Independent Directors. Director independence is considered on a case-by-case basis and is monitored on an ongoing basis.

RECOMMENDATION 2.3

An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.

Letter of appointment

All current Directors have entered into a written agreement with Scales setting out the terms of their appointment and this will be required of any new Directors.

RECOMMENDATIONS 2.4, 2.8, 2.9 AND 2.10

Every issuer should disclose information about each Director in its annual report or on its website, including:

- **a profile of experience, length of service, and ownership interests;**
- **the director's attendance at board meetings; and**
- **the board's assessment of the director's independence, including a description as to why the board has determined the director to be independent if one of the factors listed in table 2.4 applies to the director, along with a description of the interest, relationship or position that triggers the application of the relevant factor.**

A majority of the Board should be independent Directors. The Chair should be independent and the Chair and the CEO should be different people.

Board of Directors

A profile of each of the Directors is set out on pages 42 - 43 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

A majority of the Board are Independent Directors. Mike Petersen is the Independent Chairperson of Scales. Tony Batterton, Miranda Burdon, Nick Harris, Alan Isaac and Nadine Tunley are Independent Directors. Qi Xin is a senior Director of a department within China Resources Enterprise Limited, who hold a 15.0% shareholding in the Company. Mr Qi is a non-executive Director.

Andy Borland is the Managing Director and Chief Executive Officer (CEO) of Scales.

The roles of Board Chairperson, Audit and Risk Management Committee Chairperson and CEO are not held by the same person.

The Board determines annually on a case-by-case basis on the advice of the Nominations and Remuneration Committee who, in its view, are Independent Directors. The guidelines set out in the NZX Code are used for this purpose. The Board also reconsiders director independence throughout the year as required where the relationships or circumstances of a Director change and this is brought to the Board's attention.

Ownership of Scales shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed on page 115.

The Board does not have a tenure policy, however it recognises that a regular refreshment programme leads to the introduction of new perspectives, skills, attributes and experience. In 2021 the Board commenced a succession process. This was designed to ensure a planned and orderly succession of the existing Board over time, with new Directors required to have appropriate experience and qualifications, and an increase in Board diversity also a desired outcome of the process. The stated aims of the process were to:

- Identify future Board requirements, in terms of skills, Director numbers and diversity
- Conduct a broad search for candidates that match the determined requirements
- Ensure a smooth transition of new Directors

Progress on this succession process has been positive. In March 2023 it was announced that the Chairperson, Tim Goodacre, would retire, with Mike Petersen being appointed as his successor and, in August 2023, Tony Batterton was appointed to the Board. Following these appointments, the Board considers that the current refreshment process is complete.

In accordance with the NZX Listing Rules, directors appointed by the Board are required to offer themselves for election at the next Annual Shareholders' Meeting (ASM) following their appointment. Accordingly, Mike Petersen was elected as a director by shareholders at the 2023 ASM and Tony Batterton will offer himself for election at the 2024 ASM.

	Director period of appointment		
	0-3 years	3 – 12 years	12 years +
Number of Directors	4	3	1

Interests Register

The Board maintains an Interests Register. Any Director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed but may not be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate.

Particulars of entries made in the Interests Register are included in the Director Disclosures section on page 114.

RECOMMENDATION 2.5

An issuer should have a written diversity policy which includes requirements for the Board or a relevant Committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. An issuer within the S&P/NZX 20 Index at the commencement of its reporting period should have a measurable objective for achieving gender diversity in relation to the composition of its board, that is to have not less than 30% of its directors being male, and not less than 30% of its directors being female, within a specified period. An issuer should disclose its diversity policy or a summary of it.

Diversity

Scales recognises the value in diversity of thinking and skills and seeks to ensure that the Board and workforce both comprise members reflecting diversity. A formal Diversity Policy has been adopted by the Board.

The Board seeks diversity in the skills, attributes, perspectives and experience of its members across a broad range of criteria so as to represent the diversity of shareholders, business types and regions in which Scales operates. Diversity, both at Board level and throughout the Company, is actively considered and reviewed by the Board.

Scales participates in the Institute of Directors' Future Directors programme as part of our commitment to further develop the skill sets available within the agriculture sector. The programme is designed to give talented young aspiring Directors exposure to a company Board, whilst also giving the host company a fresh perspective. To date the Board has appointed five Future Directors as part of this programme and intends to continue its participation in the future.

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

Responsibility for workplace diversity and the setting of measurable objectives is held by the Nominations and Remuneration Committee. The current objectives are:

- Continue to strive to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles
- Review and encourage participation of under-represented groups in our leadership training programmes
- Complete regular reviews of our gender pay equality across roles, age and salary bands
- Make access to courses in Te Reo Māori available to all staff and also encourage the learning of other languages that are relevant to employees' roles

The Board annually assesses the measurable objectives and Scales' progress in achieving these objectives.

Progress made to date is:

- The identification of female candidates is a part of the recruitment process for Board and senior management roles
- Recruitment managers are required to be open to considering job applicants from diverse backgrounds and, during the recruitment process, no weighting is placed on gender or personal characteristics
- Gender pay equality across the Company was reviewed in 2020. The overall finding of the review was that the Company offers pay equality across genders. The Company intends to undertake further, regular reviews of pay equality
- In the Company's largest subsidiary, Mr Apple, career development plans include fully funded access to Te Reo Māori or other languages

The gender composition of Scales' Directors, Officers and senior management team was as follows:

	As at 31 December 2023			As at 31 December 2022		
Position	**Female**	**Male**	**Gender Diverse**	**Female**	**Male**	**Gender Diverse**
Directors	2 (25%)	6(75%)	0(0%)	2 (25%)	6 (75%)	0(0%)
Officers[1]	0 (0%)	5 (100%)	0(0%)	0 (0%)	5 (100%)	0(0%)
Senior management team (excluding Officers)	6 (27%)	16 (73%)	0(0%)	7 (35%)	13 (65%)	0(0%)

RECOMMENDATION 2.6

Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an issuer.

Director Training

The Board ensures that there is appropriate training available to all Directors to enable them to remain current on how best to discharge their responsibilities and keep up to date on changes and trends in areas relevant to their work. Directors are provided with industry information and receive copies of appropriate Company documents to enable them to perform their role. The Board has allocated funding of $1,000 per annum for each Director to provide resources to help develop and maintain skills and knowledge.

The Board also ensures that new Directors are appropriately introduced to management and the operations of the businesses.

RECOMMENDATION 2.7

The Board should have a procedure to regularly assess Director, Board and Committee performance.

Board Performance Evaluation

The Board annually assesses its effectiveness in carrying out its functions and responsibilities. The Chairperson of the Board leads the review and evaluation of the Board as a whole, and of the Board Committees, against their charters. The Chairperson of the Board also engages with individual Directors to evaluate and discuss performance and professional development.

[1] For the purposes of preparing this table, as required by the NZX Listing Rules, an "Officer" is a person who is concerned or takes part in the management of the issuer's business and reports directly to the board or a person who reports to the board.

Principle 3 – Board Committees

The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Board Committees

The Board has four formally constituted Committees – the Audit and Risk Management Committee, the Nominations and Remuneration Committee, the Health & Safety and Sustainability Committee and the Finance and Treasury Committee. Each Committee focuses on specific areas of governance and together they strengthen the Board's oversight of Scales. Committee membership is reviewed annually.

Each Committee has a written charter that is approved by the Board, which sets out its mandate. The charters are reviewed annually with any proposed changes recommended to the Board for approval.

Annually, each Committee agrees a programme of matters to be addressed over the following twelve-month period. The Committees each annually review their performance against the Committee charter and objectives for the year and report their findings to the Board.

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 December 2023.

	Board		Audit and Risk Management Committee		Nominations and Remuneration Committee		Finance and Treasury Committee		Health & Safety and Sustainability Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Andrew Borland	8	8	-	-	-	-	6	6	5	4
Tim Goodacre	3	3	-	-	3	3	-	-	-	-
Miranda Burdon	8	8	-	-	-	-	-	-	5	4
Nick Harris	8	8	7	6	-	-	-	-	-	-
Mark Hutton	4	4	2	2	3	3	3	3	-	-
Alan Isaac	8	8	7	7	-	-	1	1	-	-
Nadine Tunley	8	8	-	-	-	-	-	-	5	4
Qi Xin	8	8	-	-	-	-	-	-	-	-
Mike Petersen	6	6	2	2	2	2	-	-	-	-
Tony Batterton	3	3	2	2	2	2	2	2	-	-

RECOMMENDATION 3.1

An issuer's Audit Committee should operate under a written charter. Membership on the Audit Committee should be majority independent and comprise solely of non-executive Directors of the issuer. The Chair of the Audit Committee should not also be the Chair of the Board.

Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to:

- Oversee the financial reporting process to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control
- Provide the Board with an independent assessment of the Company's financial position and accounting affairs
- Keep under review the effectiveness of the Company's procedures for the identification, assessment and reporting of material risks (including sustainability and climate-related risks)
- Oversee the appointment and performance of the external auditor

As part of the Company's update of its Corporate Governance documents in February 2024, the Company amended its Audit and Risk Management Committee charter to expand the committee's responsibilities to also include monitoring climate-related risks and ensuring the Company's Climate-Related Disclosures are properly prepared.

Members of the Committee are appointed by the Board and must comprise solely non-executive Directors, a majority of which must be Independent Directors. The current members of the Committee are Alan Isaac (Chairperson), Nick Harris and Tony Batterton. All members of the Audit and Risk Management Committee are Independent Directors. Alan Isaac is a former national chair of KPMG. The Chairperson of the Audit and Risk Management Committee and the Board Chairperson are different people.

The Committee met on seven occasions during the year. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal audit, risk management, compliance and insurance.

RECOMMENDATION 3.2

Employees should only attend Audit Committee meetings at the invitation of the Audit Committee.

Meeting Attendance

The Managing Director and Chief Financial Officer are regularly invited to attend Audit and Risk Management Committee meetings, but have no standing entitlement to attend meetings of the Committee.

RECOMMENDATIONS 3.3 AND 3.4

An issuer should have Nomination and Remuneration Committees which operate under written charters.

Nominations and Remuneration Committee

The purpose of the Nominations and Remuneration Committee is to assist the Board in overseeing the management of the people and performance activities of the Company. Members of the Committee are appointed by the Board and must comprise a majority of Independent Directors. The current members of the Committee are Tony Batterton (Chairperson) and Mike Petersen.

Management attends Nominations and Remuneration Committee meetings only if invited by the Committee.

The Committee met on five occasions during the year.

RECOMMENDATION 3.5

An issuer should consider whether it is appropriate to have any other Board Committees as standing Board Committees. All Committees should operate under written charters.

Health & Safety and Sustainability Committee

The Board's commitment to ensuring a safe and healthy workplace for staff, contractors and visitors led to it establishing a Health & Safety and Sustainability Committee.

The purpose of the Health & Safety and Sustainability Committee is to:

- Assist the Board to provide leadership and policy for health & safety and sustainability
- Assist the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Company as those activities affect employees and contractors
- Support the ongoing improvement of health and safety in the workplace
- Support sustainability initiatives across the Company
- Assist the Board to oversee and respond to climate-related risks and opportunities to ensure the long-term sustainability of the Company and to reduce its impact on the environment

Members of the Committee are appointed by the Board. The Committee must be chaired by an Independent Director. The current members of the Committee are Nadine Tunley (Chairperson), Andy Borland and Miranda Burdon.

The Committee met on five occasions during the year.

Finance and Treasury Committee

Scales operates in a capital-intensive sector and is one of New Zealand's leading horticultural exporters with material foreign currency receipts. The Board considers that with both the size of Scales' existing activities and the strategic focus to seek organic and acquisitive growth opportunities, it is appropriate to have a Board Committee to further focus on this part of the business.

The purpose of the Finance and Treasury Committee is to:

- Oversee the Company's capital and treasury risk management, and continuous disclosure processes to ensure their integrity, transparency and adequacy, and that they are in accordance with Company policies
- Oversee takeover protocols and will act as the Takeovers Committee with additional director secondees if required

Members of the Committee are appointed by the Board. The Committee must be chaired by an Independent Director. The current members of the Committee are Tony Batterton (Chairperson) and Andy Borland. The Committee also obtains regular advice from external advisors.

The Committee met on six occasions during the year.

RECOMMENDATION 3.6

The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer.

Takeover Protocols

The Board has documented and adopted a series of protocols to be followed in the event of a takeover offer being made, including communication between insiders and any bidder. A committee of Directors independent of the bidder and any substantial shareholders of the Company would be formed and would have responsibility for managing the takeover in accordance with the Board protocols and the New Zealand Takeovers Code.

Principle 4 – Reporting and Disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

RECOMMENDATION 4.1

An issuer's board should have a written continuous disclosure policy.

Shareholder Communications and Market Disclosure

Scales' Board is committed to the principle that high standards of reporting and disclosure are essential for proper accountability between the Company and its investors, employees and stakeholders.

It achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market. The Company has in place a written Shareholder Communications and Market Disclosure Policy designed to ensure this occurs. The policy includes procedures intended to ensure that disclosure is made in a timely and balanced manner and in compliance with the NZX Listing Rules, such that:

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

Accountability for compliance with disclosure obligations is with the Managing Director and Chief Financial Officer. Managers reporting to the Managing Director are required to provide the Chief Financial Officer with all relevant information that may be material and to regularly confirm that they have done so.

Significant market announcements, including the preliminary announcement of the half year and full year results, the financial statements for those periods, and any advice of a change in earnings forecast are approved by the Board.

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

RECOMMENDATION 4.2

An issuer should make its Code of Ethics, Board and Committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Governance Policies and Charters

All of Scales' key corporate governance documents can be found at www.scalescorporation.co.nz/about-us/governance.

Scales previously was not in compliance with recommendation 4.2 as its Shareholder Communications and Market Disclosure Policy had inadvertently not been made available on its website. Scales' Shareholder Communications and Market Disclosure Policy was made available on its website in November 2023, alongside Scales' other key corporate governance documents.

RECOMMENDATION 4.3

Financial reporting should be balanced, clear and objective.

Financial and Non-Financial Reporting

Scales' Board is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company.

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

The Audit and Risk Management Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. It reviews interim and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with financial reporting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Committee has responsibility were addressed during the period under review.

Half year and full year financial statements are prepared in accordance with relevant financial standards.

Both financial and non-financial disclosures are made at least annually.

RECOMMENDATION 4.4

An issuer should provide non-financial disclosure at least annually, including considering environmental, social sustainability and governance factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the Board.

Scales has a strategic target to develop best-in-class sustainability reporting and to measure and report on key sustainability aspects affecting its businesses.

Scales' Sustainability Report is included at pages 16-21 and provides details of the continuing growth and improvements in Scales' initiatives in this area. The Group-wide report identifies material sustainability topics, grouped under the headings People, Corporate, Marketplace, and Environment.

Scales is a climate reporting entity for the purposes of the Financial Markets Conduct Act 2013. Scales is currently preparing its first set of mandatory Climate-Related Disclosures for FY23 under the Aotearoa New Zealand Climate Standards and Part 7A of the Financial Markets Conduct Act 2013. Scales' CRD report will be made available at www.scalescorporation.co.nz/sustainability by no later than 30 April 2024 .

Principle 5 - Remuneration

The remuneration of Directors and senior management should be transparent, fair and reasonable.

Remuneration Report

Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 31 December 2023 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company, the CEO and other nominated executives.

The Company's Remuneration Policy may be amended from time-to-time and is reviewed at least once a year. The Company has also established a number of additional policies to support a strong governance framework and uphold ethical behaviour and responsible decision making.

The Company notes that the NZX published a template for remuneration reporting in December 2023 and it is proposed that the Company will use this template for future remuneration reporting.

Remuneration Philosophy

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages for Directors, the CEO and nominated executives. The primary objectives of the Remuneration Policy are to provide a competitive, flexible and benchmarked structure that reflects market best practice. The policy is to ensure that the appropriate culture is maintained within the business, is tailored to the specific circumstances of the Company and reflects each person's duties and responsibilities so as to attract, motivate and retain high calibre people. This includes the Company's responsibility to monitor diversity and ensure pay equity.

The Nominations and Remuneration Committee reviews market data on remuneration structure and quantum. The remuneration packages of the CEO and nominated executives are structured to include a Short-Term Incentive Scheme (STI Scheme) that is directly linked to the overall financial and operational performance of the Company. The CEO and nominated executives may also be invited to participate in the Company's share-based Long-Term Incentive Scheme (LTI Scheme) and/or the newly introduced Performance Share Rights (PSR) Scheme (PSR Scheme). The long-term benefits of the LTI Scheme are solely conditional on the Company's share price meeting certain performance criteria, whilst the long-term benefits of the PSR Scheme are conditional on meeting certain performance criteria for the Company's share price and earnings per share. Details of both schemes are outlined below.

The Nominations and Remuneration Committee regularly assesses if the remuneration outcomes are both meeting these objectives and ensuring the outcomes are reasonable, considering the Company's actual performance.

RECOMMENDATION 5.1

An issuer should have a remuneration policy for the remuneration of directors. An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director remuneration is separate and distinct from the remuneration of the CEO and other executives.

Components of Compensation – Non-Executive Directors

The Board seeks to set aggregate remuneration for non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

No remuneration is payable to Directors unless it is approved by the Company's shareholders. The NZX Listing Rules specify that shareholders can approve a per-Director remuneration amount or an aggregate Directors' fee pool. Scales' shareholders approved a Directors' fee pool of $650,000 per annum at the 2022 Annual Shareholders' Meeting. The Board notes that, with the appointment of an additional director in August 2022, the Directors' fee pool was deemed to have been increased in line with NZX Listing Rule 2.11.3. The Board continues to review the optimum number of Directors for the Company.

The Board reviews its fees annually to ensure the Company's non-executive Directors are fairly remunerated for their services and recognising the level of skill and experience required to fulfil the role. The process involves benchmarking against a group of peer agribusiness companies. In addition, the Board reviews the Committee structure and appropriate level of resourcing required to make an ongoing contribution to long-term value creation.

Non-executive Directors have no entitlement to:

- Any performance-based remuneration
- Participation in any share-based incentive schemes
- Any golden handshake or parachute payments on their resignation as a Director

This policy reflects the differences in the role of the non-executive Directors, which is to provide oversight and guide strategy, and the role of management, which is to operate the business and execute the Company's strategy. Non-executive Directors are encouraged to be shareholders but are not required to hold shares in the Company.

Each non-executive Director receives a base fee for services as a Director of the Company or specific subsidiaries, plus an additional fee is paid to the members of each Board Committee. The payment of an additional fee recognises the additional time commitment and specific skills required by each Director who serves on those Committees. All Directors are also entitled to be reimbursed for costs associated with carrying out their duties, including a training allowance.

Fees payable to the non-executive Directors of the Group for the period 1 January 2023 to 31 December 2023 were as follows:

Director	Base fee	Fees for serving on Nominations and Remuneration Committee	Fees for serving on Audit and Risk Management Committee	Fees for serving on the Board of Selacs Insurance Limited	Fees for serving on Health & Safety and Sustainability Committee	Fees for serving on Finance and Treasury Committee	Fees for serving on Australian subsidiary Boards	Total Fees
Tim Goodacre [1]	$54,234	-	-	-	-	-	$5,469	$59,703
Miranda Burdon	$80,000	-	-	-	$6,000	-	-	$86,000
Nick Harris [2]	$80,000	$1,052	$6,000	-	-	-	-	$87,052
Mark Hutton [3]	$34,945	$6,552	$2,621	-	-	$3,931	-	$48,049
Alan Isaac [4]	$80,000	-	$18,000 (Chair)	$12,000	-	$1,578	-	$111,578
Nadine Tunley	$80,000	-	-	-	$12,000 (Chair)	-	-	$92,000
Qi Xin	$80,000	-	-	-	-	-	-	$80,000
Mike Petersen [5]	$112,107 (Chair)	-	-	-	-	-	-	$112,107
Tony Batterton [6]	$28,767	$5,394 (Chair)	$2,158	-	-	$3,236 (Chair)	-	$39,555

[1] Tim Goodacre resigned from the Board on 28 April 2023. Tim Goodacre served as the Chair of the Board and as a member of the Nominations and Remuneration Committee up until 28 April 2023.

[2] Nick Harris served as a member of the Nominations and Remuneration Committee from 20 June 2023 to 22 August 2023

[3] Mark Hutton resigned from the Board on 7 June 2023. Mark Hutton served as a member of the Audit and Risk Management Committee and as the Chair of the Nominations and Remuneration Committee and the Finance and Treasury Committee up until 7 June 2023.

[4] Alan Isaac served as the Chair of the Finance and Treasury Committee from 20 June 2023 to 22 August 2023

[5] Mike Petersen was appointed to the Board and became the Chair on 28 April 2023. Mike Petersen was appointed as a member of the Nominations and Remuneration Committee on 20 June 2023 and served a member of the Audit and Risk Management Committee from 19 July 2023 to 22 August 2023.

[6] Tony Batterton was appointed to the Board on 22 August 2023. Tony Batterton was appointed as a member of the Audit and Risk Management Committee and as the Chair of the Nominations and Remuneration Committee and the Finance and Treasury Committee on 22 August 2023.

RECOMMENDATIONS 5.2 and 5.3

An issuer should have a remuneration policy for remuneration of executives, which outlines the relative weightings of remuneration components and relevant performance criteria.

An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance-based payments.

(a) Components of Compensation – CEO and Nominated Executives

For the purposes of this report, "nominated executives" includes executives from wholly-owned subsidiaries. A small number of employees of non wholly-owned subsidiaries have specific short-term incentive schemes linked to the performance of the subsidiary.

(i) Structure

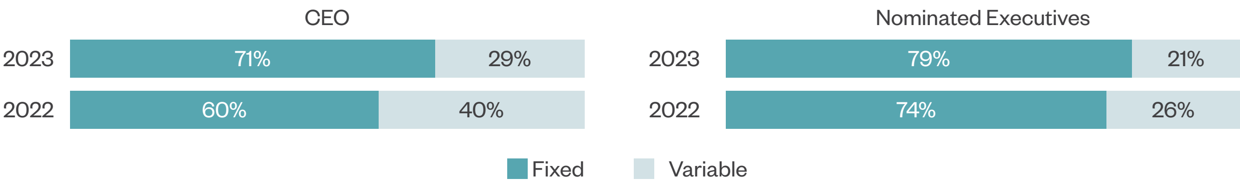
The Company aims to reward the CEO and nominated executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

- Reward them for Company and business unit performance against targets set by reference to appropriate benchmarks and key performance indicators
- Align their interests with those of shareholders
- Ensure total remuneration is competitive by market standards

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component comprises the STI Scheme, the LTI Scheme and the PSR Scheme, with the proportion of fixed and variable components established for the CEO and for each nominated executive.

The remuneration packages for the CEO and nominated executives are all subject to Board approval, following recommendations from the Nominations and Remuneration Committee.

The mix of fixed and variable 'at risk' remuneration payable in respect of 2023 and 2022 was as follows:



(ii) Fixed annual remuneration

Remuneration levels are regularly reviewed to ensure that they are appropriate for the responsibility, qualifications and experience of the CEO and each nominated executive and are competitive with the market.

The CEO and nominated executives receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as superannuation, motor vehicle and health insurance. The total employment cost of any remuneration package, including fringe benefit tax, is taken into account in determining an employee's fixed annual remuneration.

For the financial year ended 31 December 2023, the CEO received $892,928 (2022: $678,456) in fixed annual remuneration.

(iii) Variable remuneration – STI Scheme

The current STI Scheme is directly linked to the achievement of the annual financial and operational targets. As such it can be viewed as a 'profit share' arrangement. The objective of the STI Scheme is to provide an additional incentive to the executive to achieve the targets and ensure that the cost to the Company is flexible and in line with the trading outcome for the current year.

Actual STI Scheme payments depend on achieving specific financial targets, determined by the Board, to be aligned with targets communicated to shareholders. The targets are set at the beginning of the year and are also subject to a number of 'qualifying gates' including liquidity and ESG measures. The financial targets may include a weighted combination of:

- At least 40% for meeting budget or target Underlying Net Profit after Tax Attributable to Shareholders for the Group, within issued Guidance
- At least 40% for meeting budget or target Underlying Earnings before Interest and Tax for the Group, division or business unit
- Any balance for strategic objectives and other contributions

STI Scheme payments relate to a specific financial year and are delivered as a taxable cash bonus. They are payable on completion of the annual audited financial statements for that financial year. It should be noted that the level of remuneration detailed in this report for the CEO includes the bonus paid in early 2023 relating to the 2022 financial year. The actual amount paid for all nominated executives in the STI Scheme for the 2022 year was $944,628 . For the 2023 financial year, as the Company did not achieve its target Net Profit after Tax Attributable to Shareholders for the Group, there was no STI Scheme bonus payable.

STI Scheme payment values are set as a percentage of total fixed remuneration, being 45% for the CEO and between 10% and 35% for other nominated executives for the financial year ended 31 December 2023. For the financial year ended 31 December 2023 there were 38 nominated executives in the STI Scheme.

The CEO's financial targets for the financial year ended 31 December 2023 were 60 per cent for meeting the target Underlying Net Profit After Tax Attributable to Shareholders for the Group and 40 per cent for meeting the target Underlying Earnings Before Interest and Tax for the Group. For the 2023 financial year, as the Company did not achieve its target Underlying Net Profit After Tax Attributable to Shareholders for the Group, there was no STI Scheme bonus payable to the CEO or to any other nominated executive.

In addition to the STI Scheme the Board reserves the ability to pay ad-hoc bonus payments to any employee where certain outcomes are considered by the Board to positively impact on long-term success. There were no ad-hoc bonuses accrued for 2023 financial year.

(iv) Variable remuneration – LTI and PSR Schemes

During FY23 the Board introduced a PSR Scheme as an additional long-term incentive for the CEO and selected executives. This scheme complements the existing LTI Scheme and grants PSRs to key senior management personnel. The PSR Scheme is linked to the performance of the Global Proteins division which has been the focus of recent and continuing investment by the Company. Vesting is dependent upon achievement of Earnings per Share (EPS) and Total Shareholder Return (TSR) targets at the end of a 3-year term. On vesting, PSRs would entitle participants to receive ordinary shares in Scales. One grant of PSRs was made under the PSR Scheme during FY23 and will be eligible for vesting during FY26.

Whilst PSRs are the most prevalent LTI instrument in Australasia, the Company believes the existing LTI Scheme, which involves the issue of shares and loans, continues to be relevant for Scales. The structure is well understood by executives and closely aligns to the security held by shareholders. The Board will continue to review the outcomes from the current LTI Scheme structure and has the ability to adjust the scheme to achieve the target objectives.

Both the LTI and PSR Schemes have been designed to link reward with key performance indicators that drive sustainable growth in shareholder value over the long-term. The objectives of the Schemes are to:

- Align the CEO and nominated executives' interests with those of shareholders
- Help provide a long-term focus
- Retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset
- Encourage executives to think and act like owners

LTI Scheme

Under the LTI Scheme, the CEO and nominated executives are offered an interest free loan which is to be applied to acquire shares in the Company. Shares acquired under the LTI Scheme are held by a custodian and will only vest with the employee if he or she is still employed by the Company after 3 years from the date of issue. Once the shares vest, the employee still remains obligated to repay the outstanding balance of the loan. Often, to fund the repayment of the outstanding loans, executives may, subject to the approved procedures, sell on-market their LTI vested shares. Over the next 12 months a total of 470,217 shares are eligible to vest, on 30 April 2024 and 24 August 2024 (as detailed in the table below). Alternatively, if an employee leaves employment before the expiry of the 3-year period, the Company is authorised to sell that employee's shares with the proceeds applied to repay the balance of the loan, with any deficit covered by the Company and any surplus retained by the Company.

The hurdle rate used for the LTI Scheme is an absolute share price growth hurdle, which is more challenging over time than a relative TSR approach. This approach only rewards executives if long-term shareholders also do well.

Each employee's loan amount (which determines how many shares will be acquired) is set as a percentage of their total fixed remuneration and selected employees will be offered a loan for this amount if the criteria set by the Board are met. The criteria for share allocation under the Scheme for FY23 is the achievement of a gross TSR of 12.5% over the IPO reference share price (equivalent to $2.72 for FY23).

The Board has retained the discretion to vary the applicable criteria for each offer under the LTI Scheme.

LTI Scheme loan amounts are set as a percentage of total fixed remuneration, being 30% for the CEO and between 10% and 20% for other nominated executives in respect of the financial year ended 31 December 2023. For the financial year ended 31 December 2023, there were 54 nominated executives in the LTI Scheme.

During the financial year ended 31 December 2023, 374,113 shares were allocated under the LTI Scheme relating to the 2022 financial year, with matching interest free loans of $1,245,796, an average of $3.33 per share. The CEO will receive 68,900 shares in the Company under the LTI Scheme relating to the financial year ended 31 December 2022, compared to 61,208 shares relating to the previous year. As at the end of the financial year ended 31 December 2023, the total balance owing under the loans advanced to the CEO under the LTI Scheme was $1,293,887, with $2,033,334 to senior management and $2,360,253 to other nominated executives. Note that under current accounting treatment, loans relating to unvested shares are not recorded on the Company's balance sheet.

In total, the CEO at year end held 253,355 shares under the LTI Scheme which are subject to vesting constraints.

As at year end, total loans for vested shares, which are now full recourse, of $2,075,448 remain outstanding and are recorded on the Company's balance sheet. The executives are obligated to repay the outstanding loan balance on the sale of the shares or on termination of employment.

Total shares allocated under the scheme as at the end of the financial year ended 31 December 2023 are as follows:

			Number of shares				
Grant date	**Vesting date**	**Exercise price ($)**	**Opening balance**	**Granted**	**Forfeited**	**Vested and exercised**	**Closing balance**
30 April 2020 – FY19	30 April 2023	3.20	282,125	-	(8,844)	(273,281)	-
28 June 2020 – FY19R	24 August 2024	4.19	194,511	-	-	-	194,511
30 April 2021 – FY20	30 April 2024	3.20	284,628	-	(8,922)	-	275,706
30 April 2022 – FY21	30 April 2025	3.20	327,031	-	(11,132)	-	315,899
30 April 2023 – FY22	30 April 2026	3.33	-	374,113	-	-	374,113
Total			**1,088,295**	**374,113**	**(28,898)**	**(273,281)**	**1,160,229**

The total cost of the LTI Scheme relating to share allocations made during 2023 was $258,950. Under accounting standard IFRS 2 *Share Based Payments*, the total option value of each annual allocation is spread across the 3 years of the vesting period from the date of issue. As a result, the total expense recorded in the Statement of Comprehensive Income for the financial year ended 31 December 2023 is $455,531. The total cost relating to each annual share allocation will be cumulative.

The total annual cost of the LTI Scheme relating to shares issued from 2014 to 2023 is detailed below. In addition, the annual allocation spread across the 3 years of the vesting period is as follows:

Financial Year	LTI Scheme Year	Allocation Cost at Grant Date	Amortisation Expense
2014	IPO	$469,985	$65,000
2015	2014	$31,465	$167,850
2016	2015	$517,879	$269,719
2017	2016	$572,866	$388,732
2018	2017	$1,251,325	$846,796
2019	2018	$869,951	$865,695
2020	2019	$785,682	$697,679
2021	2020	$467,125	$726,769
2022	2021	$722,084	$608,679
2023	2022	$258,950	$455,531
2024*			$390,255
2025*			$147,970
2026*			$26,935

*The forecast years assume no further allocations.

PSR Scheme

In December 2023 the Board approved a PSR Scheme to grant performance rights to the CEO and selected executives. Vesting of rights is dependent upon achievement of EPS and TSR targets at the end of a 3-year term. On vesting, PSRs would entitle participants to receive ordinary shares in Scales. One grant of 322,596 PSRs was made under the PSR Scheme, in December 2023. Of these PSRs, 267,051 were issued to Scales' CEO. Further detail on the PSR Scheme is set out in the notes to Scales' 2023 Consolidated Financial Statements.

Taxation

In March 2018, changes were made to the tax legislation affecting employee share schemes. As a result of these changes, gains made in share value by participants are now deemed as taxable to the participants on vesting. A tax deduction is also provided to the employer for these gains. The gains, per share, are calculated as the difference between the market price on vesting and the allocation price.

Scales' Board agreed, for the LTI share allocations vesting in 2023, to fully fund participants' tax liability, effectively passing on the actual economic benefit derived from the legislative changes. The net after-tax cost to Scales of funding this liability was $1,259.

(v) Non-Statutory remuneration

The statutory format in which companies are required to present remuneration data may make it difficult for shareholders to understand the total remuneration actually earned by nominated executives in any year. In addition to the timing and recording of STI Scheme payments, the requirement for share-based payments to be calculated at the time of grant (not vesting) and accrued over the vesting period may not then reflect what nominated executives actually received or became entitled to during the financial year under review.

The following table summarises the total value of vested shares actually received by nominated executives on the date of vesting and can be compared to the Allocation Cost recorded above.

The value recorded in the following table for each allocation highlights the amount by which the share price on the vesting date exceeded the performance targets.

Financial Year	LTI Scheme Year	Value at Vesting Date	Share Price at Vesting Date
2017	IPO	$3,245,760	$3.45
2018	2014	$352,066	$4.75
2019	2015	$1,110,314	$5.01
2020	2016	$1,126,548	$4.80
2021	2017	$1,270,022	$4.70
2021	2018 Refresh	$253,603	$4.88
2022	2018	$651,774	$4.85
2022	2019 Refresh	$202,745	$4.50
2023	2019	$139,373	$3.14

(vi) Employee share ownership scheme

At the time of the Company's IPO, it established an employee share ownership scheme to facilitate an increase in the level of participation by employees as shareholders, which improves the alignment of interests between employees and shareholders. Under the scheme, each eligible employee was offered an interest free loan up to $5,000 to fund 50% of the subscription price for the shares which the employee wished to acquire in the Company. Employees are obliged to repay their loans when the shares are sold or when they leave the Company.

(b) Remuneration of the CEO and Employees

The total remuneration and value of other benefits paid to the CEO (including under the STI Scheme and LTI Scheme detailed above) for the year ended 31 December 2023 was $1,266,118 (2022: $1,127,498).

The number of employees of the Group (including former employees), not being a Director (and therefore excluding the CEO who is also a Director) mentioned above, who received remuneration and other benefits in excess of $100,000 in the period 1 January 2023 to 31 December 2023 is set out in the remuneration bands detailed below:

Amount of Remuneration	Employees
$100,001-$110,000	16
$110,001-$120,000	13
$120,001-$130,000	10
$130,001-$140,000	13
$140,001-$150,000	14
$150,001-$160,000	11
$160,001-$170,000	9
$170,001-$180,000	2
$180,001-$190,000	3
$190,001-$200,000	4
$200,001-$210,000	2
$210,001-$220,000	2
$220,001-$230,000	1
$250,001-$260,000	3
$280,001-$290,000	1
$290,001-$300,000	1
$300,001-$310,000	1
$320,001-$330,000	1
$360,001-$370,000	1
$390,001-$400,000	2
$400,001-$410,000	1
$500,001-$510,000	1
$580,001-$590,000	1
$710,001-$720,000	1
$910,001-$920,000	1
$4,590,001-$4,600,000	1

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

RECOMMENDATION 6.1

An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.

Risk Management Framework

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

The Audit and Risk Management Committee has overall responsibility for ensuring that the Company's risk management framework is appropriate and that it appropriately identifies, considers and manages risks.

Risk management is an integral part of Scales' business. A risk management framework incorporating a risk register is used to identify those situations and circumstances in which the Company may be materially at risk and for which risk mitigation activities are appropriate. This approach is intended to embed a comprehensive, holistic, Group-wide culture of risk awareness in senior management, supported by a consistent method of identifying, assessing, controlling, monitoring and reporting existing and potential risks to Scales' business.

The objectives of the framework are to:

- Provide a consistent and structured way to manage risk across the Company
- Ensure the Company manages effectively the risks it faces in achieving its objectives
- Ensure our people are aware of and meet their responsibilities to identify, evaluate and treat the risks that may prevent or restrict the Company from achieving its objectives

The Board has delegated responsibility to the Audit and Risk Management Committee to establish and regularly review the Company's risk management framework. As part of this framework the Committee is tasked with identifying situations and circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or Managing Director. A risk management policy is overseen by the Managing Director and supports a comprehensive approach to the management of those risks identified as material to the Company's operations. Risk management is a standing item on the agenda for Audit and Risk Management Committee meetings, with detailed reports provided by management.

The table below outlines Scales' material risks (with the exception of Health & Safety risk, which is covered at 6.2) and how Scales manages these risks.

Risk category	The risks and their impact	Risk management - controls, mitigations and initiatives
Biological	Biological risks include the risk of the incursion of pests and diseases that would cause biological asset damage or would impact market access for Scales' products.	Scales actively monitors and manages this risk via a suite of controls, including comprehensive spray programmes, pest traps, residue testing and product traceability. In addition, Scales promotes and participates in the management of biosecurity risks via membership of industry bodies and assurance programmes.
Compliance, Legal & Regulatory	Risk of breaches in compliance, legal and regulatory obligations that would lead to adverse regulatory outcomes, reputational damage, fines, breaches of contract or would impact market access for Scales' products.	Scales looks to mitigate these risks via committing to best practice corporate governance including by maintaining and adhering to relevant policies, processes and procedures. In addition, mitigations and controls include: • Extensive operational protocols and quality control procedures • A wide range of employee training, both internally and externally provided • Use of relevant external advisors • Active engagement with regulators • External and internal audit processes • Monitoring and compliance with consent & permit requirements • Participation in industry bodies, including in their assurance and special interest groups
Cyber security	Risk of adverse impact, including loss of business continuity, from the failure to protect digital assets and information.	Scales has a comprehensive suite of controls and mitigations including: • Certified internal security personnel and certified third-party security vendors • Network, systems, infrastructure and communications-based security software suites • Recurring cyber awareness training for all employees • Applicable cyber insurance covering operational downtime and/or loss of data • Bi-annual penetration testing against edge devices • Real-time "hot site" infrastructure for Scales' on-premises environments

Risk category	The risks and their impact	Risk management - controls, mitigations and initiatives
Financial	Risk of negative financial impact from internal and external factors including: • adverse strategic decisions • market risk, including sales pricing, foreign exchange movements and interest rate movements • failure to adequately protect assets, including via insurance • fraud, operational error or poor procedures and processes	Scales has people, policies, processes, systems and controls in place to deliver on its expectations of good practice financial management. Specific controls and mitigations include: • Board-appointed Audit and Risk Management and Finance and Treasury Committees whose responsibilities include overseeing financial reporting, assessing material risks and capital and treasury risk management • Group-wide financial modelling, budgeting and forecasting • Annual external audit process and internal audit function • Extensive use of external advisors on specific risk areas • Delegations Policy which details authority and limits for committing to expenditure • Operation of a captive insurance subsidiary to extend the range of insurance options • Maintenance of business continuity and crisis management plans
Human resources	Risk of inability to retain or attract the required calibre and number of employees. Specific risks include: • limitation of the Recognised Seasonal Employer (RSE) Scheme • inability to meet the seasonal worker requirements of the horticulture division • failure to effectively implement a senior management succession plan	Scales' management of these risks include the following controls and mitigations: • Active engagement with government bodies around the requirements of the RSE Scheme • Regular visits to the various Pacific Islands and engagement with their governments regarding the RSE Scheme and employees • Independent inspection of facilities provided to RSE Scheme employees • Operation of a variety of programmes and initiatives to attract and retain employees • Regular review of succession planning • Operation of incentive schemes designed to encourage employee retention
Market access	Risk of reduction or loss of market access and/or the limitation or inability to get products to markets. Specific risks include: • product contamination • adverse spray usage • cool chain equipment failure • inability to access global shipping capacity	Scales has comprehensive, policies, processes, systems and controls in place to mitigate these risks. Specific controls and mitigations include: • Extensive compliance programmes • Quality control checking of products • Sanitation protocols in place and constantly monitored • Annual product recall testing • Regular testing of active ingredients of sprays and of residues • Traceability systems in place • Effective and ongoing preventative and reactive maintenance programmes • Constant monitoring of cool chain temperatures • Insurance cover for goods in transit • Engagement with government bodies on risk management • Operation of an experienced logistics division • Engagement with multiple global shipping carriers • Proven track record of forecasting shipping capacity requirements
Climate	Climate change poses risk to our businesses via disruption to Scales' operations, Scales' supply chain, infrastructure and customers. Recent severe weather events have highlighted the adverse impact that climate change can have.	As an agribusiness company, Scales considers climate risk as part of its enterprise risk framework. This year Scales will produce a CRD report in accordance with the Aotearoa New Zealand Climate Standards. This report will comprehensively cover climate risks and how Scales manages these.

The Managing Director and Chief Financial Officer have provided the Board, through the Audit and Risk Management Committee, with assurances that, in their opinion, financial records have been properly maintained, that the financial statements comply with those accounting standards under which Scales must report and that the statements present fairly Scales' financial position and performance. These representations are given on the basis that a sound system of internal controls and risk management is operating effectively in all material respects in relation to financial reporting.

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

Scales has insurance policies in place covering most areas where risk to its assets and business can be insured at a reasonable cost. It also operates a captive insurance subsidiary, Selacs Insurance Limited. Selacs Insurance accesses reinsurance, for the benefit of the Company, in international insurance markets, including in London.

RECOMMENDATION 6.2

An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

Health and Safety

The Health & Safety and Sustainability Committee was initially established to assist the Board to meet its responsibilities under the Health & Safety at Work Act 2015. In particular, the Committee is responsible for ensuring that health and safety is given an appropriate level of focus by Scales and its subsidiaries by regularly reviewing the assurance processes around risk assessment and mitigation, safety systems, staff capability, staff competency, safety leadership and safety culture. Detailed reporting is provided to the Committee on lead and lag indicators including health and safety incidents, injury rates by severity, local site health and safety committee meetings and sick leave. The findings of independent audit reports are provided to the Committee. Further information is included in the Sustainability Report on pages 16 - 21 of this report.

Principle 7 – Auditors

The Board should ensure the quality and independence of the external audit process.

RECOMMENDATIONS 7.1 AND 7.2

The Board should establish a framework for the issuer's relationship with its external auditors.

The external auditor should attend the issuer's Annual Shareholders' Meeting to answer questions from shareholders in relation to the audit.

External Auditor

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

The policy covers the following areas:

- Appointment of the external auditor
- Provision of other assurance services by the external auditor
- Pre-approval process for the provision of other assurance services
- External auditor lead and engagement partner rotation
- Hiring of staff from the external auditor
- Relationships between the external auditor and the Company
- Reporting on fees and non-audit work

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

The External Auditor Independence Policy is available in the Governance section of the Company's website. Deloitte Limited is the Company's external auditor. Nicole Dring is the current audit engagement partner, having been appointed for the 2021 audit.

All services provided by the Company's external auditor are considered on a case-by-case basis by management and the Audit and Risk Management Committee to ensure there is no actual or perceived threat to independence in accordance with the policy. The external auditor has provided the Audit and Risk Management Committee with written confirmation that, in its view, it was able to operate independently during the year.

Deloitte Limited has continued to act as the auditor of Scales and its subsidiaries. The amount payable by Scales and its subsidiaries to Deloitte Limited as audit fees during the year ended 31 December 2023 was $330,382. In addition, audit fees of $170,223 were payable to Sheehan & Company during the year ended 31 December 2023, for their audit of Meateor US LLC and its subsidiaries and audit fees of $22,177 were paid to Lowe Lippmann during the year ended 31 December 2023 for their audit of Fayman International Group Pty Limited.

There was no non-assurance work carried out by the external auditors during the year. All non-assurance services provided must have the prior approval of the Audit and Risk Management Committee.

The effectiveness, performance and independence of the external auditors is reviewed by the Audit and Risk Management Committee on an ongoing basis. The Audit and Risk Management Committee also reviews the possible rotation of the external audit firm on a regular basis. The review includes an assessment of the auditors' independence, expertise and partner rotation frequency. Such a review was carried out in 2023 and resulted in a recommendation of no change to the external auditor.

The auditor is regularly invited to meet with the Committee including without management present.

The auditor has been invited to attend the Annual Shareholders' Meeting and will be available to answer questions about the audit process and the independence of the auditor.

RECOMMENDATION 7.3

Internal audit functions should be disclosed.

Internal Audit

Scales' internal audit function is overseen by the Audit and Risk Management Committee. The objective of the internal audit function is to enhance and protect the organisational value of Scales by providing risk-based and objective assurance, advice and insight.

Internal audit activities are governed by Scales' Internal Audit Charter, which outlines, amongst other things, the principles, purpose, authority and scope of the function.

An annual internal audit plan is prepared for approval by the Audit and Risk Management Committee. Where necessary, external expertise is obtained for specific audit activities.

The internal auditor is regularly invited to meet with the Audit and Risk Management Committee including without management present.

The Company continues to co-source engagements in the internal audit programme with KPMG, as required. A number of such engagements are planned for 2024.

Principle 8 – Shareholder Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourages them to engage with the issuer.

RECOMMENDATION 8.1

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Shareholder Relations

Scales' Board is committed to maintaining open and transparent communications with investors and other stakeholders. The annual report, NZX releases, governance policies and charters and a variety of corporate information is posted onto the Company's website. Recordings of results briefings are available at Investor Presentations in the Investors section of the website.

Each shareholder is entitled to receive a hard copy of each annual report.

The Company has a Shareholder Meetings page in the Investors section on its website. Documents relating to meetings are available.

RECOMMENDATION 8.2

An issuer should allow investors the ability to easily communicate with the issuer, including by designing its shareholder meeting arrangements to encourage shareholder participation and by providing shareholders the option to receive communications from the issuer electronically.

Shareholder meetings will be held at a time and location to encourage participation in person by shareholders. Annual Shareholders' Meetings historically have been held in Christchurch, reflecting the head office location for the Company and the historical shareholder base. Since 2021, meetings have been held as 'hybrid meetings', with shareholders having the ability to either attend in person or to view the meeting, and to also vote and ask questions, virtually. It is the intention to continue this practice, to enable the widest possible shareholder participation.

Electronic Communications

Shareholders have the option of receiving their communications electronically. Contact details for Scales' head office are available on the website.

RECOMMENDATION 8.3

Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.

Major Decisions

Directors' commitment to timely and balanced disclosure is set out in its Shareholder Communications and Market Disclosure Policy and includes advising shareholders on any major decisions. Where voting on a matter is required, the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual Shareholders' Meeting either in person, virtually or by emailing the Company with a question to be asked. Scales conducts voting at its Annual Shareholders' Meetings by way of poll and on the basis of one share, one vote.

RECOMMENDATION 8.4

When seeking additional equity, the Company should offer shares to existing shareholders on a pro-rata basis before offering shares to other investors.

The Board will take this recommendation into account if considering any future capital raisings.

RECOMMENDATION 8.5

The Board should ensure that the notice of meeting for the Annual Shareholders' Meeting and any special meeting is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

Notice of Meeting

Scales' Notice of Meeting will be released on the NZX's Market Announcement Platform at least 20 working days prior to the Annual Shareholders' Meeting and will also be made available on the Shareholder Meetings page in the Investors section of the website.

Director Disclosures

Directors

The following persons were Directors of Scales and its subsidiaries during the year ended 31 December 2023:

Scales Corporation Limited

Andrew Borland	Executive Director
Miranda Burdon	Independent Director
Nick Harris	Independent Director
Alan Isaac	Independent Director
Nadine Tunley	Independent Director
Qi Xin	Director
Mike Petersen (appointed 28 April 2023)	Independent Chair
Tony Batterton (appointed 22 August 2023)	Independent Director
Mark Hutton (resigned 7 June 2023)	Independent Director
Tim Goodacre (resigned 28 April 2023)	Independent Chair

Fern Ridge Produce Limited

Andrew Borland
Hamish Davis
Andrew van Workum

Geo. H. Scales Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Longview Group Holdings Limited

Andrew Borland
Andrew van Workum

Meateor Foods Limited

Andrew Borland
Nick Harris

Meateor Foods Australia Pty Limited

Andrew Borland
Tim Goodacre

Meateor Group Limited

Andrew Borland
Nick Harris

Meateor US LLC

Andrew Borland
John Sainsbury

Mr Apple New Zealand Limited

Andrew Borland
Tim Goodacre (resigned 28 April 2023)
Mark Hutton (resigned 7 June 2023)

New Zealand Apple Limited

Andrew Borland
Tim Goodacre (resigned 28 April 2023)

Scales Logistics Australia Pty Limited

Andrew Borland
Tim Goodacre

Scales Employees Limited

Andrew Borland
Mark Hutton (resigned 7 June 2023)

Scales FI Group Holding Pty Limited

Andrew Borland (appointed 31 January 2023)
Nick Harris (appointed 31 January 2023)
Tim Goodacre
John Sainsbury (appointed 31 January 2023)

Scales Holdings Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Scales Logistics Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Selacs Insurance Limited

Andrew Borland
Alan Isaac
Steve Kennelly

Shelby Exports, Inc.

Brett Frankel

Shelby JV LLC

Andrew Borland
John Sainsbury
Brett Frankel

Interests Register

The following entries were made in the interests register of Scales and its subsidiaries during the period 1 January 2023 to 31 December 2023:

Indemnification and Insurance of Directors

As permitted by the Company's Constitution and in accordance with Section 162 of the Companies Act 1993, the Group has indemnified all Directors and arranged Directors' and Officers' liability insurance which ensures that, to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

Share Dealings by Directors

Dealings by Directors in relevant interests in Scales' ordinary shares during the year ended 31 December 2023 as entered in the Interests Register of Scales are as follows:

Name of Director	No. of Shares	Nature of Relevant Interest	Acquisition/ Disposal	Consideration	Date of Acquisition
Andrew Borland	68,900	Beneficial owner	Acquisition	$3.33 per share	24 April 2023
Tony Batterton	83,891	Beneficial interest	Initial disclosure	N/A	N/A
Miranda Burdon	40,000	Beneficial owner	Acquisition	$3.42 per share	24 & 28 February 2023
Nick Harris	150,000	Beneficial owner	Acquisition	$3.23 per share	23 February to 23 March 2023
Mike Petersen	5,000	Registered holder	Initial disclosure	N/A	N/A
Mike Petersen	10,000	Registered holder	Acquisition	$3.04 per share	9 October & 8 November 2023

General Notice of Disclosure of Interest in the Interests Register

Details of Directors' general disclosures entered in the relevant interests register for Scales or its subsidiaries during the period 1 January 2023 to 31 December 2023 are as follows:

Scales Corporation Limited

Andrew Borland	
The Lincoln University Foundation	Trustee
Lincoln University Centennial Trust	Advisor
Tony Batterton	
Briscoe Group Limited	Director
Evergreen Partners Limited	Director
NZ Fine Touring Group Limited	Director
Siplow Nominees Limited	Director
Direct Capital IV Management Limited	Director
Miranda Burdon	
Emerging Proteins New Zealand	Chair
Food Nation Limited	Director
Meadow Mushrooms Limited	Chair
Nick Harris	
Glenturret Farm Limited	Director
Harris Farms Limited	Director
Harris Meats (Cheviot) Limited	Director
Alan Isaac	
Basin Reserve Trust	Chair
NZ Community Trust	Chair
NZ Markets Disciplinary Tribunal	Member
Oceania Healthcare (NZ) Limited	Director
Skellerup Holdings Limited	Director
Wellington Cricket Foundation	Trustee
Wellington Cricket Trust	Trustee
Wellington Free Ambulance	Director

Mike Petersen	
Antipodean Lands Limited	Director
ANZCO Foods Limited	Director
Bellarace Consulting Ltd	Director/Shareholder
Dryland Carbon	Advisory Committee Member
Forest Partners	Advisory Committee Member
Kelso Genetics Limited	Director
Nui Markets Limited	Chair
Rimanui Farms	Advisory Board Member
Te Hau Station Limited	Director
Te Puna Farm Trust	Trustee
Nadine Tunley	
Energie Fruit Charitable Trust	Trustee
Energie Fruit Company NZ Limited	Director/Shareholder
Horticulture New Zealand Incorporated	CEO
Ngā Pouwhiro Taimatua	Member
Origin NZ Limited	Director/Shareholder
The Manuka Holding Co Limited	Director/Shareholder
Qi Xin	
China Resources Enterprise, Limited	Executive

Relevant Interests

The table below records the Scales ordinary shares in which each Director had a relevant interest as at 31 December 2023.

Director	Number of Ordinary Shares – Beneficial	Number of Ordinary Shares – Non-Beneficial
Andrew Borland	430,310	500,000
Tony Batterton	83,891	Nil
Miranda Burdon	40,000	Nil
Nick Harris	250,000	Nil
Alan Isaac	25,000	3,000
Mike Petersen	Nil	15,000
Nadine Tunley	Nil	Nil
Qi Xin	Nil	Nil

Use of Company Information by Directors

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

Shareholder Information

Spread of Shares

Set out below are details of the spread of shareholders of Scales as at 31 January 2024:

	Number of Shareholders	Number of Shares Held	% of Shares Held
Under 2,000	1,290	1,242,399	0.87
2,000 to 4,999	1,467	4,454,722	3.11
5,000 to 9,999	848	5,592,705	3.91
10,000 to 49,999	795	14,618,869	10.22
50,000 to 99,999	82	5,525,141	3.86
100,000 and over	65	111,662,145	78.03

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of Scales as at 31 January 2024:

Shareholder	Number of Shares	% of Shares
Custodial Services Limited	23,727,913	16.58
China Resources Enterprise, Limited	21,500,000	15.02
BNP Paribas Nominees (NZ) Limited - NZCSD	7,898,561	5.52
Tes Custodians Limited Client Property Trust Account - NZCSD	6,478,114	4.53
FNZ Custodians Limited	6,224,247	4.35
Accident Compensation Corporation - NZCSD	5,840,024	4.08
Citibank Nominees (New Zealand) Limited - NZCSD	4,999,270	3.49
HSBC Nominees (New Zealand) Limited - NZCSD	3,199,192	2.24
New Zealand Depository Nominee Limited	3,108,456	2.17
JP Morgan Chase Bank - NZCSD	2,761,496	1.93
JB Were (NZ) Nominees Limited	2,511,322	1.75
John Grant Sinclair & Camille Elizabeth Sinclair	2,241,000	1.57
PT (Booster Investments) Nominees Limited	1,669,189	1.17
HSBC Nominees (New Zealand) Limited - NZCSD	1,478,234	1.03
FNZ Custodians Limited	1,432,675	1.00
Forsyth Barr Custodians Limited	1,309,524	0.92
Pathfinder Nominees Limited - NZCSD	1,287,052	0.90
Scales Employees Limited	1,163,823	0.81
JB Were (NZ) Nominees Limited	939,100	0.66
Forsyth Barr Custodians Limited	628,700	0.44

Substantial Product Holders

Set out below are details of the substantial product holders of Scales as at 31 December 2023.

The number of shares shown below is as advised in the most recent substantial product holder notices given to Scales and may not be accurate as at 31 December 2023.

Name	Number of Shares	Class of Shares
China Resources Enterprise, Limited	21,500,000	Ordinary
Harbour Asset Management Limited and Jarden Securities Limited	13,557,572	Ordinary

The total number of Scales Corporation Limited ordinary shares on issue as at 31 December 2023 was 143,095,981.

Other Information

NZX Waivers

Scales did not rely upon any waivers granted by NZX Limited during the year ended 31 December 2023.

Exercise of NZX Disciplinary Powers

NZX Limited did not exercise any of its powers under Listing Rule 9.9.3 in relation to Scales during the year ended 31 December 2023.

Donations

Donations of $261,256 were made by Scales during the year ended 31 December 2023. No donations were made to political parties.

Glossary

AUD	Australian dollars
Average Net Cash/ Debt	Average net cash/debt is calculated as the average of the cash/debt balances plus the net working capital facility balance, as at 30 June and 31 December each year
Capital Employed	Capital Employed is calculated as non-current assets plus working capital (excluding cash, overdrafts and borrowings, NZ IFRS 16 lease liability, dividends declared, derivative assets / liabilities and employee loans)
CRD	Climate-Related Disclosures
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPS	Earnings Per Share
Esro Petfood	Esro Petfood B.V. (50 per cent held by Scales, equity accounted as a joint venture)
Fayman	Australian operations of FI Group Holdings Pty Limited (50 per cent held by Scales, equity accounted as a joint venture) together with ANZ Exports Pty Limited (42.5 per cent held by Scales, equity accounted)
Fern Ridge	Fern Ridge Produce Limited (100 per cent held by Scales, consolidated)
FOB	Free On Board, a term which means that the price for goods includes delivery at the seller's expense on to a vessel at a named port and no further. The buyer bears all costs thereafter (including costs of sea freight)
FY	Financial Year
GAAP	Generally Accepted Accounting Practice
Group	Scales Corporation Limited, its subsidiaries and joint ventures
GWP	Global Warming Potentials
Ha	Hectare, a metric unit of measurement equal to 10,000 square metres
IPO	Initial Public Offering
Meateor Australia	Meateor Australia Pty Limited (33.33 per cent held by Scales, equity accounted)
Meateor International	Meateor Foods Limited and Meateor Foods Australia Pty Limited (100 per cent held by Scales, consolidated)
Meateor NZ	Meateor Pet Foods Limited Partnership (50 per cent held by Scales, equity accounted as a joint venture)
MT	Metric Tonnes
NPAT	Net Profit After Tax
NPATAS	Net Profit After Tax Attributable to Shareholders
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
Profruit	Profruit (2006) Limited (50 per cent held by Scales, equity accounted as a joint venture)
PVR	Plant Variety Rights
ROCE	Return on Capital Employed, calculated as EBIT divided by average Capital Employed
RSE	Recognised Seasonal Employer
Shelby	Shelby JV LLC group of companies (60 per cent held by Scales, consolidated)
TCE	Tray Carton Equivalent, a measure of apple and pear weight, equal to 18.6kg packed weight which equates to 18.0kg sale weight
TEU	A Twenty-foot Equivalent Unit is a unit of cargo capacity to describe container volumes
Underlying profit measures (EBIT, EBITDA, NPAT, NPATAS)	Non-GAAP profit measures that Directors and management use when discussing financial performance. See page 7 for definition and pages 36 - 39 for reconciliation to GAAP (NZ IFRS) profit measures

Directory

Board of Directors

Mike Petersen (Chair) (appointed 28 April 2023)
Andrew Borland (Managing Director)
Tony Batterton (appointed 22 August 2023)
Miranda Burdon
Tim Goodacre (resigned 28 April 2023)
Nick Harris
Mark Hutton (resigned 7 June 2023)
Alan Isaac
Nadine Tunley
Qi Xin

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

Health & Safety and Sustainability Committee

Nadine Tunley (Chair)
Andrew Borland
Miranda Burdon

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Coöperatieve Rabobank U.A., New Zealand Branch

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Westpac New Zealand Limited

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Christchurch 8011

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Chapman Tripp

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Corporate Advisor

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