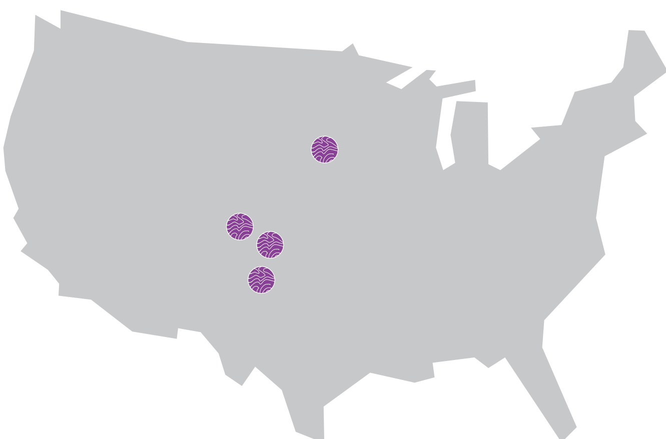
Scales Corporation Limited

Annual Report 2022

Scales
global nutrition

Thinking global acting local

In a year where we made substantial strategic progress with the growth of Global Proteins, we also delivered a strong Group performance. Our people are central to this success.



Welcome to our Annual Report for our 111th year of trading.

Our 2022 results were extremely pleasing. They were driven by record results from Global Proteins and Logistics, with Horticulture dealing admirably with adverse market conditions throughout the year. As ever, exceptional leadership and extraordinary effort from the Scales team were instrumental in the delivery of these results.

We made significant progress in the growth of Global Proteins through the investment in Australian-based Fayman International, ANZ Exports and Meateor Australia towards the end of the year. We welcome our Australian partners to the Group and are excited to work with them going forward.

Significant progress was also made on Sustainability, with a number of environmental and marketplace initiatives undertaken. Several key people programmes were introduced, or re-established, to continue to provide support for our teams. As ever, our people are our top priority.

This was brought home to us by the cyclone event that hit the North Island in February 2023. Within a few days of the event, we were delighted to be able to report that all our team members were safe and well. However, there are many people who have experienced significant loss or disruption as a result of this event and our teams in Hawke's Bay at Mr Apple, Meateor, Scales Logistics, Fern Ridge and Profruit have encountered significant difficulties and stress.

The Hawke's Bay community, its people and its culture, are an integral part of Scales. Accordingly, Scales is donating $250,000 to the recovery. We are also providing tailored assistance to those staff members who have been particularly affected.

Our heartfelt sympathy goes out to those that have lost loved ones and we will support our teams, and the Hawke's Bay community, in every way that we can.

Global Proteins

Shelby Foods, Meateor (x3) — Petfood ingredient procurers, processors and markers

Fayman — Edible protein exporter

Horticulture

Mr Apple — Vertically integrated apple grower, packer & marketer

Fern Ridge Fresh — Apple marketer

Profruit — Juice manufacturer

Logistics

Scales Logistics — Air & sea freight

Contents

Our Numbers

NPAT attributable to shareholders

$19.4m

▼ down 28% on 2021

Underlying NPAT attributable to shareholders

$27.6m

▼ down 7% on 2021

Underlying EBITDA

$77.9m

▲ up 6% on 2021

NPAT

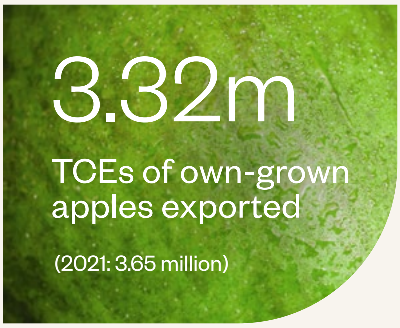
$38.2m

▲ up 3% on 2021

5.7m

litres of juice sold

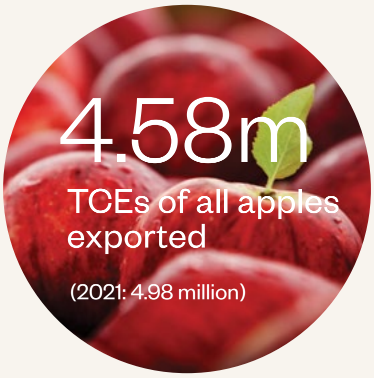
(2021: 6.5 million litres)



3.32m

TCEs of own-grown apples exported

(2021: 3.65 million)



4.58m

TCEs of all apples exported

(2021: 4.98 million)

Underlying NPAT

$46.4m

▲ up 17% on 2021

13.7c

Earnings per Share

(2021: 19.1 cents)

Record Revenue

$619.2m

▲ up 20% on 2021

First

Group-wide carbon footprint completed

2

leadership programmes custom built

Dividends declared

15.5c

per share
(2021: 19.0 cents)

27,580

TEUs of ocean freight managed

(2021: 30,313 TEUs)

$27.0m

Net Cash
(2021: $82.1 million)

Return on Capital Employed

13.5%

(2021: 13.8%)

158,595

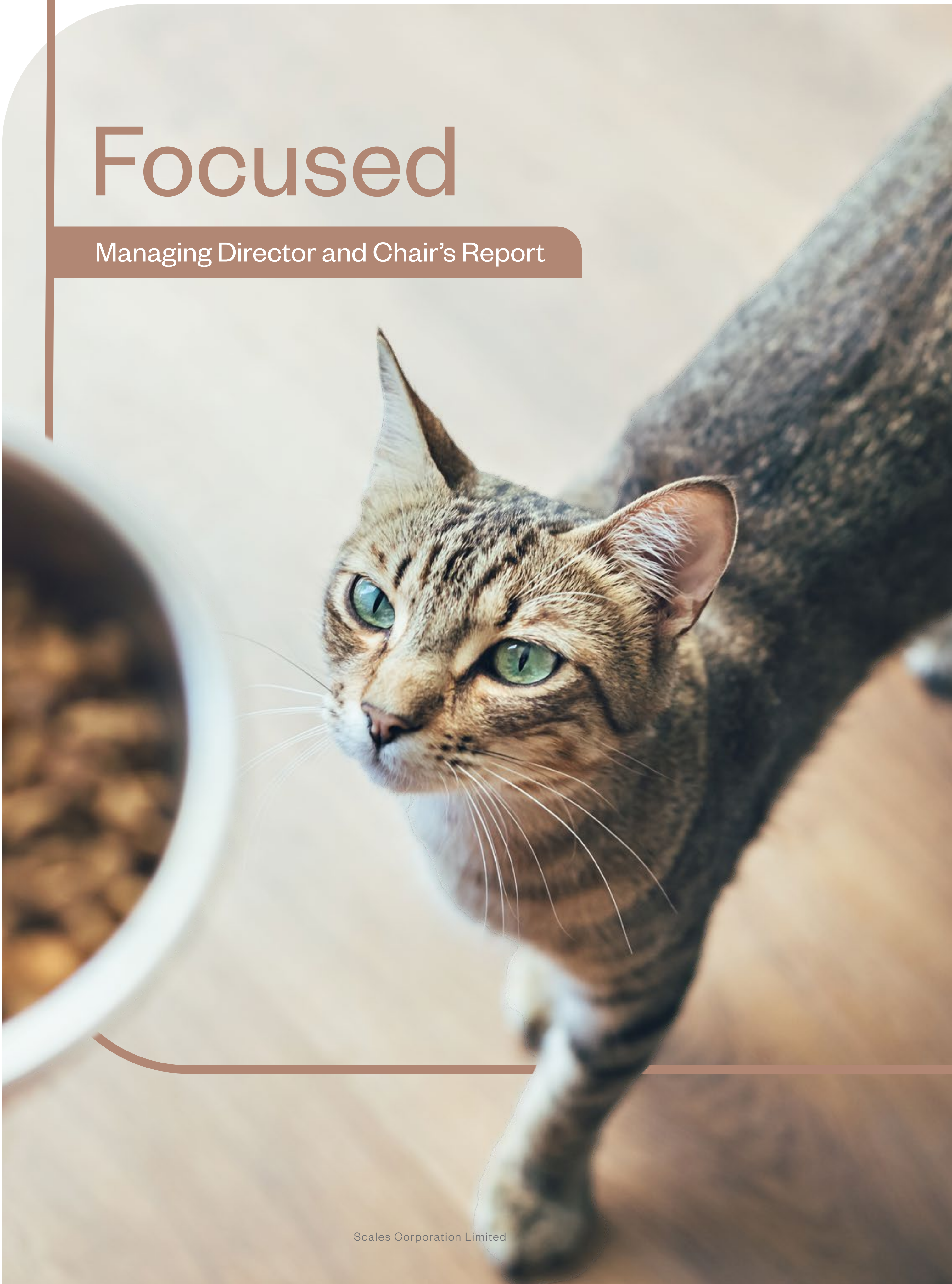
Metric tonnes of petfood ingredients sold[1]

▲ up 6% on 2021

[1] Includes 100 per cent of volumes from Meateor NZ; i.e. total volumes controlled directly and indirectly by the Meateor Group. Excludes protein volumes sold by Fayman.

Focused

Managing Director and Chair's Report



On behalf of the Board, we are delighted to present Scales' Annual Report for the year ended 31 December 2022 with Net Profit After Tax (NPAT) of $38.2 million.

This was a strong performance, driven by record Global Proteins and Logistics results. The Group also generated record Revenue of $619.2 million and NPAT Attributable to Shareholders of $19.4 million. Our Underlying[1] results were also strong, with Underlying NPAT Attributable to Shareholders of $27.6 million, Underlying NPAT of $46.4 million and Underlying EBITDA of $77.9 million.

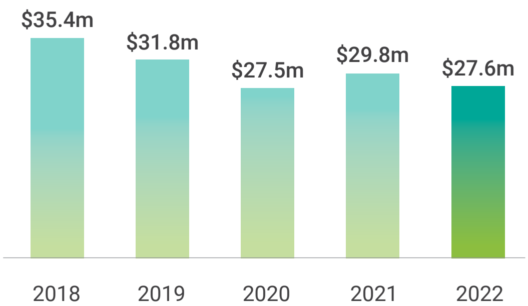
Our diversified agribusiness strategy continued to prove beneficial, with Global Proteins outperforming expectations with a record result, complemented by a record result for Logistics.

Tim Goodacre and Andy Borland

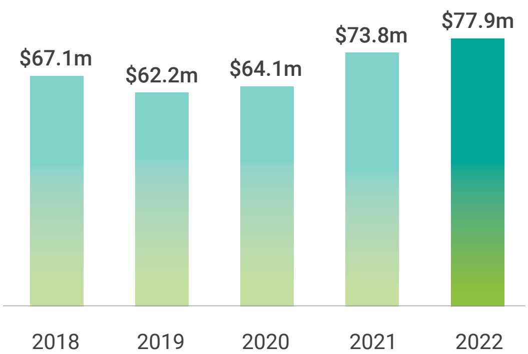
	2022 $000's	2021 $000's	Variance
Revenue	619,173	514,551	20%
EBITDA	68,516	71,619	-4%
Underlying EBITDA	77,893	73,793	6%
NPAT	38,231	36,950	3%
Underlying NPAT	46,396	39,775	17%
NPAT Attributable to Shareholders	19,412	26,925	-28%
Underlying NPAT Attributable to Shareholders	27,577	29,750	-7%

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

Underlying NPAT Attributable to Shareholders



Underlying EBITDA



[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 give 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 (Shelby).

A full reconciliation between Underlying and NZ IFRS measures is provided on pages 38 to 41.

Global Proteins

We are optimistic about the future of our Global Proteins division. The industry is supported by many positive macro-economic conditions, giving rise to strong global growth in the demand for protein. Demand growth is expected to outpace supply growth resulting in a protein supply 'gap'. This gap will make resilient supply chain models increasingly more important. Scales' Global Proteins division, with its broad network of suppliers and customers across multiple geographies, is well placed to be a long-term strategic participant in the global supply chain for protein. Given its nature, we believe that the sector is resilient to market cycles as well as producing above-average returns on investment.

The worldwide nature of these protein opportunities allows us to leverage our existing networks and supplier and customer relationships, giving us global ambitions for the division. As we already have significant operations in New Zealand, Australia and North America, we are keen to extend our operations into Europe. Europe is the second largest market for petfood and many of our existing customers, with whom we have very long-standing and enduring relationships, are operating in this market.

As a result, discussions regarding potential opportunities are currently taking place and we look forward to updating you on progress in due course.

Australian Investments

On 31 October 2022, Scales made 2 investments to expand the Global Proteins division.

The first investment was the acquisition of a 33.33 per cent interest in a newly established petfood ingredient processing operation based close to many abattoirs in the food processing district of Melbourne. The company has been named Meateor Australia.

We have invested with 2 recognised industry participants who bring extensive supply relationships to the operation and this business is currently developing a greenfield site, which will ultimately process and market petfood proteins. The facility is expected to be commissioned in the second quarter of 2023, with the intention being to scale up to full production over the course of 2023.

Our second investment was the purchase of 50 per cent of the Australian operations of Fayman International and 42.5 per cent of ANZ Exports (together, Fayman). Fayman is a leading global exporter of edible proteins sourced principally from Australia, with the business having been operating for over 40 years.

Australia's product mix, growth and proximity to Asia make it a strategically important supply base for both our petfood customers and edible protein markets.

These investments are another step towards:

- improving our footprint in Australia
- moving up the supply chain
- establishing direct supply relationships
- improving the breadth of our networks and products
- providing further opportunities to expand and diversify our business globally
- providing the foundation for Scales to explore alternative markets for animal proteins
- expanding our relationships across a range of customers and channels.

The transactions broaden our participation across the various end channels for proteins (pharmaceutical, petfood ingredients and edible proteins). By positioning ourselves in this way, Scales directs proteins globally to their highest and best use, optimising the lifecycle value of these proteins, as well as the quality and service levels provided to our customers. We believe that this is a globally unique business model, which supports strong and enduring relationships throughout the value chain.

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 206 per cent return[1] on funds invested to the end of February 2023. By comparison, an investment in the S&P NZX50 would have delivered a 129 per cent return on funds invested over the same period.

[1] Calculated as the difference between the closing share price on 28 February 2023 plus all net dividends paid (a total of $1.45 per share) and the IPO listing price of $1.60.

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.

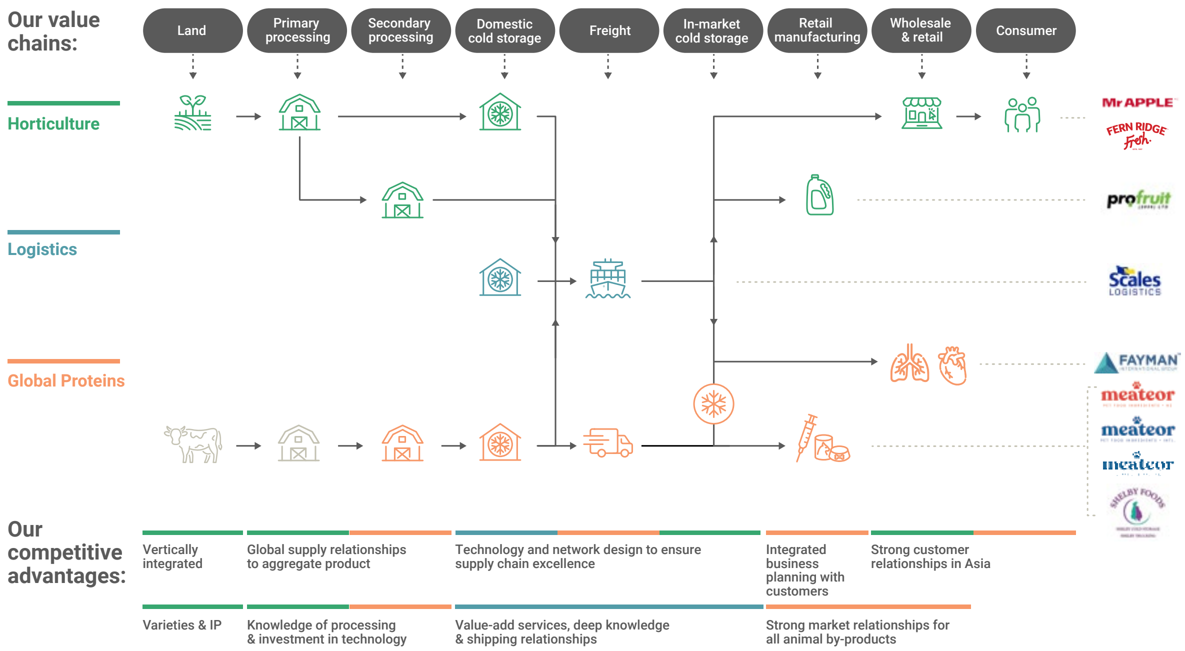
Scales' Long-term Goal

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

Corporate and Competitive Strategies

We are invested across 3 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.

Where we invest: our value chains



Strategic Update

Throughout 2022 we continued to proactively search for and review potential investment opportunities, both internal and external, and were delighted to successfully complete the investments into Meateor Australia and Fayman towards the end of the year. We have focused on opportunities that complement our strengths, including:

- export-led businesses
- businesses to which we can add value from our long-standing and strong relationships with both suppliers and customers
- strong production knowledge and value-add skill
- highly-skilled supply chain and logistics expertise

Future investment is likely to be prioritised towards the fast-growing proteins markets, whilst ensuring that the opportunities align with our vision, play to our strengths and are in line with our target returns.

Specific Strategic Targets

We are in the process of reviewing and resetting our strategic targets, including our sustainability targets as noted in our Sustainability Report. An update on our strategy and strategic objectives will be communicated to shareholders in due course.

Division	Target	Status
Group	**Sustainability**	**Excellent Progress**
	• Develop Group and divisional sustainability strategies, including clear goals and targets • Further develop and evolve our reporting of key sustainability areas affecting Scales' businesses	• Horizon scan workshop completed, including climate scenarios, for Mr Apple • Reviewed materiality to focus on key areas of impact, reducing the number of materiality domains from 24 to 12 • Custom built 2 leadership programmes that are currently being rolled out • Re-engaged the 'Ethical Voice' worker wellbeing online survey platform targeted at our RSE workers • Completed Scales' first water, carbon and soil baselines for our regenerative trials
	Financial and operational	**Excellent Progress**
	• Maintain financial returns in line with, or above, industry returns • Continue to seek acquisitive and organic growth to expand the business	• Investment made in 2 Australian operations • Other acquisition and internal growth opportunities regularly reviewed
	Shareholder returns	**On Track**
	• Continue to provide shareholders with an attractive yield on dividends • Deliver capital gains and shareholder liquidity through careful strategic execution	• Interim dividend maintained at 9.5 cents per share, initial payment made in January 2023 with second instalment payable in March 2023 • Maintained Group ROCE above adjusted long-run target of 12.5 per cent
Global Proteins	**Increase scale and expand offering**	**Excellent Progress**
	• Review strategic initiatives and consider organic and acquisition opportunities to increase divisional scale	• Benefitted from diversified geographies and proteins afforded by the Shelby and Meateor businesses, together with investments in processing capability • 2 investments made in Australia, including 1 in the edible proteins market • Ongoing global growth opportunities being actively investigated
Horticulture	**Operational and branding**	**Ongoing**
	• 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	• 3.32 million TCEs exported • Increased proportion of sales made to the Asia and Middle East markets • Rollout of new brand identity, with a wide variety of marketing and branding initiatives undertaken • Continued growth in sales of PVRs including Dazzle™
Logistics	**Expand logistics offerings**	**Ongoing**
	• Develop scale to utilise the expertise and capacity within the team	• Strategic benefit of in-house logistics provider experienced during period of strong global shipping demand as well as port and logistics constraints

Sustainability

Scales is focused on:

- Its broader obligations as a responsible corporate citizen
- The desire of our stakeholders to receive clear reporting on our environmental footprint and sustainability improvements
- Its ability to better identify and manage all risks (as well as opportunities) facing the business
- Embedding sustainability into Scales' broader strategic planning

A key goal for 2022 was to work across our strategic planning framework to deliver Group and divisional sustainability strategies. The purpose for this review was to obtain clarity on significant sustainability risks and opportunities, as well as to improve our prioritisation and execution of the sustainability initiatives we are hoping to employ.

We have focused on Mr Apple initially and have completed a horizon scan, reviewed key risks and opportunities, and developed a clear 6-point action plan. This process will be rolled out to the other divisions in 2023. We also made excellent progress at a Group level, undertaking our first Group-wide water footprint and completing our first Group carbon audit and decarbonisation road map.

Our full Sustainability Report is provided in the next section, which we encourage you to read. We look forward to building on our progress during 2023.

Scales' Team

As ever, people are our key focus as, without them, we would not be the business that we are. We recognise the importance of employee engagement and continue to enhance our employee engagement activities.

During the year, Mr Apple built an Employee Value Proposition (EVP) programme as well as 2 leadership programmes to help develop our employees and leaders. We also re-engaged our Ethical Voice platform, an online survey targeted at our RSE workers, so that we can keep informed about their overall wellbeing and how we can improve their working environment. We believe it is important to both develop our team members and to support their mental and physical wellbeing. Further information about these programmes can be found in our Sustainability Report.

2022 was not without its challenges so we would like to recognise the responsiveness of our people through the year. They found creative new ways to innovate and collaborate, continue to support each other and the local communities of which they are a part and produce excellent results. We have a unique culture within Scales, which has always been the key ingredient to our success, and we will work hard to maintain and develop it for the years to come.

On behalf of the Board, we would like to say thank you to the entire Scales team for their dedication and contribution which makes Scales a unique place to work.

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 91 to 105.

Tim Goodacre

Board Succession – Retirement of Tim Goodacre

Shareholders are aware of the director succession process that has been ongoing over the past 2 years. We are very pleased with the progress of this process, which is achieving its desired outcome of effecting a planned and orderly refresh of the Board. New Directors announced over the past year have been Miranda Burdon and Mike Petersen. Both of these Directors will add valuable experience, qualifications and a diversity of thought around the Board table.

Also announced earlier this month, our Chair, Tim Goodacre, will retire in April 2023, handing over the role of Chair to Mike Petersen. At the 2022 ASM, Tim signalled his intention to retire in 2023 as part of a planned succession process.

Tim was appointed as a Director of Mr Apple in 2012, before joining the Board of Scales Corporation in 2014, just prior to Scales' listing on the NZX. In 2017, Tim was appointed as just the 9th Chair of Scales in over 100 years of trading.

Tim has brought a wealth of knowledge and experience to Scales, with over 40 years involvement in agribusiness, including 5 years as CEO of Zespri International from 2003 to 2007.

Tim has been a great leader and supporter of Scales during his tenure on the Board. He is well-respected by his fellow Directors, management and all of the wider Scales' teams for his leadership ability, his passion for the businesses and their people and his constant support for everyone involved at Scales. Tim regularly commented on the unique and positive culture evident in all Scales' businesses and he contributed in no small way to the development of that culture right across the Group.

We would like to thank Tim for his outstanding contribution to Scales over the past 11 years.

Scales Logistics Christchurch

Group Financials

Summary

The Group delivered excellent results in 2022, with record earnings for Global Proteins and Logistics. Underlying NPAT Attributable to Shareholders was $27.6 million and Reported NPAT Attributable to Shareholders was $19.4 million.

We were pleased to achieve record Revenue of $619.2 million and Underlying EBITDA of $77.9 million for the year ended 31 December 2022, increases on 2021 of 20 per cent and 6 per cent, respectively.

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

Income Statement

	2022 $000's	2021 $000's
Revenue	619,173	514,551
Underlying EBITDA	**77,893**	**73,793**
Underlying EBIT	**58,207**	**54,247**
Underlying NPAT	**46,396**	**39,775**
After tax impact of:		
Non-cash, NZ IFRS and other adjustments	(8,165)	(2,825)
NPAT	**38,231**	**36,950**
NPAT Attributable to Shareholders	**19,412**	**26,925**
Capital employed	445,670	415,821
Return on capital employed	13.5%	13.8%

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.

	2022	2021
ROCE		
Global Proteins	67.4%	48.0%
Horticulture	-0.4%	7.8%
Logistics	61.1%	37.3%
Group	**13.5%**	**13.8%**
Target	*12.5%*	*12.5%*

Group capital employed increased by $29.8 million in 2022, primarily as a result of our Australian investments together with an increase in Mr Apple's capital employed due to investment in its Whakatu packhouse automation project and revaluation of its land and buildings.

Scales' basic earnings per share for the year ended 31 December 2022 was 13.7 cents per share (19.1 cents per share in the year ended 31 December 2021).[1]

Financing

Average Net Cash for the year was $21.9 million (2021: $60.1 million), a reduction of $38.1 million, with the movement primarily relating to our Australian investments and an increase in working capital.

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.

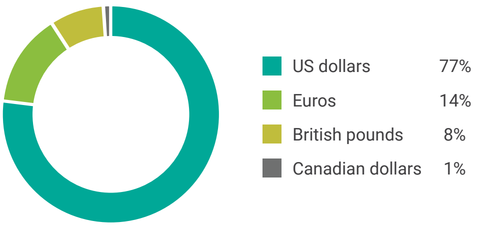
Under this policy we may take foreign exchange cover for Mr Apple for up to 48 months forward using a variety of foreign exchange instruments (including options and forward contracts). Scales maintains a blend of instruments. In addition, Scales manages the cover levels for seasonal and market variations 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 2022, Mr Apple's net foreign currency exposures were as shown below.



The average conversion rate of Mr Apple's main foreign currency exposures since 2019 were as noted below.

	2022	2021	2020	2019
USD	.6588	.6697	.6424	.6664
EUR	.5449	.5455	.5671	.5663
GBP	.4962	.5027	.5101	.4658
CAD	.8597	.8651	.8657	.8650

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

The hedging position for Mr Apple's main foreign currency exposures, as at 28 February 2023, was:

		2023	2024	2025	2026	2027
USD	% cover of expected exposure	90%	71%	65%	43%	13%
	Average rate of cover	.6518	.6413	.6393	.6262	.5954
EUR	% cover of expected exposure	72%	91%	74%	50%	25%
	Average rate of cover	.5459	.5386	.5427	.5347	.5460

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 2022 our US dollar term debt was 47 per cent hedged by interest rate swaps.

Dividend

A final 2021 fully imputed cash dividend of 9.5 cents per share (a gross amount of 13.2 cents per share) was paid on 8 July 2022. Together with a 2021 interim dividend of 9.5 cents per share (a gross amount of 13.2 cents per share) that was paid on 14 January 2022, this brought the annual dividends for 2021 to a total of 19.0 cents per share (a gross amount of 26.4 cents per share).

A fully imputed initial interim 2022 cash dividend of 6.0 cents per share (a gross amount of 8.3 cents per share) was declared on 9 December 2022 and paid on 16 January 2023. A second interim dividend in respect of 2022 of 3.5 cents per share (a gross amount of 4.9 cents per share) was declared on 23 February 2023 and is payable on 31 March 2023. We will review, and advise on, a final dividend for 2022 in early May 2023.

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. From 2023 onwards, our dividend policy will revert to 50 per cent to 75 per cent of Underlying NPAT Attributable to Shareholders.

Capital Expenditure

Capital expenditure in 2022 was $15.6 million, a decrease of $0.9 million on the prior year (2021: $16.5 million). Material expenditure included:

- Investment in plant and machinery to facilitate increased volumes in Global Proteins ($1.9 million)
- Whakatu packhouse automation ($6.6 million)
- Mr Apple redevelopment ($1.6 million)

	2022 $000's	2021 $000's
Operational capital expenditure		
Global Proteins	1,631	542
Horticulture	2,607	3,736
Logistics	168	58
Other	26	4
Total operational capital expenditure	**4,431**	**4,340**
Margin sustainability capital expenditure		
Horticulture	6,564	6,050
Total margin sustainability capital expenditure	**6,564**	**6,050**
Growth capital expenditure		
Global Proteins	1,860	-
Horticulture	2,730	6,134
Total growth capital expenditure	**4,590**	**6,134**
Total capital expenditure	**15,585**	**16,524**

We are mindful of our responsibility to maintain appropriate cash levels and retain strength in our balance sheet. Consequently, future investment will be prioritised towards Global Proteins given its strong growth prospects and return on investment.

Outlook

We entered 2023 in a strong position, following a year of successful strategic and financial progress. We continue to execute against our strategy and are well-positioned to continue our global growth, particularly in the Global Proteins division.

Global Proteins has commenced the year well, taking advantage of the opportunities in the strong and growing global petfood market as well as investigating opportunities to develop our investments, through Fayman, in the edible proteins market.

The Horticulture division has had a difficult start to the harvest season with the impact of Cyclone Gabrielle. However, the resilience of the team meant that they re-commenced picking and packing operations as soon as it was safe to do so, and they are keen to maximise the harvest as best as possible.

Whilst Scales, like all businesses, faces some headwinds, we anticipate a positive outlook for the Group based upon the strength of our diversified portfolio and the abilities of our leadership and management team to execute the Group's strategies.

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 111th year of trading.

Tim Goodacre
Chair

Andy Borland
Managing Director

17 March 2023

Delivering long-term value

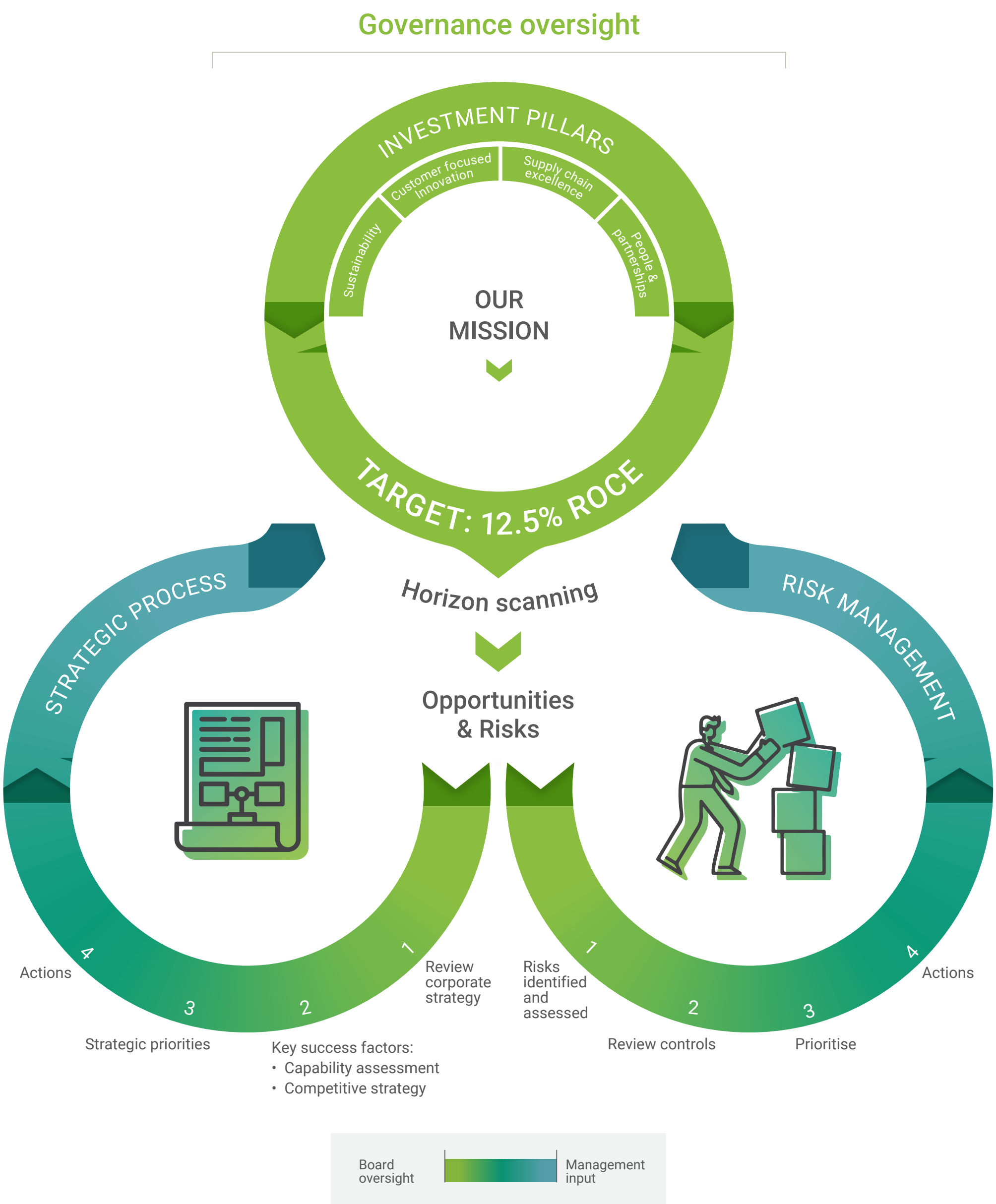
Sustainability Report

We have integrated Climate-Related Disclosures (CRD) into this year's Sustainability Report. An index at the conclusion of this section provides page references to Aotearoa New Zealand Climate Standard 1 *Climate-related Disclosures.*

Governance and Strategy

As part of our Sustainability review, we are conducting horizon scans across all our divisions. This process looks at the broad factors influencing our future operating environment and assesses future risk and opportunities. Along with our Sustainability strategy, this process also informs our corporate, competitive and risk management strategies. All risks and opportunities are considered under the same assessment process during the horizon scan (see climate risk section) and are prioritised on this basis.

Scales governance, strategy and risk management process



We will conduct horizon scans every 4 years and involve members from both the divisional sustainability committees and the Scales Board Health & Safety and Sustainability Committee. The outputs are reviewed by the Board and are considered alongside stakeholder input via our materiality process.

The Board Committee is also responsible for reviewing sustainability strategy, including associated targets, and is responsible for making sure management have the appropriate capabilities and resource to execute.

Materiality

Following the materiality review in 2021, we have re-visited the materiality domains to achieve more focus on key areas of impact and have also simplified our categorisation. We define materiality through the GRI framework of double materiality, which considers both financial and non-financial impacts, to a wider stakeholder group.

People

Labour affordability

Labour security

Health, safety & labour practices

Environment

Water management

Carbon emissions

Climate conditions & weather events

Biodiversity

Marketplace

Market access

Consumer preferences

Innovation

Regulation

Corporate

Brand reputation

Board Appointments

During the year, we were pleased to announce the appointment of Miranda Burdon to the Board. Miranda was appointed as a Non-Executive Independent Director, effective from 31 August 2022. Miranda is Chair of Meadow Mushrooms, Emerging Proteins NZ, an organisation that seeks to accelerate the development of a thriving emerging proteins sector in New Zealand, and Live Ocean, a New Zealand based ocean conservation charity. Miranda brings extensive commercial experience, focused on marketing and brand management.

Earlier this month, we were also pleased to announce the appointment of Michael (Mike) Petersen to the Board, effective on 28 April 2023. Mike will be a Non-Executive Independent Director of Scales and will also be appointed as 10th Chair of Scales. Mike is a Director of ANZCO Foods and Kelso Genetics Limited and is Chair of agri-food digital marketplace developer, Nui Markets Limited. Mike also has advisory roles with a number of other privately-owned companies.

People

Our Team

600+ Permanent staff members	30+ Operational sites	~1,450 RSE workers
28% Female senior leadership/ management staff	37% Permanent female staff Scales wide	46 years Longest serving employee

Health and Safety

Our health & safety culture is at the heart of our everyday operations.

2022 presented some challenges with the outbreak of the COVID-19 Omicron variant occurring during peak harvest for Mr Apple, our largest employer. However, operations were maintained throughout the season despite significant labour shortages due to isolation requirements. There was a strong focus on wellbeing, including preventative and recovery measures, and mental fitness support through facilitated workshops (via Groov) and one to one counselling (via Vitae).

Pleasingly, Mr Apple reduced its Lost Time Injury rate by 39 per cent from the prior year, and it was at its lowest since 2018, which is an amazing result. Notwithstanding this, Mr Apple is continuing to strive for excellence and, at the end of 2022, it shifted to a Health, Safety & Wellbeing partnership model. The aim is to achieve a more proactive field-based approach with Health, Safety & Wellbeing partners dedicated to both the orchards and to post-harvest operations.

Scales continues to look at ways to innovate and improve across all its businesses. As an example, during the year Profruit participated in the Healthy Work Group project led by Massey University. The aim is to explore how to reduce work related ill health in small and medium sized organisations in New Zealand, with a specific focus on mental wellbeing in the initial assessments.

Employee Value Proposition and Leadership

In 2022 Mr Apple built and communicated their EVP, which was weaved into the 2023 seasonal recruitment campaign. We are also partnering with Māori Wardens and Land Based Training to provide pre-employment training and pastoral care to improve the retention of full-time team members.

In addition, Mr Apple custom built 2 leadership programmes: Leading through Others (Senior Managers) and Emerging Leaders (Assistant Managers/Team Leaders/Site Managers). This has been rolled out to our orchard and post-harvest teams and will be extended to the remaining teams during 2023.

RSE Spotlight

Mr Apple re-engaged its 'Ethical Voice' worker wellbeing platform in 2022. Targeted at our seasonal employees, Ethical Voice is an independent online survey which is aimed at assessing our employees' wellbeing and working environment. It is modelled on United Nations' 'Guiding Principles on Business and Human Rights', and GLOBALG.A.P's 'GRASP'. It is translated into the local language of our employees. With scores over 75 per cent across all themes, Mr Apple has consistently scored in the 'excellent' range and improved across all 2019 baselines.

Marketplace

Increasingly, our customers and our markets require upstream sustainability reporting as part of their own internal frameworks and regulations. A key component of our horizon scan process for each division is to understand these changes and to align our action plans with our customer and market requirements.

As part of Mr Apple's assessment there was a continued focus on its pest and disease strategy, which includes exploring new prevention, detection and control methods. Mr Apple has also developed a world-class traceability system and, in 2022, set baselines for its regenerative soil trial, which aims to improve soil carbon, organic matter and water retention. The key goal is to identify new orchard management practices that improve soil and tree health and ultimately reduce pest and disease responses[1]. Additionally, Mr Apple is actively investigating further technology and controls in its post-harvest operations.

In parallel, through its leadership on the Research Consultative Group of New Zealand Apples and Pears, Mr Apple is supporting the delivery of the $14.8 million 'Smart and Sustainable' programme. Over the next 7 years the programme will investigate the minimisation of sprays while continuing to ensure world leading market access for our apples.

This research will support our own internal work on decision support tools, alternative non-chemical control options, pest and disease detection technologies, new application methods and integrated online dashboards.

Investigating regenerative treatments to improve soil and tree health

Investigating spray application methods to increase efficacy

Investigation of non-chemical controls including bio-pesticides

Technology to track and trace back to the individual bin level

Optical grading

Investigating packhouse technologies that better align to our customers, or prospective customers, access requirements

[1] This trial was impacted by Cyclone Gabrielle, which will require new baseline assessments and a new site.

Environment

Water

In 2022, we completed our first Group-wide water footprint. As with carbon, this baseline measure allows us to assess areas for improvement including reporting, reduction and efficiency gains.

Mr Apple accounted for 96 per cent of water usage across the Group and will have a dedicated water action plan as part of its refreshed sustainability strategy.

Carbon

Energy Monitoring Trial

In 2022, we commenced a trial programme, installing sensors in some of our post-harvest machinery to provide real-time information on energy usage. The purpose of the trial was to assess the benefits of identifying abnormal consumption trends and to benchmark plant performance to identify replacement options.

Decarbonisation Reports

Scales engaged DETA Consulting to prepare a decarbonisation roadmap across all our businesses with operational facilities. This roadmap provides guidance on potential areas for carbon reduction and future capital expenditure requirements.

While the final document is being finalised, the key areas of focus identified across all businesses were:

- Alternative fuel usage
- Refrigerant replacement and plant upgrades
- Transport efficiencies
- Electricity decarbonisation
- Accommodation upgrades

This document will form the basis of our divisional carbon action plans and a roadmap for our goal setting.

GHG Reporting and Performance.

This was the first year we have completed a Group-wide carbon assessment. It was based on the equity share approach, applying ISO 14064-1:2018 standard.[1]

Given the nature of our portfolio, the equity share approach gives us the most consistency across our various business structures and meets all requirements under the Aotearoa New Zealand Climate Standard.

Divisional results (absolute emissions) are below and include Category 1-4 emissions:

Divisional tCO2e emissions 2022, Category 1-4

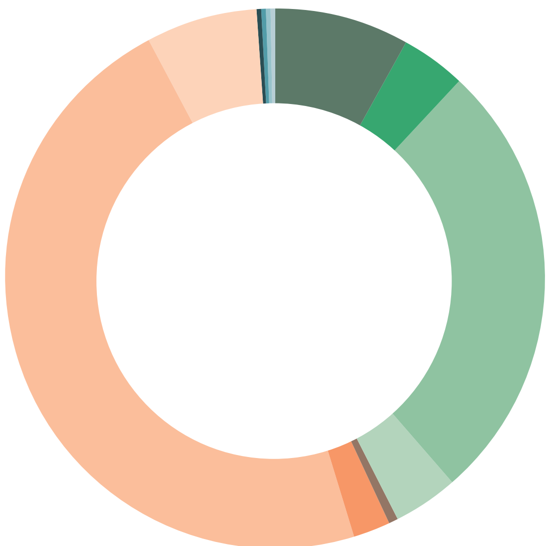
Global proteins	Horticulture	Logistics	Total
35,035	26,603	264	61,902

Categories 1 and 2 make up 15 per cent of overall emissions and these will be the initial focus for our decarbonisation initiatives.

Indirect freight (Category 3) represents 74 per cent of overall emissions. Whilst not the immediate focus, we will see improvements over time due to changes in our market mix, network design (centralisation of processing and storage sites) and technology improvements in the freight industry. Category 3 emissions are accounted for by the cargo owners, hence Logistics, as a service provider, has a very small footprint relative to our other divisions.

We will be reviewing our targets across the Group once our strategic process is completed.

Emissions Breakdown



	Horticulture	Global Proteins	Logistics
Category 1	5,023	255	119
Category 2	2,496	1,337	48
Category 3	16,627	29,276	74
Category 4	2,458	4,168	23

[1] This standard classifies emissions into one of 6 Categories, of which Categories 1-4 are relevant to Scales. These categories are: Category 1 - Direct GHG emissions and removals; Category 2 - Indirect GHG emissions from imported energy; Category 3 - Indirect GHG emissions from transportation; and Category 4 - Indirect GHG emissions from products an organisation uses. Global Warming Potentials (GWP) from the Intergovernmental Panel on Climate Change fifth assessment report are the preferred GWP conversion.

Environment (continued)

TOITŪ CARBON REDUCE ISO 14064-1 ORGANISATION

Mr Apple - 2022 Emissions

This was Mr Apple's fifth season under the Toitū certification programme. As mentioned previously, the year was impacted by certain disruptions that have in turn affected our GHG emissions performance. Factors such as irregular and / or inefficient sailings and extended onshore storage requirements (increased electricity consumption) drove increases in Category 2 and 3 emissions. Combined with reduced revenue, this led to an increase in carbon intensity. Overall emissions declined from last year, primarily due to reduced volumes and trucking requirements.

Absolute 2022 emissions = 21,581 tCO2e

4 per cent decrease[1]

Carbon intensity goal of 1 per cent reduction in GHG emissions per million dollars gross revenue from 2018-2024

11 per cent increase

Reduce paper use by 10 per cent per annum

53 per cent total reduction

Reduce waste to landfill by 30 per cent by 2024 (post-harvest)

30 per cent reduction

Reduce electricity consumption by 3 per cent by 2024

13 per cent increase

Reduce overall fuel use by 5 per cent by 2024

4 per cent reduction

Prior to 2022, initiatives such as centralising domestic freight, EROAD monitoring, market allocations reducing ocean freight kilometres and waste minimisation programs were starting to have an impact on our 2018 baseline. We expect this trend to continue when normal operating conditions resume.

Climate Risk Framework

Methodology

In 2022, we developed our 3 climate scenarios which are aligned to the Aotearoa Circle's Agri-Adaptation Road Map:

1. Orderly – RCP 2.6: this is an orderly transition to a low-carbon future that avoids major physical changes
2. Disorderly – RCP 2.6: expected to result in a 1-2°C increase in global temperature. This scenario has a delayed, disorderly and disruptive transition to a low-carbon future. It avoids major physical changes but has high transition impacts
3. Hothouse – RCP 8.5: this converts to a 2.4°C increase across our long-term horizon of 2050 (although it is on track to achieve > 3°C by 2100). There is low transition risk as global carbon reduction initiatives do not come into legislation. As a result, there are increased physical impacts

These scenarios were considered as part of the horizon scan to help identify key risks and opportunities (both climate and other) across the business. Scales has developed an online tool, in conjunction with external consultants, to act as a sustainability dashboard, displaying risks, opportunities, scenario analysis, action plans and KPIs. This tool considers both financial and non-financial impacts on the business and ranks all risks based on a combination of impact, likelihood and confidence (spread of the responses), as well as looking at the impacts over both a short-term (to 2030) and long-term (to 2050) basis.

[1] Percentage changes are calculated over the period 2018-2022.

Outcomes

Key climate risks for Mr Apple are shown below. These risks and opportunities helped inform Mr Apple's 6-point action plan, and this strategic planning process will be rolled out to the other divisions in 2023. The table below includes both transition and physical risks and traverses the entire Mr Apple value chain from orchard to consumer impacts. The risks and opportunities have been ranked on impact (noting that this ranking does not take into account likelihood).

Risks	Time Horizon	Strategies
Volume impacted by extreme weather	Short-term	• Geographical spread of orchards reduces catastrophic risk from single event • Invested in more support structures for the trees in our new developments • Future proof drainage when orchards are redeveloped to allow for increased rainfall events • Hail nets are not considered currently viable, however we will continue to review this position
Labour security and affordability impacted by external factors	Short-term	• Continual industry and government engagement to highlight the benefits of the RSE programme • Diversify geographic sources of RSE labour pools • Further investment in technology to improve labour efficiency
Water security impacted by rainfall and drought changes	Long-term	• Staggered renewal dates for water consents • Implemented successful post-harvest reticulation and storage systems at Whakatu, opportunities to roll out across other sites • Investigate on-orchard water storage options
Supply chain reliability and affordability impacted by regulatory changes and extreme weather	Short-term	• Regular review of concentration risk to key suppliers and business continuity plans • Internal trials and industry partnerships to reduce and develop more sustainable inputs
Yield impacted by sea level rise and changing seasonal conditions	Long-term	• Spread of lease renewals, so we can continually assess appropriateness of locations • Option to use existing products and technology to offset the increased risk of sunburn, manage harvest windows and chill requirements
Yield impacted by pests and diseases and biodiversity loss	Long-term	• Formalising the pest and disease strategy, which includes prevention, reduction and control options • Continued support and partnership with industry initiatives

Opportunities		
Changes to market access requirements – opportunity to improve access relative to competitors	Short-term	• See above for pest and disease strategy • Regular review of market concentration risk • Continual development of carbon and biodiversity programmes to align with increased market requirements • Additional investment in R&D for packaging and label options • Ongoing focus on existing compliance requirements and assurance programmes including GAP and GRASP
Market demand impacted by customer perceptions and preference	Short-term	• Identified our target markets are aligning our pipeline of new varieties with customer preferences • Embedding sustainability into our strategy, brand and communications - opportunity to improve premiumisation of the Mr Apple brand

As well as resulting in new mitigation / adaptation actions, the opportunities identified above are being reflected in Mr Apple's strategic plan, including target markets, variety selection, branding and supply chain efficiency initiatives. The capability and resources (including capital deployment) required to unlock these initiatives are considered by the Board and made at a Group level across our portfolio.

Environment (continued)

CRD Index – Summary of Key Disclosures

Governance	Page number
Identify the governance body responsible for oversight of climate-related risks and opportunities	17
Description of the governance body's oversight of climate-related risks and opportunities	17
Description of management's role in assessing and managing climate-related risks and opportunities	17

Strategy	
Description of current climate-related impacts	23
Description of the scenario analysis undertaken	22
Description of the climate-related risks and opportunities identified over the short, medium and long-term	23
Description of the anticipated impacts of climate-related risks and opportunities	23
Description of how the business will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state	9, 23

Risk Management	
Description of the processes for identifying, assessing and managing climate-related risks	17, 22, 23
Description of how the processes for identifying, assessing and managing climate-related risks are integrated into overall risk management processes	17

Metrics and Targets	
The metrics that are relevant to all entities regardless of industry and business model	21, 22
Industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities	21, 22
Any other key performance indicators used to measure and manage climate-related risks and opportunities	21, 22
The targets used to manage climate-related risks and opportunities, and performance against those targets	21, 22

GHG Emissions	
A statement describing the standard or standards that GHG emissions have been measured in accordance with	21
The GHG emissions consolidation approach used: equity share, financial control or operational control	21
The source of emission factors and the GWP rates used or a reference to the GWP source	21
Summary of specific exclusions of sources, including facilities, operations or assets with a justification for their exclusion	N/A

Structure builds confidence

Divisional Overview

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 5 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

Note that Profruit has been transferred into our Horticulture division, where we believe that its operations and strategy are better aligned. Current year and prior year financial results have been updated accordingly.

Global Proteins Division

Meateor NZ*	Meateor International**	Shelby Foods**	Fayman*	Meateor Australia*
Petfood ingredient processor and marketer, New Zealand (50%)	Petfood ingredient supplier, Australia & other markets (100%)	Petfood ingredient procurer, processor and marketer, USA (60%)	Edible by-products exporter (50% - Fayman International / 42.5% ANZ Exports)	Petfood protein manufacturer (33.33%)

* Equity accounted.

** Fully consolidated into Scales' financial results, with Shelby non-controlling interest of $18.8 million deducted from NPAT (2021: $9.8 million).

Operational and Financial Performance

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

		2022	2021
Key Operational Metrics			
Petfood ingredients volume sold	MT	158,595	149,207
Financial Performance		**$000's**	**$000's**
Global Proteins revenue		319,923	218,852
Underlying Global Proteins EBITDA		**60,158**	**33,387**
Depreciation and amortisation		(747)	(733)
Depreciation of right-of-use assets		(64)	(58)
Underlying Global Proteins EBIT		**59,347**	**32,596**
Global Proteins EBITDA		**58,913**	**32,933**
Global Proteins EBIT		**58,102**	**32,142**
Capital employed		106,605	69,546
ROCE		67.4%	48.0%

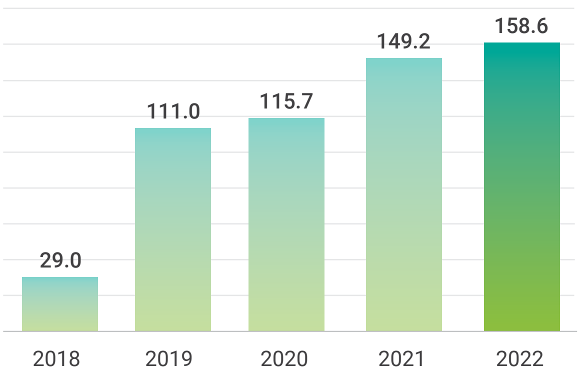
NB: A reconciliation of Underlying to Reported profit measures follows this Divisional Overview section.

Operational Summary

Global Proteins produced another excellent performance for the year. The division generated a 6 per cent increase in volumes of petfood ingredients sold, from 149,207 MT to 158,595 MT.

Given the primarily edible nature of product sold, this figure does not incorporate volumes sold by Fayman. However, over 9,000 MT of product was sold by Fayman during November and December 2022.

Petfood Ingredients Sold (MT 000s)



Financial Summary

Financially, the Global Proteins division delivered an exceptional result in 2022 with record results for both revenue and profitability. Revenue was $319.9 million, a 46 per cent increase on prior year (2021: $218.9 million), whilst Underlying EBITDA was $60.2 million, an 80 per cent increase (2021: $33.4 million).

This result reflects factors including:

- Significant operational efficiencies following development and investment at processing sites
- Impacts of new product development, which is returning higher margins
- A leadership team with long-term customer relationships, enabling expansion of geographic reach and product range
- Changes in mix, including product, customer and market
- Contribution from Fayman since completion, which is equity-accounted

Industry and Strategy Update

The petfood industry continues its expansion. In the second half of 2022 alone, petfood manufacturers in the USA announced over US$2.4 billion of facility expansions and investments to meet future demand[1], with this additional capacity expected to progressively be available over the next 2 years. Coupled with this, supply chains and the sourcing of raw materials are being identified as the biggest future production challenges for petfood manufacturers[2].

Meateor and Shelby have very experienced and well-connected leadership teams and have developed deep relationships with suppliers and customers over 25 years. This gives us confidence that we will participate alongside our customers in this growth. Consequently, we are investing in broadening and expanding our own capacity within the USA to support current customers and internationally to support many of those same customers with their global businesses.

Our value chain ranges from sourcing raw material proteins, to production and shipping of high-quality products, through to sale of these products to the 3 main markets for animal products of pharmaceuticals, petfood and edible proteins.

Whilst we have previously concentrated on the supply of petfood ingredients, we also supply to the pharmaceutical industry and, with the investment in Fayman, now supply to the edible proteins market, particularly in Asia. It is our plan to grow our presence within each of these end-markets.

2023 Outlook

The outlook for Global Proteins is extremely positive and 2023 has started well. Whilst some normalisation is expected for 2023, early trading has continued at 2022's levels.

There will be some disruption to earnings as the Meateor Australia start-up becomes fully operational in 2023 and integrates into the Group.

We are excited to see what 2023 brings for this division.

[1] https://www.petfoodprocessing.net/articles/16526-pet-nutrition-demand-fuels-more-than-2-billion-in-facility-investments

[2] https://digital.petfoodprocessing.net/sosland/pfp/pet-food-processing-december-2022/index.php#/p/12

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 2022, we operated 3 packhouses. Each of our packhouses are equipped with high-speed optical grading machines. Stage 1 of the Whakatu packhouse automation project was successfully completed in 2022. The remaining stages have been paused for 2023.

Mr Apple also operates 6 coolstores.

Markets

Our apples are sought after around the world and we sell apples to approximately 125 customers in 30 countries.

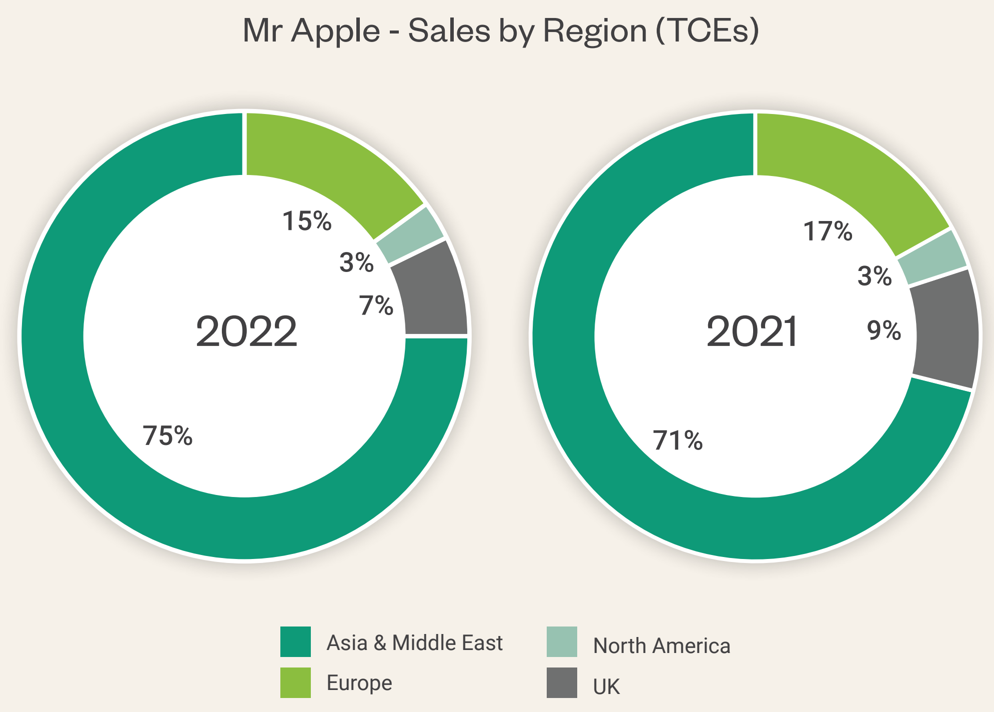
Asia and the Middle East is our largest market, accounting for approximately 75 per cent of export sales volumes (2021: 71 per cent).

Marketing and Branding

Over the past decade, Mr Apple has made significant advances in the areas of marketing and branding. Focus has been on development of both the Mr Apple brand as well as the brands of high value varieties sold (such as Dazzle™, Posy™ and Diva™). Our experience, together with our international research, shows that premium apple brands, well supported by consumer marketing, point of sale displays and innovative packaging, achieve excellent and consistent prices. The underlying consumer demand that is generated can support large volume growth.

With New Zealand comprising a very small portion of international production and sales of apples, we increasingly direct our focus to premium-branded apples. Dazzle™, Posy™ and Diva™ achieve NZD FOB prices that are approximately 2-times higher than traditional apples and are excellent examples of how Mr Apple is developing an economically sustainable and resilient business model.

2022 saw the implementation of strategy work completed in 2021, with the brand identity refreshed to be contemporised and simplified. The brand rollout was across the corporate sites, packaging, point of sale material and advertising. This change is the first step in a longer-term brand development strategy. Some highlights of the year are shown in the following pictures.



Mr Apple is the official apple supplier of the NZ Team, supporting it at the Beijing Winter Olympics and at the Birmingham Commonwealth Games.

Mid-Autumn festival offers the opportunity for apple gifting in many markets. Mr Apple developed special packaging and supported this with in-store sampling and Key Opinion Leader / Key Opinion Consumer campaigns.

Dazzle™ and Posy™ have their own marketing material to support brand awareness and sales.

Financial Performance and Key Operating Statistics

Summary Performance

The table below shows the financial performance of our Horticulture division for 2022 and 2021.

	2022 $000's	2021 $000's
Horticulture revenue	228,854	243,422
Underlying EBITDA		
Mr Apple	14,649	37,941
Fern Ridge	1,263	1,131
Profruit	1,069	1,715
Underlying Horticulture EBITDA	**16,980**	**40,787**
Depreciation and amortisation	(9,645)	(9,820)
Depreciation of right-of-use assets	(8,393)	(8,047)
Underlying Horticulture EBIT	**(1,058)**	**22,920**
Horticulture EBITDA	**10,332**	**41,239**
Horticulture EBIT	**(7,707)**	**23,372**
Capital employed	299,837	310,691
ROCE	-0.4%	7.8%

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

Horticulture generated a solid result in a year with significant disruption. Earnings were affected by a number of factors, particularly the lockdowns in China, which resulted in material reductions in both sales volumes and prices during critical sales windows particularly during the latter parts of the season. Lower volumes, higher shipping costs and labour availability also all had an impact on earnings.

Profruit delivered a strong result given the market conditions, with our share of earnings being $1.1 million (2021: $1.7 million).

Orchard Statistics

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

		2022	2021	2020	2019	2018
Orchard						
Total planted orchard (at time of harvest)[1]	Ha.	1,167	1,201	1,186	1,158	1,149
Fully mature equivalent planted orchard	Ha.	1,024	1,050	1,028	1,023	1,057
Apples picked (Mr Apple orchards)	TCE 000s	4,281	4,757	5,119	4,841	5,090
Apples packed (Mr Apple + external growers (Hawke's Bay))	TCE 000s	3,960	4,430	4,858	4,747	4,739
Exported volume						
Mr Apple	TCE 000s	3,324	3,651	3,915	3,822	3,867
External growers	TCE 000s	1,256	1,332	1,824	2,132	1,964
Total	**TCE 000s**	**4,580**	**4,983**	**5,739**	**5,953**	**5,831**
Mr Apple packout %	%	78%	77%	76%	79%	76%
Total NZ production	TCE 000s	18,777	19,666	22,199	21,755	20,687
Mr Apple own grown volume share of NZ production	%	17.7%	18.6%	17.6%	17.6%	18.7%
Profruit						
Juice concentrate sold	litres 000s	5,748	6,497	6,544	6,170	6,219

Weather and orchard redevelopment, which reduced planted hectares, impacted volumes this year:

- Gross production was down 10 per cent to 4.28 million TCEs (2021: 4.76 million TCEs)
- Own-grown export volumes were down 9 per cent to 3.32 million TCEs (2021: 3.65 million TCEs)
- Total exported volumes, were down 8 per cent to 4.58 million TCEs (2021: 4.98 million TCEs)

Despite the decrease in volumes, we continue to contribute significantly to the national apple crop, with production from our owned and leased orchards accounting for 17.7 per cent of New Zealand's apple exports (2021: 18.6 per cent).

[1] Planted orchard at the end of the year was 1,149 hectares.

Volumes and Prices

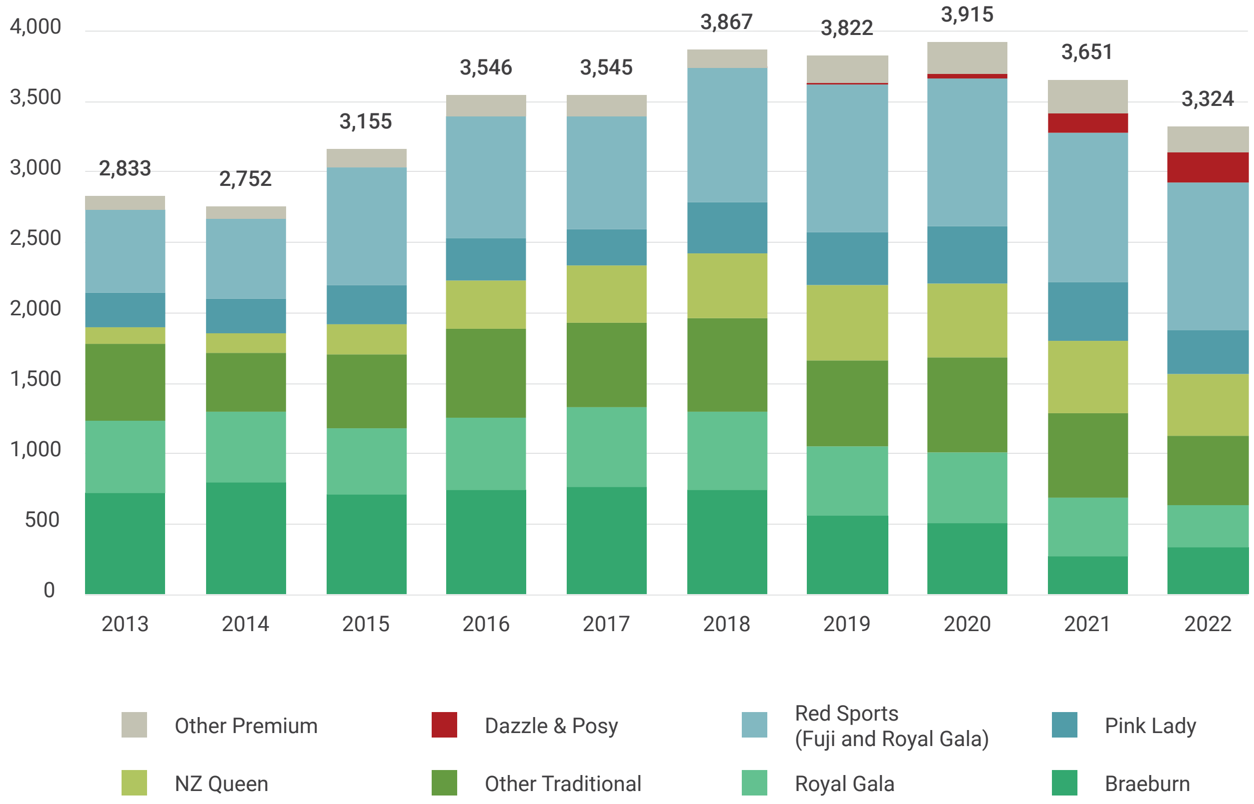
Volumes and prices (on a NZD FOB basis) for 2022 and 2021 are noted below.

Volumes by Variety (TCE 000s)		2022	2021
Premium Varieties			
NZ Queen	TCE 000s	439	510
Pink Lady	TCE 000s	305	426
Red Sports (Fuji and Royal Gala)	TCE 000s	1,056	1,061
Dazzle™ & Posy™	TCE 000s	215	135
Other	TCE 000s	181	235
Total	**TCE 000s**	**2,196**	**2,366**
Growth	%	(7%)	6%
% premium		66%	65%
Traditional varieties			
Braeburn	TCE 000s	338	271
Royal Gala	TCE 000s	298	412
Other	TCE 000s	492	602
Total	**TCE 000s**	**1,128**	**1,285**
Growth	%	(12%)	(23%)
Total Mr Apple owned and leased orchards	**TCE 000s**	**3,324**	**3,651**
Growth	%	(9%)	(7%)
Prices by Variety (NZD / TCE (FOB))			
Weighted average price for premium varieties	NZD / TCE	40.6	39.8
Weighted average price for traditional varieties	NZD / TCE	27.3	33.3
Total weighted average price	NZD / TCE	36.1	37.5

Volumes of Traditional and Premium varieties were down 12% and 7% respectively in 2022. However, we experienced pleasing growth in Dazzle™ volumes. Premium volumes accounted for around 66 per cent of all exports in 2022, a slight increase from 2021 (65 per cent).

Premium varieties achieved an overall slight increase in price, endorsing our strategy of investing in these varieties.

Volumes by Variety (TCE 000s)



2023 Outlook

Given the scale of Cyclone Gabrielle's impact, we are continuing to assess and understand the full effect that the cyclone has had on our operations. As we previously advised, 3 of our orchards (Brookfields, Kinross and Pakowhai) were extensively damaged, with our Pilos orchard sustaining moderate damage. Other orchards did not sustain material damage.

Picking and packing re-commenced following the cyclone with early sales indications being positive.

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 2022 and 2021 are shown below.

		2022	2021
Key Operational Metrics			
Ocean freight volume	TEUs	27,580	30,313
Airfreight volume	MT	5,553	3,645
Financial Performance		**$000's**	**$000's**
Revenue		123,338	81,878
Underlying Logistics EBITDA		**6,595**	**4,942**
Depreciation and amortisation		(194)	(209)
Depreciation of right-of-use assets		(572)	(596)
Underlying Logistics EBIT		**5,829**	**4,137**
Logistics EBITDA		**6,595**	**4,942**
Logistics EBIT		**5,829**	**4,137**
Capital employed		7,556	11,534
ROCE		61.1%	37.3%

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

Logistics produced an exceptional full year result despite continued global supply chain sector difficulties, with a 51 per cent increase in revenue to $123.3 million (2021: $81.9 million) and a 33 per cent increase in Underlying EBITDA to $6.6 million (2021: $4.9 million).

Whilst there was a 9 per cent decrease in ocean freight volumes managed, airfreight volumes increased by 52 per cent. Once again, the skill and expertise of the Logistics team has been in evidence in 2022, ensuring that all product was shipped on time and in full. We believe this is a key advantage for both Scales' internal divisions as well as Logistics' external freight customers.

2023 Outlook

Global supply chain conditions are expected to improve in 2023, with reduced port congestion. Some disruptions are likely to continue, including geopolitical conflicts and inflationary pressures, so resilience and the ability to optimise supply chain management will be required.

In the short-term within New Zealand, delays are expected in the aftermath of Cyclone Gabrielle as backlogs are cleared at ports and damages to the road and rail network are repaired.

Scales Logistics will continue to support both its internal and external customers' requirements, providing invaluable strategic input and supply chain agility as and when required.

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	
	2022	2021	2022	2021
	$000's	$000's	$000's	$000's
Underlying EBITDA (excluding NZ IFRS 16)	66,550	62,989	60,083	33,319
NZ IFRS 16 *Leases*	9,383	10,804	76	68
NZ IFRS 16 *Leases* - renewal reassessment	1,960	-	-	-
Underlying EBITDA (including NZ IFRS 16)	**77,893**	**73,793**	**60,158**	**33,387**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,729)	1,650	-	-
Gain on sale of property, plant and equipment	-	1,132	-	-
Equity settled employee benefits	(609)	(726)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	(1,960)	-	-	-
Fayman acquisition entries	1,619	-	1,619	-
Intercompany FX	(568)	-	260	-
Change in fair value gain on apple inventory	131	(932)	-	-
Change in gross liability for non-controlling interests	(4,215)	(1,852)	(4,193)	(2,169)
Transaction costs	(47)	(1,446)	-	-
Profruit - segment transfer	-	-	1,069	1,715
Reported EBITDA	**68,515**	**71,619**	**58,913**	**32,933**
Underlying EBIT (excluding NZ IFRS 16)	55,951	52,203	59,335	32,586
NZ IFRS 16 *Leases*	296	2,044	11	10
NZ IFRS 16 *Leases* - renewal reassessment	1,960	-	-	-
Underlying EBIT (including NZ IFRS 16)	**58,207**	**54,247**	**59,347**	**32,596**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,729)	1,650	-	-
Gain on sale of property, plant and equipment	-	1,132	-	-
Equity settled employee benefits	(609)	(726)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	(1,960)	-	-	-
Fayman acquisition entries	1,619	-	1,619	-
Intercompany FX	(568)	-	260	-
Change in fair value gain on apple inventory	131	(932)	-	-
Change in gross liability for non-controlling interests	(4,215)	(1,852)	(4,193)	(2,169)
Transaction costs	(47)	(1,446)	-	-
Profruit - segment transfer	-	-	1,069	1,715
Reported EBIT	**48,829**	**52,073**	**58,102**	**32,142**

Horticulture		Logistics		Corporate and eliminations	
2022	2021	2022	2021	2022	2021
$000's	$000's	$000's	$000's	$000's	$000's
6,532	30,896	5,843	4,166	(5,907)	(5,393)
8,488	9,891	752	776	67	70
1,960	-	-	-	-	-
16,980	**40,787**	**6,595**	**4,942**	**(5,841)**	**(5,323)**
(3,729)	1,650	-	-	-	-
-	1,132	-	-	-	-
-	-	-	-	(609)	(726)
(1,960)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(828)	-
131	(932)	-	-	-	-
(22)	318	-	-	-	-
-	-	-	-	(47)	(1,446)
(1,069)	(1,715)	-	-	-	-
10,332	**41,239**	**6,595**	**4,942**	**(7,324)**	**(7,495)**
(3,114)	21,076	5,649	3,957	(5,919)	(5,417)
95	1,844	180	180	9	10
1,960	-	-	-	-	-
(1,058)	**22,920**	**5,829**	**4,137**	**(5,910)**	**(5,406)**
(3,729)	1,650	-	-	-	-
-	1,132	-	-	-	-
-	-	-	-	(609)	(726)
(1,960)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(828)	-
131	(932)	-	-	-	-
(22)	318	-	-	-	-
-	-	-	-	(47)	(1,446)
(1,069)	(1,715)	-	-	-	-
(7,707)	**23,372**	**5,829**	**4,137**	**(7,394)**	**(7,578)**

Reconciliation of Underlying profitability to Reported profitability for the Group and each division (continued)

	Group		Global Proteins	
	2022	2021	2022	2021
	$000's	$000's	$000's	$000's
Underlying NPAT (excluding NZ IFRS 16)	46,897	40,438	49,145	26,527
NZ IFRS 16 *Leases*, net of tax	(1,913)	(663)	(1)	(3)
NZ IFRS 16 *Leases* - renewal reassessment, net of tax	1,412	-	-	-
Underlying NPAT (including NZ IFRS 16)	**46,396**	**39,775**	**49,144**	**26,524**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,729)	1,650	-	-
Gain on sale of property, plant and equipment	-	1,132	-	-
Equity settled employee benefits	(609)	(726)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	(1,960)	-	-	-
Fayman acquisition entries	1,619	-	1,619	-
Intercompany FX	(568)	-	260	-
Change in fair value gain on apple inventory	131	(932)	-	-
Change in gross liability for non-controlling interests	(4,215)	(1,852)	(4,193)	(2,169)
Transaction costs	(47)	(1,446)	-	-
Profruit - segment transfer	-	-	1,069	1,715
Taxation effect	1,212	(653)	(812)	(452)
Reported NPAT	**38,231**	**36,950**	**47,087**	**25,619**
Underlying NPATAS (excluding NZ IFRS 16)	28,078	30,413	30,327	16,703
NZ IFRS 16 *Leases*, net of tax	(1,913)	(663)	(1)	(3)
NZ IFRS 16 *Leases* - renewal reassessment, net of tax	1,412	-	-	-
Underlying NPATAS (including NZ IFRS 16)	**27,577**	**29,750**	**30,326**	**16,700**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	(3,729)	1,650	-	-
Gain on sale of property, plant and equipment	-	1,132	-	-
Equity settled employee benefits	(609)	(726)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	(1,960)	-	-	-
Fayman acquisition entries	1,619	-	1,619	-
Intercompany FX	(568)	-	260	-
Change in fair value gain on apple inventory	131	(932)	-	-
Change in gross liability for non-controlling interests	(4,215)	(1,852)	(4,193)	(2,169)
Transaction costs	(47)	(1,446)	-	-
Profruit - segment transfer	-	-	1,069	1,715
Tax effect of other NZ IFRS adjustments	1,212	(653)	(812)	(452)
Reported NPAT Attributable to Shareholders	**19,412**	**26,925**	**28,268**	**15,794**

Horticulture		Logistics		Corporate and eliminations	
2022	2021	2022	2021	2022	2021
$000's	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
(2,010)	15,560	4,015	2,802	(4,252)	(4,450)
(1,849)	(592)	(61)	(65)	(2)	(2)
1,412	-	-	-	-	-
(2,448)	**14,968**	**3,954**	**2,736**	**(4,253)**	**(4,452)**
(3,729)	1,650	-	-	-	-
-	1,132	-	-	-	-
-	-	-	-	(609)	(726)
(1,960)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(828)	-
131	(932)	-	-	-	-
(22)	318	-	-	-	-
-	-	-	-	(47)	(1,446)
(1,069)	(1,715)	-	-	-	-
1,556	(201)	-	-	469	-
(7,542)	**15,218**	**3,954**	**2,736**	**(5,269)**	**(6,624)**
(2,012)	15,359	4,015	2,802	(4,252)	(4,452)
(1,849)	(592)	(61)	(65)	(2)	-
1,412	-	-	-	-	-
(2,449)	**14,767**	**3,954**	**2,736**	**(4,253)**	**(4,452)**
(3,729)	1,650	-	-	-	-
-	1,132	-	-	-	-
-	-	-	-	(609)	(726)
(1,960)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(828)	-
131	(932)	-	-	-	-
(22)	318	-	-	-	-
-	-	-	-	(47)	(1,446)
(1,069)	(1,715)	-	-	-	-
1,556	(201)	-	-	469	-
(7,543)	**15,019**	**3,954**	**2,736**	**(5,268)**	**(6,624)**

Our leadership team

Leadership Profiles

Board of Directors (as at 17 March 2023)

Tim Goodacre,

Non-Executive Independent Chair

Tim was elected to the Board in 2014, having been appointed Chair of Scales' Horticulture division in 2012. He has been involved in agribusiness for over 40 years and was CEO of Zespri International from 2003 to 2007. Tim is currently: Chair of The Nutritious Kiwifruit Company Limited, which is a consortium of New Zealand kiwifruit suppliers selling under a new single brand, based around nutrition and health, on the Australian market; Director of Prevar Limited, an Australian and New Zealand joint venture apple and pear industry company, supporting the development and commercialisation of new apple and pear varieties, and Director of Koala Cherries Pty Limited. Tim is a member of Scales' Nominations and Remuneration 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.

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 develops plant-powered products. Miranda is a member of Scales' Health & Safety and Sustainability 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.

Board of Directors (continued)

Mark Hutton,

Non-Executive Independent Director

Mark was elected to the Board in 2011. He is a founding partner of Direct Capital. Mark has a background in private equity, specialising in portfolio management with a focus on strategy, growth and capital funding. Mark is currently a Director of a number of Direct Capital entities. Mark is also a Director of Evergreen Partners Limited, and is a Board Member of New Zealand Rugby Union Incorporated. Mark is Chair of Scales' Nominations and Remuneration Committee and of Scales' Finance and Treasury Committee and is a member of Scales' Audit and Risk Management 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.

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.

Qi Xin,

Non-Executive Director

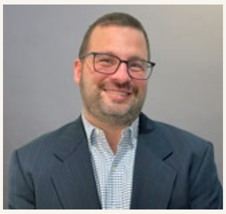
Xin was appointed to the Board in 2021. He is a Senior Director of a department within China Resources Enterprise, Limited, which holds a 15.1% shareholding in Scales. Xin has held Director and CFO roles within China Resources (Holdings) Co, Limited. Xin holds a Bachelor of Engineering from the Beijing Institute of Technology and a MBA from the University of North Carolina at Chapel Hill.

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 previous section.



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.

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.

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.

Chantelle Ramage,

General Manager Profruit

Chantelle has been with Profruit for 16 years, including 14 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.

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.

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.

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.

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.

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

Financial Statements

Contents

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022 $000's	2021 $000's
Revenue	B1	619,173	514,551
Cost of sales	B2	(492,547)	(400,663)
		126,626	**113,888**
Administration and operating expenses	B2	(53,003)	(47,241)
Reversal of impairment (impairment) on revaluation	C1	(3,729)	1,650
Share of profit of entities accounted for using the equity method	C3	4,624	3,162
Other income	B3	67	6,022
Other losses	B3	(6,069)	(5,862)
EBITDA		**68,516**	**71,619**
Amortisation		(379)	(342)
Depreciation	C1	(10,220)	(10,443)
Depreciation of right-of-use asset	G2	(9,087)	(8,760)
EBIT		**48,830**	**52,074**
Finance revenue		1,045	1,203
Finance cost	B4	(1,284)	(1,786)
Finance cost of lease liability	G2	(2,953)	(2,964)
PROFIT BEFORE INCOME TAX EXPENSE		**45,638**	**48,527**
Income tax expense	B5	(7,407)	(11,577)
PROFIT FOR THE YEAR		38,231	36,950
Profit for the year is attributable to:			
Equity holders of the company		19,412	26,925
Non-controlling interests		18,819	10,025
		38,231	**36,950**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share (cents)	D5	13.7	19.1
Diluted earnings per share (cents)	D5	13.7	19.1

The notes to the financial statements on pages 54 to 86 form part of and should be read in conjunction with this statement.

Consolidated Statement of Comprehensive Income (continued)
for the year ended 31 December 2022

	Note	2022 $000's	2021 $000's
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Loss on cash flow hedges		(10,704)	(20,730)
Income tax relating to cash flow hedges		2,997	5,804
Share of other comprehensive income of joint ventures	C3	817	(1,015)
Income tax relating to share of other comprehensive income of joint ventures		(229)	284
Foreign exchange gain on translating foreign operations		330	692
		(6,789)	**(14,965)**
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings		10,355	22,362
Income tax relating to buildings		(331)	(1,647)
Revaluation of apple trees		(3,873)	3,048
Income tax relating to apple trees		1,084	(854)
Remeasurement of net defined benefit liability		372	318
Income tax relating to remeasurement of net defined benefit liability		(44)	-
		7,563	**23,227**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**774**	**8,262**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**39,005**	**45,212**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		20,037	35,060
Non-controlling interests		18,968	10,152
		39,005	**45,212**

The notes to the financial statements on pages 54 to 86 form part of and should be read in conjunction with this statement.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Note	Share capital $000's	Reserves $000's	Retained earnings $000's	Attributable to owners of the Company $000's	Non-controlling interests $000's	Total $000's
Balance at 1 January 2021		**96,371**	**86,774**	**190,622**	**373,767**	**4,638**	**378,405**
Profit for the year		-	-	26,925	26,925	10,025	36,950
Other comprehensive income for the year		-	8,135	-	8,135	127	8,262
Total comprehensive income for the year		-	8,135	26,925	35,060	10,152	45,212
Reclassification of revaluation reserve	D2	-	(2,224)	2,224	-	-	-
Recognition of share-based payments	D2	-	726	-	726	-	726
Shares sold	D1	347	-	-	347	-	347
Shares fully vested	D1, D2	2,870	(1,251)	(295)	1,324	-	1,324
Dividends	D3	-	-	(26,832)	(26,832)	(8,868)	(35,700)
Balance at 31 December 2021		**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**

The notes to the financial statements on pages 54 to 86 form part of and should be read in conjunction with this statement.

Consolidated Statement of Financial Position

as at 31 December 2022

	Note	2022 $000's	2021 $000's
EQUITY			
Share capital	D1	101,975	99,588
Reserves	D2	92,590	92,160
Retained earnings		189,875	192,644
Equity attributable to Scales Corporation Limited shareholders		**384,440**	**384,392**
Equity attributable to non-controlling interests		7,374	5,922
TOTAL EQUITY		**391,814**	**390,314**
CURRENT ASSETS			
Cash and bank balances		68,144	35,398
Term deposits		-	85,000
Trade and other receivables	E1	42,102	28,658
Current tax assets		5,334	-
Other financial assets	E2	4,938	5,923
Unharvested agricultural produce	C2	25,149	24,561
Inventories	C5	42,647	29,641
Prepayments		4,783	4,056
TOTAL CURRENT ASSETS		**193,097**	**213,237**
NON-CURRENT ASSETS			
Property, plant and equipment	C1	221,204	213,869
Investments accounted for using the equity method	C3	54,743	26,051
Goodwill	C4	45,527	43,392
Other financial assets	E2	15,511	11,074
Computer software	C7	1,332	717
Right-of-use asset	G2	49,044	76,431
TOTAL NON-CURRENT ASSETS		**387,361**	**371,534**
TOTAL ASSETS		**580,458**	**584,771**
CURRENT LIABILITIES			
Bank overdrafts		2,368	2,196
Trade and other payables	E3	37,226	23,466
Dividend declared	D3	8,503	13,419
Current tax liabilities		-	479
Other financial liabilities	E5	15,445	7,410
Lease liability	G2	10,925	10,237
TOTAL CURRENT LIABILITIES		**74,467**	**57,207**
NON-CURRENT LIABILITIES			
Borrowings	E4	38,732	36,060
Deferred tax liabilities	B5	17,821	22,944
Defined benefit plan net liability		170	427
Other financial liabilities	E5	13,388	8,338
Lease liability	G2	44,066	69,481
TOTAL NON-CURRENT LIABILITIES		**114,177**	**137,250**
TOTAL LIABILITIES		**188,644**	**194,457**
NET ASSETS		**391,814**	**390,314**

The notes to the financial statements on pages 54 to 86 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	Note	2022 $000's	2021 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		606,293	505,854
Dividends and distributions received		1,876	2,251
Interest received		1,393	1,416
		609,562	**509,521**
Cash was disbursed to:			
Payments to suppliers and employees		(545,477)	(453,109)
Interest paid		(4,237)	(4,750)
Income tax paid		(14,983)	(11,823)
		(564,697)	**(469,682)**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**44,865**	**39,839**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from maturing term deposits		85,000	19,632
Advances repaid		112	1,231
Sale of property, plant and equipment and computer software		161	3,773
		85,273	**24,636**
Cash was applied to:			
Purchase of property, plant and equipment		(14,592)	(15,822)
Purchase of computer software		(994)	(705)
Purchase of financial instruments		-	(325)
Purchase of non-controlling shareholding		(2,180)	-
Acquisition of interest in joint ventures		(25,968)	-
Advances to joint ventures		(2,818)	-
		(46,552)	**(16,852)**
NET CASH PROVIDED BY INVESTING ACTIVITIES		**38,721**	**7,784**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Treasury stock sold		116	347
		116	**347**
Cash was applied to:			
Dividends paid		(26,863)	(26,772)
Dividends paid to non-controlling interests		(17,516)	(8,868)
Repayments of lease liabilities		(8,281)	(7,839)
Repayments of term facility borrowings	E4	-	(18,000)
		(52,660)	**(61,479)**
NET CASH USED IN FINANCING ACTIVITIES		**(52,544)**	**(61,132)**
NET INCREASE (DECREASE) IN NET CASH		**31,042**	**(13,509)**
Net foreign exchange difference		1,532	677
Cash and cash equivalents at the beginning of the year		33,202	46,034
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**65,776**	**33,202**
Represented by:			
Cash and bank balances		68,144	35,398
Bank overdrafts		(2,368)	(2,196)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**65,776**	**33,202**

The notes to the financial statements on pages 54 to 86 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2022

	2022 $000's	2021 $000's
NET CASH GENERATED BY OPERATING ACTIVITIES		
Reconciliation of profit for the year to net cash generated by operating activities:		
Profit for the year	38,231	36,950
Non-cash items:		
Depreciation (including on right-of-use asset)	19,307	19,203
Loss on lease modification	1,854	-
Impairment (reversal of impairment) on revaluation	3,729	(1,650)
Amortisation	379	342
Share of equity accounted results	(4,624)	(3,162)
Hedging instruments	192	358
Government grant	-	(879)
Gain on disposal of property, plant and equipment	(66)	(1,132)
Share-based payments	609	726
Change in gross liability on put options	4,215	1,852
Deferred tax	(1,774)	871
Interest capitalised into loans	(24)	-
Operating cash receipts not included in profit for the year:		
Dividends received from equity accounted entities	1,875	2,250
Changes in net assets and liabilities:		
Trade and other receivables	(12,812)	(8,828)
Unharvested agricultural produce	(588)	(539)
Inventories	(12,553)	(3,498)
Prepayments	(712)	(148)
Trade and other payables	13,429	(1,760)
Current tax assets and liabilities	(5,802)	(1,117)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**44,865**	**39,839**

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 22 February 2023.

Tim Goodacre, Chair

Andy Borland, Managing Director

The notes to the financial statements on pages 54 to 86 form part of and should be read in conjunction with this statement.

Notes to the Financial Statements
for the year ended 31 December 2022

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

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:

The Food Ingredients segment has been changed to Global Proteins, which includes the new entities acquired during the year and shifting Profruit (2006) Limited to the Horticulture segment. This impacts 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 prior year figures have been restated to reflect this change in segments.

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 Holding Pty Limited, Meateor Australia Pty Limited, FI Group Holding Pty Limited Group (FI Group Holding Pty Limited, Fayman International Group Pty Limited and Fayman New Zealand Limited) and ANZ Exports Pty Limited.

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
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**
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
Impairment on revaluation	-	(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 Reporting (continued)

	Global Proteins $000's	Horticulture $000's	Logistics $000's	Other $000's	Eliminations $000's	Total $000's
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 computer software	3,491	11,898	168	26	-	15,583
Segment acquisition of right-of-use assets	42	6,614	33	-	-	6,689
2021						
Total segment revenue	218,852	243,422	81,878	3,453	(33,054)	514,551
Inter-segment revenue	-	-	(30,166)	(2,888)	33,054	-
Revenue from external customers	**218,852**	**243,422**	**51,712**	**565**	**-**	**514,551**
Gain on sale of non-current assets	-	1,132	-	-	-	1,132
Share of profit of entity accounted for using the equity method	1,447	1,715	-	-	-	3,162
Reversal of impairment on revaluation	-	1,650	-	-		1,650
EBITDA	**32,933**	**41,239**	**4,942**	**(7,495)**	**-**	**71,619**
Amortisation expense	-	(298)	(33)	(11)	-	(342)
Depreciation expense	(733)	(9,522)	(177)	(11)	-	(10,443)
Depreciation of right-of-use asset	(58)	(8,047)	(596)	(59)	-	(8,760)
Finance revenue	-	-	-	1,203	-	1,203
Finance costs	(24)	(18)	(31)	(1,713)	-	(1,786)
Finance cost of lease liability	(14)	(2,666)	(271)	(13)	-	(2,964)
Income tax expense	(6,485)	(5,470)	(1,170)	1,476	72	(11,577)
Segment profit (loss) after income tax	**25,619**	**15,218**	**2,664**	**(6,623)**	**72**	**36,950**
Segment assets	105,866	354,040	22,382	102,483	-	584,771
Segment liabilities	27,064	126,005	12,961	28,427	-	194,457
Segment carrying value of investment accounted for using the equity method	19,387	6,664	-	-	-	26,051
Segment acquisition of property, plant and equipment and computer software	542	15,921	58	4	-	16,525
Segment acquisition of right-of-use assets	-	6,941	339	34	-	7,314

Non-current assets other than financial instruments by geographical location

	New Zealand		Australia		USA		Total	
	2022 $000's	2021 $000's	2022 $000's	2021 $000's	2022 $000's	2021 $000's	2022 $000's	2021 $000's
Property, plant and equipment	213,614	210,074	31	34	7,559	3,761	221,204	213,869
Investments accounted for using the equity method	27,674	26,051	27,069	-	-	-	54,743	26,051
Goodwill	16,189	16,188	-	-	29,338	27,204	45,527	43,392
Computer software	1,332	717	-	-	-	-	1,332	717
Right-of-use asset	48,578	75,897	149	180	317	354	49,044	76,431

B. Financial Performance

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

	2022 $000's	2021 $000's
By nature:		
Revenue from the sale of goods	525,298	428,738
Revenue from the rendering of services	88,990	69,082
Fees and commission	13	13
Net foreign exchange gain (loss)	(544)	12,268
Rental revenue	5,416	4,450
	619,173	**514,551**
By market:		
New Zealand	95,627	96,972
Asia	162,097	140,261
Europe	32,262	45,668
North America	325,855	224,301
Other	3,332	7,349
	619,173	**514,551**
By segment and type:		
Horticulture - sale of agricultural produce	214,084	226,606
Horticulture - agricultural produce related services	9,363	12,375
Horticulture - other	5,407	4,441
Global Proteins - sale of pet food ingredients	310,517	213,416
Global Proteins - other	9,406	5,436
Logistics services	70,444	51,712
Other	(48)	565
	619,173	**514,551**

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

	2022 $000's	2021 $000's
Auditor's remuneration:		
Deloitte Limited (New Zealand):		
Audit of the financial statements:		
Audit of the annual financial statements	285	232
Review of interim financial statements	-	48
Other assurance services:		
Audit of solvency certificate for Selacs Insurance Limited	7	7
Sheehan & Company CPA, PC (United States):		
Group reporting audit	115	88
Review of subsidiary financial statements	35	28
Bad debts (recovered) incurred	(112)	14
Change in fair value adjustment to unharvested agricultural produce	(131)	932
Change in inventories	(12,688)	(3,743)
Direct expenses	99,408	71,145
Directors' fees	677	596
Donations	10	2
Electricity	3,583	2,899
Employee benefits expense:		
Post employment benefits - defined contribution plans	1,265	1,339
Post employment benefits - defined benefit plans	689	438
Salaries, wages and related benefits	94,037	83,363
Other employee benefits	609	726
Grower payments	31,568	47,803
Insurance	4,190	3,946
Management fees	44	48
Materials and consumables	182,046	136,854
Ocean and air freight	118,136	76,414
Operating lease expenses	2,218	2,319
Packaging	14,029	16,487
(Reversal of) provision for write-down of inventories	(107)	405
Repairs and maintenance	5,637	5,514
	545,550	**447,904**
Disclosed as:		
Cost of sales	492,547	400,663
Administration and operating expenses	53,003	47,241
	545,550	**447,904**

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

	2022 $000's	2021 $000's
Dividends	1	1
Gain on disposal of property, plant and equipment	66	1,132
Loss on lease modification	(1,854)	-
Government grants	-	879
Insurance claims expense paid	-	(4,010)
Reinsurance income	-	4,010
Remeasurement of gross liability to non-controlling interest	(4,215)	(1,852)
	(6,002)	**160**
Disclosed as:		
Other income	67	6,022
Other losses	(6,069)	(5,862)
	(6,002)	**160**

B4. Finance Cost

Interest on loans	1,140	1,281
Other interest	73	443
Bank facility fees	71	62
	1,284	**1,786**

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	9,324	10,353
Adjustments recognised in the current year in relation to the current tax of prior years	(143)	369
Deferred tax expense (credit) relating to the origination and reversal of temporary differences	(1,774)	855
Total income tax expense recognised in profit or loss	**7,407**	**11,577**

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	**45,638**	**48,527**
Income tax expense calculated at applicable corporate tax rates	11,830	13,065
Non-assessable income	(5,404)	(3,092)
Non-deductible expenses	1,124	1,235
(Over) under provision of income tax in previous year - current tax	(143)	369
	7,407	**11,577**

The tax rates used in the above reconciliation are the corporate tax rate of 28% payable by New Zealand companies under New Zealand tax law, 30% payable by Australian companies under Australian tax law and 25.5% payable by US entities under US tax law (being federal tax 21% and weighted average state tax 4.5%).

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 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 computer 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**
31 December 2021					
Deferred tax liabilities (assets):					
Trade and other receivables	(164)	175	-	-	11
Unharvested agricultural produce	6,719	158	-	-	6,877
Property, plant and equipment and computer software	12,514	887	2,501	83	15,985
Trade and other payables	(748)	(102)	-	-	(850)
Lease liability and right-of-use asset (NZ IFRS 16)	(676)	(263)	-	-	(939)
Other financial assets and liabilities, joint ventures and pension plan	7,951	-	(6,088)	(3)	1,860
Net deferred tax liability	**25,596**	**855**	**(3,587)**	**80**	**22,944**

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

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 & motor vehicles at cost $000's	Capital work in progress at cost $000's	Total $000's
Gross carrying amount						
Balance at 1 January 2021	**107,899**	**32,804**	**63,982**	**13,009**	**17,738**	**235,432**
Additions	14,825	2,568	7,428	684	(9,683)	15,822
Disposals	-	-	(304)	(1,293)	-	(1,597)
Revaluation	20,618	22	-	-	-	20,640
Effect of foreign currency translation	109	-	202	1	10	322
Balance at 31 December 2021	**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**
Accumulated depreciation and impairment						
Balance at 1 January 2021	**1,873**	**1,840**	**40,621**	**9,787**	**-**	**54,121**
Depreciation expense	1,745	3,026	4,512	1,160	-	10,443
Disposals	-	-	(259)	(1,247)	-	(1,506)
Revaluation	(1,744)	(3,026)	-	-	-	(4,770)
Reversal of impairment on revaluation	(610)	(1,040)	-	-	-	(1,650)
Effect of foreign currency translation	-	-	112	-	-	112
Balance at 31 December 2021	**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**
Net book value						
As at 31 December 2021	142,187	34,594	26,322	2,701	8,065	213,869
As at 31 December 2022	**151,256**	**27,340**	**32,525**	**3,424**	**6,659**	**221,204**

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 2022 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.

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. The 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 and 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 $5 - $250 per square metre (2021: $5 - $250) and the capitalisation rates of 5.6% - 10% (2021: 5.3% - 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 $39,500 to $180,000 per hectare (2021: $31,600 to $176,800).

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 $62,365,000 (31 December 2021: $64,114,000).

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 2022.

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.

C1. Property, Plant and Equipment (continued)

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

	2022	2021
Production levels (gross tray carton equivalent (tce)) per hectare	2,485 - 5,249	3,262 - 7,599
Orchard gate returns per tce	\$20.00 - \$62.00	\$25.00 - \$40.00
Orchard costs per tce	\$20.21 to \$37.16	\$13.63 to \$31.14
Discount rate	15.6% - 17.1%	15.5% - 16.5%

The higher the production levels and orchard gate return the higher the fair value. The higher the orchard costs and discount rate the lower the fair value. Significant changes in any of these inputs would result in significant changes to the fair value measurement. The Group's apple trees are classified as Level 3 in the fair value hierarchy.

The carrying amount of apple trees had it been recognised under the cost model is \$13,873,000 (31 December 2021: \$15,421,216).

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

	Total Hectares Planted	
	2022	2021
Premium varieties:		
NZ Queen	205	207
Pink Lady	117	118
Red sports (Fuji and Royal Gala)	268	264
Other premium	174	173
Traditional varieties:		
Braeburn	86	89
Royal Gala	152	160
Other traditional	147	150
	1,149	**1,161**

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

	2022 \$000's	2021 \$000's
Balance at beginning of the year	24,561	24,022
Decrease due to harvest	(24,561)	(24,022)
Development expenditure	26,388	25,931
Fair value adjustment	(1,239)	(1,370)
Balance at end of the year	**25,149**	**24,561**

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:

	2022	2021
Production levels (tonnes per hectare per annum)	60 - 111	27 - 131
Orchard gate returns per tce	\$23 to \$65	\$24 to \$57
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 2022	Holding 2021	Balance date
ANZ Exports Pty Ltd	Trading company	Australia	42.50%	0%	30 June
FI Group Holding Pty Ltd	Trading company	Australia	50%	0%	30 June
Meateor Australia Pty Ltd	Trading company	Australia	33.33%	0%	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 Group acquired the shareholdings of FI Group Holding Pty Limited, ANZ Exports Pty Limited and Meateor Australia Pty Limited. On the same date, Scales Group provided a put option to the other shareholders of each entity for the remaining shares and the shareholders provided Scales Group 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 have a nil fair value at 31 December 2022.

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

	2022 $000's	2021 $000's
Current assets	14,558	11,832
Non-current assets	6,015	6,058
Current liabilities	(4,717)	(2,098)
Non-current liabilities	(2,142)	(2,466)
Net assets	**13,714**	**13,326**
Group's share in the net assets of the equity accounted entity	6,857	6,663
Carrying amount of investment in equity accounted entity	**6,857**	**6,663**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	164	34
Current financial liabilities (excluding trade and other payables and provisions)	(326)	(325)
Non-current financial liabilities (excluding trade and other payables and provisions)	(2,142)	(2,466)
Revenue	26,504	22,396
Profit for the year after tax	2,128	3,430
Other comprehensive income attributable to the owners of the company	-	-
Total comprehensive income	**2,128**	**3,430**
The above profit for the year includes the following:		
Depreciation and amortisation	646	604
Interest expense	469	210
Income tax expense	838	1,352

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:

	2022 $000's	2021 $000's
Share of profit before taxation	1,484	2,382
Share of income tax	(415)	(667)
Share of other comprehensive income (net of tax)	-	-
Share of net profit for the year and total comprehensive income	**1,069**	**1,715**
Carrying value at beginning of the year	6,663	6,198
Dividends and distributions paid	(875)	(1,250)
Investment in equity accounted entity	**6,857**	**6,663**

Summarised financial information for Meateor Pet Foods Limited Partnership for the year ended 31 December

Current assets	25,679	19,824
Non-current assets	29,328	29,403
Current liabilities	(10,526)	(7,461)
Non-current liabilities	(2,847)	(2,991)
Net assets	**41,634**	**38,775**
Group's share in the net assets of equity accounted entity	20,817	19,388
Carrying amount of investment in equity accounted entity	**20,817**	**19,388**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	320	511
Current financial liabilities (excluding trade and other payables and provisions)	(3,600)	(1,100)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-
Capital commitments	2,000	-
Revenue	52,665	48,826
Profit for the year after tax	3,224	2,894
Other comprehensive income attributable to the owners of the company	1,634	(2,030)
Total comprehensive income	4,858	864
The above profit for the year includes the following:		
Depreciation and amortisation	1,253	1,189
Interest expense	245	190
Income tax expense	-	-

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

Share of profit before taxation	1,612	1,447
Share of income tax	-	-
Share of other comprehensive income (net of tax)	817	(1,015)
Share of net profit for the year and total comprehensive income	**2,429**	**432**
Carrying value at beginning of the year	19,388	19,956
Dividends and distributions paid by equity accounted entity	(1,000)	(1,000)
Investment in equity accounted entity	**20,817**	**19,388**

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 initial accounting for the acquisitions of FI Group Holding Pty Limited, ANZ Exports Pty Limited and Meateor Australia Pty Limited is provisional and will be finalised within 12 months of the acquisition.

	2022 $000's
Current assets	35,931
Non-current assets	4,581
Current liabilities	(21,613)
Non-current liabilities	(13,678)
Net assets	**5,221**
Group's share in the net assets of equity accounted entities	2,611
Goodwill	25,301
Effect of foreign exchange translation	(841)
Carrying amount of investment in equity accounted entities	**27,071**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	1,533
Current financial liabilities (excluding trade and other payables and provisions)	(14,742)
Non-current financial liabilities (excluding trade and other payables and provisions)	(13,607)
Revenue	48,546
Profit for the year after tax	4,112
Other comprehensive income attributable to the owners of the company	-
Total comprehensive income	4,112
The above profit for the year includes the following:	
Depreciation and amortisation	7
Interest expense	268
Income tax expense	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	2,783
Share of income tax	(839)
Share of other comprehensive income (net of tax)	-
Share of net profit for the year and total comprehensive income	**1,944**
Investment acquired	25,968
Dividends and distributions paid by equity accounted entities	-
Effect of foreign exchange translation	(841)
Investment in equity accounted entities	**27,071**

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

The Group previously guaranteed a share of the Profruit (2006) Limited bank loan facilities, this was released in 2021.

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

	2022 $000's	2021 $000's
Gross carrying amount		
Balance at beginning of the year	43,392	41,905
Effect of foreign currency exchange differences	2,135	1,487
Balance at end of the year	**45,527**	**43,392**

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	8,531
Food Ingredients - Shelby	29,339	27,204
Logistics	1,955	1,955
	45,527	**43,392**

As at 31 December 2022, 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 5-year period based on a Board approved budget. The model was based on the following key assumptions:

	2022	2021
Pre-tax discount rates	12-16%	10-13%
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 determined the recoverable amount of the Mr Apple CGU based on the value in use of the business which uses future cash flows covering a 5-year period based on the Director approved forecast.

The Directors concluded that there is no impairment of the Mr Apple CGU as the recoverable amount exceeded the carrying value of the Mr Apple CGU.

	$000's
Recoverable amount of the Mr Apple CGU	286,967
Carrying value	244,014
Headroom	42,953

C4. Goodwill (continued)

Key assumptions:	
Post-tax discount rate	8.67%
Terminal growth rate beyond year 5	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 the reasonably possible changes is set out below:

	$000's	$000's
	+0.5%	**-0.5%**
Post-tax discount rate	(20,270)	23,471
Terminal growth rate	17,183	(14,785)
	+5%	**-5%**
Forecast earnings	20,558	(20,558)

Changes in each key assumptions that would result in the recoverable amount equalling the carrying amount, assuming all other inputs remain unchanged, are set out below:

Post-tax discount rate	Increase by 1.15%
Terminal growth rate	Reduction by 1.69%
Forecast earnings	Reduction by 10.45%

C5. Inventories

	2022 $000's	2021 $000's
Finished goods	37,810	25,041
Other	4,837	4,600
	42,647	**29,641**

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.

C6. Impairment of Assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

C7. Software

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

	2022 $000's	2021 $000's
Gross carrying amount		
Opening balance	7,239	6,537
Additions	994	702
Closing balance	**8,233**	**7,239**
Accumulated amortisation		
Opening balance	(6,522)	(6,180)
Amortisation expense	(379)	(342)
Closing balance	**(6,901)**	**(6,522)**
Net book value	**1,332**	**717**

D. Capital Funding

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 142,721,868 fully paid ordinary shares (2021: 142,394,837) less treasury stock of 1,088,295 shares (2021: 1,230,166 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	
	2022	2021
Fully paid ordinary shares:		
Opening balance	142,394,837	142,090,521
Share Scheme - shares issued	327,031	304,316
Closing balance	**142,721,868**	**142,394,837**
Treasury stock:		
Opening balance	1,230,166	1,580,229
Share Scheme - shares issued	327,031	304,316
Share Scheme - shares forfeited and sold	(27,657)	(61,074)
Share Scheme - shares fully vested	(441,245)	(593,305)
Closing balance	**1,088,295**	**1,230,166**

The available subscribed capital of $49,101,810 (2021: $47,456,844) 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.

	2022 $000's	2021 $000's
Movement in share capital related to share-based payments:		
Equity-settled employee benefit share scheme vested		
Interest-free loan became full recourse	1,233	1,324
Accumulated share option value reclassified from reserve into share capital	804	1,251
Accumulated dividends reclassified from retained earnings into share capital	234	295
	2,271	**2,870**

D2. Reserves

	Revaluation	Cash flow hedge	Share of joint ventures	Equity-settled employee benefits	Foreign exchange translation	Pension plan reserve	Total reserves
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Balance at 1 January 2021	**65,625**	**19,947**	**661**	**1,802**	**(860)**	**(401)**	**86,774**
Other comprehensive income (loss)	22,909	(14,926)	(731)	-	692	191	8,135
Transfer to retained earnings	(2,224)	-	-	-	-	-	(2,224)
Recognition of share-based payments	-	-	-	726	-	-	726
Shares fully vested	-	-	-	(1,251)	-	-	(1,251)
Balance at 31 December 2021	**86,310**	**5,021**	**(70)**	**1,277**	**(168)**	**(210)**	**92,160**
Other comprehensive income (loss)	7,235	(7,707)	588	-	330	179	625
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**

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

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 3 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 2019 - FY18	30 April 2022	2.71	249,179	-	(8,672)	(240,507)	-
28 June 2019 - FY18R	28 June 2022	4.06	200,738	-	-	(200,738)	-
30 April 2020 - FY19	30 April 2023	3.20	291,344	-	(9,219)	-	282,125
28 June 2020 - FY19R	28 June 2023	4.19	194,511	-	-	-	194,511
30 April 2021 - FY20	30 April 2024	3.20	294,394	-	(9,766)	-	284,628
30 April 2022 - FY21	30 April 2025	4.06	-	327,031	-	-	327,031
Total			**1,230,166**	**327,031**	**(27,657)**	**(441,245)**	**1,088,295**

The weighted average share price for shares that vested during 2022 was $4.69.

The shares issued vest over 3 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:

	2022 FY21	2021 FY20
Issue date share price, $	5.03	4.55
Expected share price volatility, %	25	23
Option life, years	3	3
Risk-free interest rate, %	3.27	0.41
Exercise price, $	3.20	3.20
Fair value, at the grant date, $	**2.21**	**1.54**

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 2 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

	2022 $000's	2021 $000's
Final dividend paid - 9.50 (2021: 9.50) cents per share	13,444	13,413
Interim dividend declared - 6.00 (2021: 9.50) cents per share	8,503	13,419
	21,947	**26,832**

All above dividends were fully imputed.

The 2022 interim dividend was declared on 9 December 2022 and paid on 16 January 2023.

D4. Imputation Credit Account

	2022 $000's	2021 $000's
Balance at end of the year	**18,057**	**20,895**

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.

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.

	2022	2021
Profit attributable to equity holders of the Company ($000's):	19,412	26,925
Weighted average number of shares:		
Ordinary shares	141,413,787	140,900,047
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	302,534	351,554
Weighted average number of Ordinary Shares for diluted earnings per share	**141,716,321**	**141,251,601**
Earnings per share (cents):		
Basic	13.7	19.1
Diluted	13.7	19.1

E. Financial Assets and Liabilities

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 ECL 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 ECL 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 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For financial assets, the ECL 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 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

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

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

	2022 $000's	2021 $000's
Trade receivables	36,170	23,945
Interest receivable	-	372
Other receivables	1,964	1,224
Owing by entity accounted for using the equity method	924	-
Goods and services tax	3,044	3,117
	42,102	**28,658**

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 44.42% (2021: 5 customers who represented 36.87%) 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 1 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	4,998	5,740
2 months	1,288	1,508
More than 2 months	13,981	2,260
	20,267	**9,508**

There was no material ECL based on Group assessment as at 31 December 2022 (2021: nil).

E2. Other Financial Assets

Current:	2022 $000's	2021 $000's
At fair value:		
Foreign currency derivative instruments	4,435	5,923
Interest rate swap contracts and forward rate agreements	503	-
	4,938	**5,923**
Non-current:		
At fair value:		
Foreign currency derivative instruments	9,853	10,185
Interest rate swap contracts and forward rate agreements	1,004	198
Shares in unlisted companies	184	184
At amortised cost:		
Employee loans	1,628	507
Related party loans	2,842	-
	15,511	**11,074**

E3. Trade and Other Payables

Trade payables	16,127	11,551
Accruals	15,565	6,858
Employee entitlements	5,534	5,057
	37,226	**23,466**

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 USD denominated loans are designated as a hedge of net investment in foreign operations.

	Facility limit		Undrawn facility	
Facility	2022 $000's	2021 $000's	2022 $000's	2021 $000's
Rabobank term facility, NZD	1,000	1,000	-	-
Rabobank term facility, USD	11,635	11,635	-	-
Rabobank seasonal facility, NZD	1,000	1,000	1,000	1,000
Westpac term facility, NZD	1,000	1,000	-	-
Westpac term facility, USD	11,635	11,635	-	-
Westpac seasonal facility, NZD	1,000	1,000	1,000	1,000
ANZ overdraft, NZD	1,000	1,000	1,000	1,000

The floating interest rate is 1.91% to 5.85% (2021: 1.22% to 2.17%) and the term borrowing facility expiry date is 1 July 2024.

E4. Borrowings (continued)

The seasonal facility, presented as current borrowings, is due for repayment within 1 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 2022 are Scales Corporation Limited, Scales Holdings Limited, Mr Apple New Zealand Limited, New Zealand Apple Limited, Geo.H.Scales Limited, Meateor Foods Limited, Scales Logistics Limited and Meateor Group Limited.

	Other current borrowings		Term borrowings	
	2022 $000's	2021 $000's	2022 $000's	2021 $000's
Seasonal (current) and term (non-current) borrowings:				
Opening balance	-	860	36,060	52,199
Repayments	-	-	-	(18,000)
Loans forgiven	-	(860)	-	-
Effect of foreign currency translation	-	-	2,672	1,861
	-	**-**	**38,732**	**36,060**

E5. Other Financial Liabilities

Current financial liabilities at fair value:	2022 $000's	2021 $000's
Foreign currency derivative instruments	7,209	1,822
Interest rate swap contracts and forward rate agreements	-	173
Put option	8,236	5,415
	15,445	**7,410**

Non-current financial liabilities at fair value:		
Foreign currency derivative instruments	11,802	6,387
Put option	1,586	1,951
	13,388	**8,338**

In 2016 the Group increased its shareholding in Fern Ridge Produce Limited (Fern Ridge) to 75%. As part of the transaction, 2.12% of the shares were then sold to an employee of Fern Ridge, and Scales entered into agreements with the remaining shareholders of Fern Ridge whereby those shareholders have an option to put their shares to Scales at a value based on a multiple of Fern Ridge profits, but with a minimum value equivalent to that paid to the selling shareholders. The option was exercised by the remaining shareholders in 2022 resulting in Scales acquiring the remaining shares in Fern Ridge.

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.

Details of interest rate swap contracts for the Group are:

	Fixed Interest Rate		Notional Principal Amount		Fair Value	
	2022	2021	2022	2021	2022	2021
	%	%	$000's	$000's	$000's	$000's
Maturity Date						
Within 1 year	-	-	-	-	-	-
2-5 years	1.20	1.20	17,364	16,101	1,507	25
After 5 years	-	-	-	-	-	-
			17,364	**16,101**	**1,507**	**25**

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.

	2022		2021	
	+1%	-1%	+1%	-1%
	$000's	$000's	$000's	$000's
Impact on net profit after tax	(131)	131	(14)	14
Impact on cash flow hedge reserve net of tax	337	(352)	460	(485)

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:

	2022		2021	
	Contract Value $000's	Fair Value $000's	Contract Value $000's	Fair Value $000's
Sale commitments forward foreign exchange contracts	422,810	(3,795)	315,284	1,754
Sale commitments foreign exchange options	158,067	(928)	171,680	6,145

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 2023 to 2027 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 exchange forward 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 forward contracts 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.

	2022		2021	
	+5% $000's	-5% $000's	+5% $000's	-5% $000's
USD				
Impact on net profit after tax	(783)	865	(489)	540
Impact on cash flow hedge reserve net of tax	(15,976)	14,479	(12,977)	12,024
AUD				
Impact on net profit after tax	644	(1,082)	(3)	4
Impact on cash flow hedge reserve net of tax	176	176	-	-
EUR				
Impact on net profit after tax	(2)	2	-	-
Impact on cash flow hedge reserve net of tax	(2,143)	1,940	(2,376)	2,197
GBP				
Impact on net profit after tax	(7)	7	(1)	2
Impact on cash flow hedge reserve net of tax	(991)	898	(1,150)	1,052
CAD				
Impact on net profit after tax	-	-	-	-
Impact on cash flow hedge reserve net of tax	(383)	347	(309)	279

E8. Categories of Financial Instruments

	2022 $000's	2021 $000's
Financial assets:		
Amortised cost	111,672	61,446
Derivative instruments in designated hedge accounting relationships	15,795	16,108
Fair value through profit or loss	184	184
	127,651	**77,738**
Financial liabilities:		
Amortised cost	86,829	75,141
Derivative instruments in designated hedge accounting relationships	19,011	8,382
Fair value through profit or loss	9,822	7,366
	115,662	**90,889**

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 tables 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.

	Within 3 months $000's	4 months to 1 year $000's	1-5 years $000's	Total $000's
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
Interest rate swaps and forward rate agreements	-	-	-	-
	54,535	**2**	**41,471**	**96,008**
2021				
Trade and other payables	23,466	-	-	23,466
Dividend declared	13,419	-	-	13,419
Put options	5,415	-	1,951	7,366
Borrowings	165	500	37,055	37,720
Interest rate swaps and forward rate agreements	96	292	1,293	1,681
	42,561	**792**	**40,299**	**83,652**

F. Group Structure

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

Subsidiary Companies	Principal Activity	Country of Incorporation	Holding 2022	Holding 2021	Balance Date
Fern Ridge Produce Limited	Trading company	New Zealand	100%	72.88%	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%	0%	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:

Subsidiary companies:	Country of incorporation and operation	Non-controlling holding 2022	2021
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 2022, reflecting 100% of the underlying subsidiary's relevant figures, is set out below:

	2022 $000's	2021 $000's
Statement of financial position		
Current assets	29,827	23,428
Non-current assets	6,163	3,288
Current liabilities	(11,697)	(7,630)
Non-current liabilities	(435)	(730)
Net assets	**23,858**	**18,357**
Attributable to:		
Equity holders of the Company	14,315	11,014
Non-controlling interests	9,543	7,343

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	17,313	8,484
Statement of comprehensive income		
Total revenue	220,425	142,037
Net profit for the year	47,155	24,448
Attributable to:		
Equity holders of the Company	28,293	14,669
Non-controlling interests	18,862	9,779
Statement of cash flows		
Net cash provided by operating activities	48,064	25,352
Net cash used in investing activities	(4,238)	(530)
Net cash used in financing activities	(43,344)	(21,264)
Net increase in net cash	**482**	**3,558**

G. Other

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

G1. Capital Commitments

	2022 $000's	2021 $000's
Commitments entered into in respect of apple trees purchases as at balance date	2,530	1,264
Commitments entered into in respect of property, plant and equipment purchases as at balance date	371	2,912

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 12 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 cases 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 not to 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 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 2021	72,827	29	5,021	**77,877**
Additions	5,212	451	1,651	**7,314**
Depreciation expense	(6,372)	(180)	(2,208)	**(8,760)**
Balance at 31 December 2021	**71,667**	**300**	**4,464**	**76,431**
Additions	2,326	796	3,567	**6,689**
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**	**49,044**

	2022 $000's	2021 $000's
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	9,087	8,760
Loss on lease modification	1,854	-
Interest expense on lease liabilities	2,953	2,964
Expense relating to short-term leases and low-value assets	2,218	2,319
Lease liabilities		
Current	10,925	10,237
Non-current	44,066	69,481
Maturity analysis (undiscounted cash flows)		
Year 1	10,932	10,244
Year 2	9,930	9,205
Year 3	9,065	8,613
Year 4	8,466	8,083
Year 5	7,578	7,451
Onwards	26,483	59,860
	72,454	**103,456**
Cash outflows for leases		
Interest on lease liabilities	2,953	2,964
Repayments of lease liabilities	8,281	7,839
Short-term leases and low-value asset leases	2,218	2,319
	13,452	**13,122**

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:

	2022 $000's	2021 $000's
Short-term employee benefits	3,445	2,986
Share-based payments	574	416
Post-employment benefits	113	99
	4,132	**3,501**

During 2022, 975,164 (2021: 1,201,923) shares were on issue to key management personnel in accordance with the Share Scheme described in note D2.

Transactions with equity accounted entities		
Revenue from sale of goods	2,428	1,623
Revenue from services	6,179	4,547
Dividends and distributions received	1,875	2,250
Interest received	24	-
Materials and services received	(998)	(1,034)
Trade receivables at balance date	924	479
Purchase of property, plant and equipment	15	-
Related party loans	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.

G4. Contingent Liability

There are no contingent liabilities as at 31 December 2022 (2021: Nil).

G5. Events Occurring After Balance Date

After balance date, Scales Corporation Limited signed an amendment to the lending facility agreements with Rabobank and Westpac. The facility of AUD 25 million was drawn down on 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 4 damaged orchards, 3 had extensive damage and 1 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.

The Group does not expect material operating impact on its other business units, which accounted for the majority of the Group's operating profits for previous years.

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

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 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 48 to 86, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, 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. We note that during the period our systems identified that a non-audit partner in the same office as the engagement partner inadvertently held an interest in the entity for part of the period, which was rectified prior to the issuance of this opinion. The matter does not impact on the financial statements and has not compromised our objectivity as auditor.

Other than in our capacity as auditor and the provision of other assurance services, we have no relationship with or interests in the Company or any of its subsidiaries. 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 $2.3 million.

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 $25.1 million at balance date as described in note C2. A revaluation loss of $1.2 million is recorded in profit or loss. Fair value less costs 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 by weight, expected sales prices, and risk-adjusting discount rates, as well as costs to harvest and sell. The risk-adjusting discount rates take into account the risk of unknown adverse events that may affect crop, harvest and/or market conditions. The valuation of unharvested agricultural produce is considered to be a key audit matter due to the level of judgement required to determine the fair value less costs to sell.	Our procedures focused on the appropriateness of the valuation methodology and the key assumptions applied in the internal valuation model. Our procedures included, amongst others: • Holding discussions with management and considering market information to identify factors, including environmental/climate or market risks, that would impact the current crop valuation; • Assessing and challenging the reasonableness of the risk-adjusting discount rates; • Engaging a Deloitte valuation specialist to consider whether the valuation method applied was appropriate and whether the risk-adjusting discount rates were reasonable based on risks relating to the unharvested agricultural produce; • 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; • 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 $27.3 million. A revaluation loss of $3.8 million has been recorded in other comprehensive income, with an impairment of $3.7 million recorded in profit or loss. The Group has a policy of recording apple trees at fair value with valuations performed with sufficient regularity that the carrying amount at the end of a reporting period does not differ materially from their fair value. The fair value of the apple trees is determined by an independent registered valuer on the basis of a discounted cash flow analysis of forecast income streams and costs from each orchard less the fair value of orchard land and buildings. The model uses a number of significant unobservable inputs, in particular: production levels per hectare, orchard gate returns (market prices), orchard costs, and discount rates. Valuation of apple trees is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and the level of judgement involved in valuing the apple trees.	Our procedures focused on the appropriateness of the valuation methodology and the key assumptions applied in the model. Our procedures included, amongst others: • Evaluating the Group's processes in respect of the independent valuation of the apple trees including its review of the valuation methodology and determination of the key valuation assumptions; • Engaging a Deloitte valuation specialist to consider whether the valuation methods applied 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; • 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, market data and considering the risks associated with the orchards.

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. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

https://www.xrb.govt.nz/standards-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
22 February 2023

Corporate Governance Statement

The Board of Scales Corporation Limited (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 17 June 2022 and discloses the practices relating to the NZX Code's recommendations.

The Board's view is that Scales complies with the corporate governance principles and recommendations set out in the NZX Code. 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 Main Board Listing Rules (NZX Listing Rules).

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

Scales' key corporate governance documents referred to in this statement, including charters and policies, can be found at www.scalescorporation.co.nz/about-us/governance.

Scales' Corporate Governance Code (the Scales Code) was reviewed and updated in December 2022 and is reviewed annually.

This Corporate Governance Statement was approved by the Board on 17 March 2023.

Principle 1 – Code of Ethical Behaviour

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 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.

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 Chair, other Directors, CEO or the Chief Financial Officer depending on who is trading. A blackout period is imposed 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.

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in the Scales 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 executive leadership and strategy, governance, agriculture, logistics, finance and capital markets, risk and compliance, legal and regulatory, people, digital and technology, export, retail and doing business in China. It is proposed that the skills matrix be included in future reports.

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

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

As at 31 December 2022 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 new Directors will enter into a written agreement with Scales setting out the terms of their appointment.

RECOMMENDATIONS 2.4, 2.8 AND 2.9

Every issuer should disclose information about each Director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests. A majority of the Board should be independent Directors. The Chair should be independent.

Board of Directors

A profile of each of the Directors is on pages 43 – 44 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. Tim Goodacre is the Independent Chair of Scales. Miranda Burdon, Nick Harris, Mark Hutton, Alan Isaac and Nadine Tunley are Independent Directors. Qi Xin is a senior Director of a department within China Resources Enterprise, Limited, which holds a 15.1% 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 Chair, Audit and Risk Management Committee Chair 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, which for 2022 included specific consideration of the tenure of any non-executive director serving longer than 9 years.

Ownership of Scales shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed at page 108.

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
- To ensure a smooth transition of new Directors

Progress on this succession process has been positive. In August 2022, Miranda Burdon was appointed to the Board, and in March 2023 it was announced that Chair, Tim Goodacre, would retire, with Mike Petersen to be appointed as his successor. In accordance with NZX rules both new Directors will offer themselves for election at the next Annual Shareholders' Meeting and shareholders will have the opportunity to hear from them directly.

	Director period of appointment		
	0-3 years	3 – 9 years	9 years +
Number of Directors	2	2	4

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 pages 107 and 108.

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.

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 skillsets 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. Our fifth and latest Future Director, Kelly Brown, completed a 12-month term on 8 June 2022.

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 a review of our gender pay equality across roles, age and salary bands
- Make access to courses in Te Reo Māori language available to all staff and also encourage the learning of other languages that are relevant to employees' roles

In accordance with the objectives, gender pay equality across the Company was reviewed in 2020. The overall finding of the review was that the Company offers pay equity across genders. Work is continuing on the appropriate targets and measurements for the remaining objectives.

The gender composition of Scales' Directors, Senior Managers and Management Team (comprising the top 2 layers of management) was as follows:

	As at 31 December 2022		As at 31 December 2021	
Position	**Female**	**Male**	**Female**	**Male**
Director	2 (25%)	6 (75%)	1 (14%)	6 (86%)
Senior Managers	0 (0%)	5 (100%)	0 (0%)	4 (100%)
Management Team (excluding Senior Managers)	7 (35%)	13 (65%)	6 (33%)	12 (67%)

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 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 Chair of the Board leads the review and evaluation of the Board as a whole, and of the Board Committees, against their charters. The Chair of the Board also engages with individual Directors to evaluate and discuss performance and professional development.

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 4 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 12-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 2022.

	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	10	10	-	-	-	-	5	5	5	5
Tim Goodacre	10	10	-	-	5	5	-	-	-	-
Miranda Burdon	4	4	-	-	-	-	-	-	-	-
Nick Harris	10	10	5	5	-	-	-	-	5	5
Mark Hutton	10	10	5	5	5	5	5	5	-	-
Alan Isaac	10	10	5	5	-	-	-	-	-	-
Nadine Tunley	10	10	-	-	-	-	-	-	5	5
Qi Xin	10	10	-	-	-	-	-	-	-	-

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 primary functions of the Audit and Risk Management Committee are:

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

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 (Chair), Nick Harris and Mark Hutton. All members of the Audit and Risk Management Committee are Independent Directors. Alan Isaac is a former national chair of KPMG. The Chair of the Audit and Risk Management Committee and the Board Chair are different people.

The Committee met on 5 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.

RECOMMENDATION 3.3 AND 3.4

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

Nominations and Remuneration Committee

The primary functions of the Nominations and Remuneration Committee are:

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

Members of the Committee are appointed by the Board and must comprise a majority of Independent Directors. The current members of the Committee are Mark Hutton (Chair) and Tim Goodacre.

Management attends Nominations and Remuneration Committee meetings if invited by the Committee. The Committee met on 5 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 and Safety Committee. The Committee is also responsible for sustainability issues.

The primary functions of the Committee are:

- To assist the Board to provide leadership and policy for health & safety and sustainability
- To 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
- To support the ongoing improvement of health and safety in the workplace
- To support sustainability initiatives across the Company

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 (Chair), Andy Borland and Miranda Burdon.

The Committee met on 5 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 primary functions of the Committee are to:

- Review the allocation of capital
- Oversee the Company's capital and treasury risk management
- Monitor continuous disclosure processes to ensure their integrity, transparency and adequacy, and that they are in accordance with Company policies
- Oversee takeover protocols and, if required, establish a Takeovers Committee comprising of Independent Directors

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 Mark Hutton (Chair) and Andy Borland. The Committee also obtains ongoing advice from external advisors.

The Committee met on 5 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 Independent Directors 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

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

RECOMMENDATION 4.3

Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks.

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, including reporting of material exposure to environmental, economic and social sustainability risks and other key risks. 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 – 24 of this report 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 Governance and Strategy, People, Marketplace, and Environment. Included in this report is work being undertaken on TCFD (Taskforce on Climate-related Financial Disclosures) reporting.

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 2022 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.

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 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 Long-Term Incentive Scheme (LTI Scheme). The long-term benefits of the LTI Scheme are solely conditional upon the Company's share price meeting certain performance criteria, details of which 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.

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 approve a Directors' fee pool and, at the 2022 Annual Shareholders' Meeting, they approved an increase in the pool by $50,000, to $650,000 per annum.

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 for being a member of the Board Committees. 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 Company for the period 1 January 2022 to 31 December 2022 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
Tim Goodacre	$166,000 (Chair)	-	-	-	-	-
Miranda Burdon*	$26,795	-	-	-	$427	-
Nick Harris**	$80,000	-	$6,000	-	$11,178	-
Mark Hutton	$80,000	$15,000 (Chair)	$6,000	-	-	$9,000 (Chair)
Alan Isaac	$80,000	-	$18,000 (Chair)	$12,000	-	-
Nadine Tunley**	$80,000	-	-	-	$6,427(Chair)	-
Qi Xin	$80,000	-	-	-	-	-

* Miranda Burdon joined the Board on 31 August 2022.

** Nadine Tunley became Chair of the Health & Safety and Sustainability Committee on 6 December 2022, replacing Nick Harris.

(a) Remuneration of the CEO and Employees

The number of employees of the Company (including former employees), not being a Director mentioned above, who received remuneration and other benefits in excess of $100,000 in the period 1 January 2022 to 31 December 2022 is set out in the remuneration bands detailed below:

Amount of Remuneration	Employees
$100,001-$110,000	11
$110,001-$120,000	16
$120,001-$130,000	9
$130,001-$140,000	7
$140,001-$150,000	14
$150,001-$160,000	3
$160,001-$170,000	7
$170,001-$180,000	3
$180,001-$190,000	3
$190,001-$200,000	6
$200,001-$210,000	5
$210,001-$220,000	2
$230,001-$240,000	2
$250,001-$260,000	1

Amount of Remuneration	Employees
$320,001-$330,000	2
$340,001-$350,000	1
$370,001-$380,000	1
$420,001-$430,000	1
$470,001-$480,000	1
$520,001-$530,000	1
$610,001-$620,000	1
$640,001-$650,000	1
$1,120,001-$1,130,000	1
$2,420,001-$2,430,000	1

As set out in further detail below, the total remuneration and value of other benefits paid to the CEO (including under the STI Scheme and LTI Scheme detailed below) for the year ended 31 December 2022 was $1,127,498 (2021: $908,161).

(b) Components of Compensation – CEO and Nominated Executives

(i) Structure

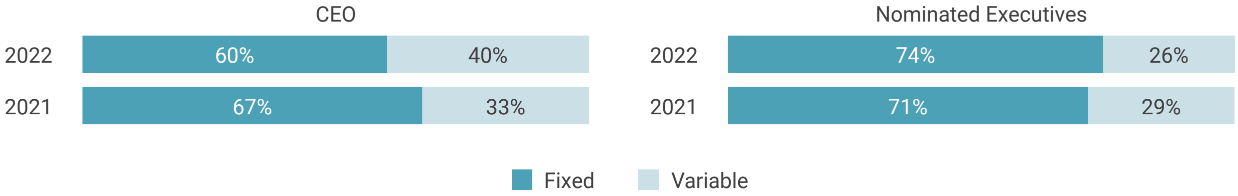
The Company aims to reward the CEO and nominated executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

- 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 and the LTI 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 2022 and 2021 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 2022, the CEO received $678,456 (2021: $612,338) 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 relating to the financial year ended 31 December 2022 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements. It should be noted that the level of remuneration detailed in this report for the CEO includes the bonus paid in early 2022 relating to the 2021 financial year. The actual amount paid for all nominated executives in the STI Scheme for the 2021 year was $883,105 and the total liability for 2022 is $936,898, being 83% of the total pool for the year.

The STI Scheme payment for the CEO relating directly to the financial year ended 31 December 2022 has been approved for payment, with the CEO receiving $229,438 (2021: $195,866) being 100% of his maximum available bonus. The CEO's financial targets were 60% for meeting the target Underlying Net Profit after Tax Attributable to Shareholders for the Group and 40% for meeting the target Underlying Earnings before Interest and Tax for the Group.

STI Scheme payment values are set as a percentage of total fixed remuneration, being 30% for the CEO and between 10% and 30% for other nominated executives for the financial year ended 31 December 2022. For the financial year ended 31 December 2022 there were 33 nominated executives in the STI Scheme.

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 2022 financial year.

(iv) Variable remuneration – LTI Scheme

The LTI Scheme has been designed to link reward with key performance indicators that drive sustainable growth in shareholder value over the long-term. The objectives of the LTI Scheme 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

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

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 in 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 476,636 shares vest, on 30 April 2023 and 28 June 2023 (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.

Although performance rights are the most prevalent LTI instrument in Australasia, the Company believes the issue of shares and loans is more relevant for Scales. The structure is well understood by executives and more closely aligns to the security held by shareholders. In addition, the economic return achieved by executives is more challenging under the current terms. 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.

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 the 2022 year is the achievement of a gross TSR of 15.0% over the IPO reference share price (equivalent to $3.33 for 2022).

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 2022. For the financial year ended 31 December 2022, there were 54 nominated executives in the LTI Scheme, an increase of 8 from the 2021 year.

In addition to the original LTI Scheme, selected executives were provided with a one-off refresh opportunity to increase their participation in the share-based LTI Scheme with additional shares being allocated over a 3-year period, commencing in 2018. The allocation price was referenced to the share price at the time of implementation. The total number of shares issued in relation to this refresh was 630,934.This refresh allocation replaced the highly successful original IPO allocation and the Board believes it was consistent with the objective to encourage executives to think and act like owners.

During the financial year ended 31 December 2022, 327,031 shares were allocated under the LTI Scheme relating to the 2021 financial year, with matching interest free loans of $1,046,499, an average of $3.20 per share. The CEO will receive 61,208 shares in the Company under the LTI Scheme relating to the financial year ended 31 December 2021, compared to 46,875 shares relating to the previous year. As at the end of the financial year ended 31 December 2022, the total balance owing under the loans advanced to the CEO under the LTI Scheme was $1,134,439, with $1,974,434 to senior management and $1,789,527 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 229,455 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 $1,559,692 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 2022 are as follows:

			Number of shares				
Grant date	**Vesting date**	**Exercise price ($)**	**Opening balance**	**Granted**	**Forfeited**	**Vested and exercised**	**Closing balance**
30 April 2019 - FY18	30 April 2022	2.71	249,179	-	(8,672)	(240,507)	-
28 June 2019 - FY18R	24 August 2022	4.06	200,738	-	-	(200,738)	-
30 April 2020 - FY19	30 April 2023	3.20	291,344	-	(9,219)	-	282,125
28 June 2020 - FY19R	28 June 2023	4.19	194,511	-	-	-	194,511
30 April 2021 - FY20	30 April 2024	3.20	294,394	-	(9,766)	-	284,628
30 April 2022 - FY21	30 April 2025	3.20	-	327,031	-	-	327,031
Total			**1,230,166**	**327,031**	**(27,657)**	**(441,245)**	**1,088,295**

The total cost of the LTI Scheme relating to share allocations made during 2022 was $722,084. 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 2022 is $608,679. 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 2022 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*			$471,978
2024*			$279,190
2025*			$63,907

*The forecast years assume no further allocations.

In March 2018 there was a change in tax legislation affecting Employee Share Schemes. This change applied to share allocations made after September 2018 and consequently first affected shares vesting in 2022 under Scales' LTI Scheme. The most significant impacts of the legislative changes were to deem the gains made in share value, by participants, as taxable to them on vesting, and to provide a tax deduction 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 2022, 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 $77,077.

(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

(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 share 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.

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.

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 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.

Insurance

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 across the Scales Group 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 – 24 of this report.

Principle 7 – Auditors

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

RECOMMENDATION 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.

Fees paid to the external auditors are included in note B2 of the notes to the financial statements. A total of $442,267 was paid for assurance-related services (including $149,522 paid to Sheehan & Company for the audit of Meateor US LLC and its subsidiaries). 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. During 2021, and coinciding with the retirement of the then current audit engagement partner, a formal review of the external auditor was undertaken by the Audit and Risk Management Committee. This review included an assessment of the auditors' independence, expertise and partner rotation frequency.

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 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 2023.

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.

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.

RECOMMENDATION 8.2

An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

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 1 share, 1 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 available at least 20 working days prior to the meeting 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 2022:

Scales Corporation Limited

Andrew Borland	Executive Director
Tim Goodacre	Independent Chair
Miranda Burdon (appointed 31 August 2022)	Independent Director
Nick Harris	Independent Director
Mark Hutton	Independent Director
Alan Isaac	Independent Director
Nadine Tunley	Independent Director
Qi Xin	Director

Fern Ridge Produce Limited

Russell Black (resigned 12 December 2022)
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
Mark Hutton

New Zealand Apple Limited

Andrew Borland
Tim Goodacre

Scales Logistics Australia Pty Limited

Andrew Borland
Tim Goodacre

Scales Employees Limited

Andrew Borland
Mark Hutton

Scales FI Group Holding Pty Limited

Tim Goodacre (appointed 27 September 2022)

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
Bruce Curtis (resigned 1 January 2022)

Shelby JV LLC

Andrew Borland
John Sainsbury
Brett Frankel
Bruce Curtis (resigned 1 January 2022)

Interests Register

The following entries were made in the interests register of Scales and its subsidiaries during the period 1 January 2022 to 31 December 2022:

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 2022 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	61,208	Beneficial owner	Acquisition	$3.20 per share	7 April 2022

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 2022 to 31 December 2022 are as follows:

Scales Corporation Limited

Andrew Borland	
The Lincoln University Foundation	Trustee
Lincoln University Centennial Trust	Advisor
Rabobank New Zealand Limited (until 23 November 2022)	Chair
Miranda Burdon	
Emerging Proteins New Zealand	Chair
Food Nation Limited	Director
Meadow Mushrooms Limited	Chair
Tim Goodacre	
Heathcote and District Financial Services Limited	Director
Koala Cherries Pty Limited	Director
Prevar Limited	Director
The Nutritious Kiwifruit Company Limited	Chair
Nick Harris	
Glenturret Farm Limited	Director
Harris Farms Limited	Director
Harris Meats (Cheviot) Limited	Director
Mark Hutton	
Evergreen Partners Limited	Director
Direct Capital IV Management Limited	Director
Direct Capital V Management Limited	Director
Direct Capital VI Management Limited	Director
New Zealand Rugby Union Incorporated	Board Member
Alan Isaac	
Basin Reserve Trust	Chair
NZ Community Trust	Chair
Oceania Healthcare (NZ) Limited	Director
Skellerup Holdings Limited	Director
Wellington Cricket Foundation	Trustee
Wellington Cricket Trust	Trustee
Wellington Free Ambulance	Director

Scales Corporation Limited (continued)

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 2022.

Director	Number of Ordinary Shares – Beneficial	Number of Ordinary Shares – Non-Beneficial
Andrew Borland	361,410	500,000
Tim Goodacre	15,625	Nil
Miranda Burdon	Nil	Nil
Nick Harris	100,000	Nil
Mark Hutton	Nil	604,961
Alan Isaac	25,000	3,000
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.

Auditor's Fees

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 2022 was $292,745. There were no fees paid to Deloitte Limited for non-assurance work during the year. In addition, audit fees of $149,522 were payable to Sheehan & Company during the year ended 31 December 2022, for their audit of Meateor US LLC and its subsidiaries.

Shareholder Information

Spread of Shares

Set out below are details of the spread of shareholders of Scales as at 31 January 2023:

	Number of Shareholders	Number of Shares Held	% of Shares Held
Under 2,000	1,357	1,325,408	0.93
2,000 to 4,999	1,536	4,635,560	3.25
5,000 to 9,999	911	5,999,258	4.20
10,000 to 49,999	815	14,745,646	10.33
50,000 to 99,999	77	5,141,913	3.60
100,000 and over	64	110,874,083	77.69

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of Scales as at 31 January 2023:

Shareholder	Number of Shares	% of Shares
New Zealand Central Securities Depository Limited	31,518,467	22.08
Custodial Services Limited	24,986,843	17.51
China Resources Enterprise, Limited	21,500,000	15.06
FNZ Custodians Limited	9,116,960	6.39
New Zealand Depository Nominee Limited	2,733,292	1.92
John Grant Sinclair & Camille Elizabeth Sinclair	2,241,000	1.57
JB Were (NZ) Nominees Limited	2,190,752	1.53
FNZ Custodians Limited	1,802,734	1.26
PT (Booster Investments) Nominees Limited	1,657,688	1.16
Scales Employees Limited	1,088,295	0.76
Forsyth Barr Custodians Limited	961,610	0.67
Sirius Capital Limited	604,961	0.42
John Grant Sinclair	578,518	0.41
Hobson Wealth Custodian Limited	527,563	0.37
Andrew James Borland & Gina Dellabarca	500,000	0.35
Investment Custodial Services Limited	488,154	0.34
Forsyth Barr Custodians Limited	481,998	0.34
FNZ Custodians Limited	369,220	0.26
JB Were (NZ) Nominees Limited	349,706	0.25
Woolf Fisher Trust Incorporated	340,000	0.24

Substantial Product Holders

Set out below are details of the substantial product holders of Scales as advised by notice to Scales at 31 December 2022.

The number of shares shown below is as advised in the most recent substantial product holder notices given to Scales and may not be their holding as at 31 December 2022.

Name	Number of Shares	Class of Shares
China Resources Enterprise, Limited	21,500,000	Ordinary
Harbour Asset Management Limited and Jarden Securities Limited	15,084,439	Ordinary

The total number of Scales Corporation Limited ordinary shares on issue as at 31 December 2022 was 142,721,868.

Other Information

NZX Waivers

Scales did not rely upon any waivers granted by NZX Limited during the year ended 31 December 2022.

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 2022.

Donations

Donations of $10,490 were made by Scales during the year ended 31 December 2022. No donations were made to political parties.

Glossary

AUD	Australian dollars
Average Net Cash	Average net cash 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
ERM	Enterprise Risk Management
EVP	Employee Value Proposition
Fayman	Australian operations of FI Group Holding 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
GAP	Good Agricultural Practices
GHG	Greenhouse Gas
GRASP	GLOBAL GAP Risk Assessment on Social 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
ISO	International Organization for Standardisation
KPIs	Key Performance Indicators
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
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
TCFD	Task Force on Climate-related Financial Disclosures
tCO2e	Tonnes of CO2 equivalent
TEU	Twenty-foot Equivalent Unit, a unit of cargo capacity to describe container volumes
Underlying profit measures (EBIT, EBITDA, NPAT, NPATAS)	Non-GAAP profit measures which Directors and management use when discussing financial performance. See page 7 for definition and pages 38-41 for reconciliation to GAAP (NZ IFRS) profit measures.

Directory

Board of Directors

Tim Goodacre (Chair)
Andrew Borland (Managing Director)
Miranda Burdon (appointed 31 August 2022)
Nick Harris
Mark Hutton
Alan Isaac
Nadine Tunley
Qi Xin

Audit and Risk Management Committee

Alan Isaac (Chair)
Nick Harris
Mark Hutton

Nominations and Remuneration Committee

Mark Hutton (Chair)
Tim Goodacre

Finance and Treasury Committee

Mark Hutton (Chair)
Andrew Borland

Health & Safety and Sustainability Committee

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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Chapman Tripp

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Corporate Advisor

Maher & Associates

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global nutrition

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