Scales Corporation Limited

Annual Report 2024

Scales
global nutrition

Driving long-term sustainable growth

Welcome to our Annual Report for our 113th year of trading.

Scales delivered an excellent Group performance in 2024, whilst delivering on our growth strategy. The hard work invested by each of our teams produced record Group Underlying EBITDA and Underlying NPAT as well as Underlying EBITDA growth across all operating divisions. Our results are a tribute to the skill and effort of our teams. They continued to deliver outstanding results in a period of change.

The Group made good progress on its growth strategy, executing several M&A transactions within the Horticulture and Global Proteins divisions during 2024. Horticulture acquired approximately 240 hectares of planted orchards from Bostock Group Limited as well as the remaining 50% of Profruit not previously owned by Scales. It also sold approximately 186ha of planted orchards to a fund managed by Craigmore Sustainables. Global Proteins increased its investment in Meateor Australia from 33% to 50%.

The net impact of all these transactions on the 2024 financial result was negligible although we expect them to positively impact earnings in future periods.

We continued to progress our sustainability goals, and we will be releasing our second standalone Climate-Related Disclosures (CRD) report in April 2025, which will provide the detail behind our journey.

A major part of this year's strong results is due to the excellent work of our people. They continued to deliver outstanding results in a period of change for the Group, whilst taking full advantage of the more stable operating environment. Our record results are due in no small part to their work.

Global Proteins

Petfood ingredient procurers, processors & marketers

Edible protein exporter

Horticulture

Vertically integrated apple grower, packer & marketer

Apple marketer

Juice manufacturer

Logistics

Air & sea freight

Belgium & Netherlands

USA

New Zealand

Australia

Contents

Key Highlights

Revenue

$584.6m

↑ (2023: $565.4m)

Earnings per Share

21.6c

↑ (2023: 3.7c)

Record Underlying NPAT

$53.6m

↑ (2023: $38.4m)

NPAT Attributable to Shareholders

$30.7m

↑ (2023: $5.2m)

Return on Capital Employed

14.5%

↑ (2023: 10.8%)

Record Underlying EBITDA

$91.7m

↑ (2023: $67.5m)

Underlying NPAT Attributable to Shareholders

$34.3m

↑ (2023: $19.0m)

Underlying Earnings per Share

24.1c

↑ (2023: 13.4c)

Net cash

$12.5m

↑ (2023: $12.0m)

NPAT

$50.0m

↑ (2023: $24.7m)

Dividends paid[1]

8.5c per share

↓ (2023: 19.0c)

7.8m

litres of juice sold

↑ (2023: 5.8m litres)

152,149 MT

of petfood ingredients sold[2]

↑ (2023: 137,477 MT)

109,742 MT

of edible proteins sold[2]

↑ (2023: 85,900 MT)

4.13m

TCEs of all apples exported

↑ (2023: 3.92m)

3.03m

TCEs of own-grown apples exported

↑ (2023: 2.73m)

30,068

TEUs of ocean freight managed

↑ (2023: 26,010 TEUs)

[1] Dividends paid in 2024 relate to FY23

[2] Includes 100 per cent of volumes from relevant businesses, i.e. total volumes controlled directly and indirectly by Global Proteins

Managing Director and Chair's Report

Overview

Excellent financial performance whilst delivering on our growth strategy

On behalf of the Board, we are delighted to present Scales' Annual Report for the year ended 31 December 2024 with Net Profit After Tax (NPAT) of $50.0 million (2023: $24.7 million). NPAT Attributable to Shareholders was $30.7 million, up significantly on last year (2023: $5.2 million).

The Group generated revenue of $584.6 million, up 3 per cent on revenue of the previous year (2023: $565.4 million).

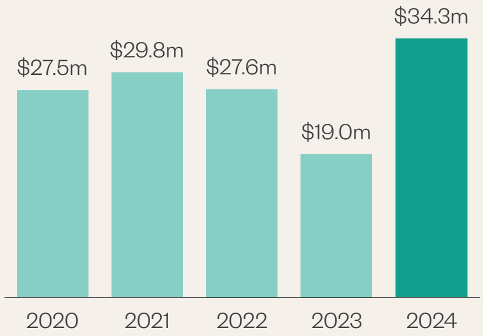
Our Underlying[1] results were very positive, with Underlying NPAT Attributable to Shareholders of $34.3 million (2023: $19.0 million), record Underlying NPAT of $53.6 million (2023: $38.4 million) and record Underlying EBITDA of $91.7 million (2023: $67.5 million). These profit increases were aided by more stable operating conditions compared to recent years, whilst the Group executed its strategic growth strategy.

Andy Borland (L) and Mike Petersen (R)

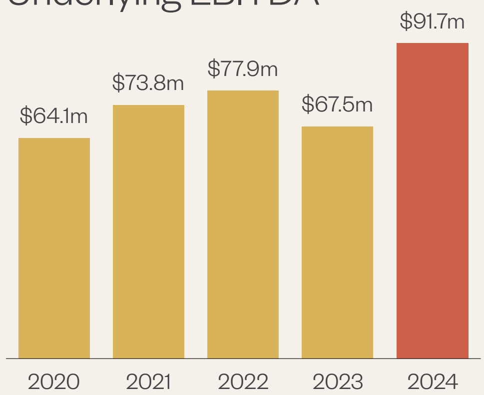
	2024 $000's	2023 $000's	Variance
Revenue	584,627	565,356	3%
EBITDA	88,093	53,675	64%
Underlying EBITDA	91,704	67,514	36%
NPAT	50,037	24,674	103%
Underlying NPAT	53,602	38,422	40%
NPAT Attributable to Shareholders	30,725	5,235	487%
Underlying NPAT Attributable to Shareholders	34,291	18,982	81%

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

M&A Transactions

We made good progress on our growth strategy during 2024, executing 3 important transactions within the Horticulture and Global Proteins divisions. These are summarised below.

Firstly, on 16 May 2024, Scales announced it had entered into an agreement to acquire certain assets from Bostock Group Limited (Bostock):

- The acquisition of approximately 240 hectares of planted orchard, comprising the acquisition of approximately 114 hectares of owned orchard and the assignment of approximately 126 hectares of leased orchard
- The purchase of 50 per cent of Profruit (2006) Limited (Profruit) held by Bostock, with Profruit becoming a wholly-owned subsidiary of Scales

The total acquisition price was $47.5 million with key points being:

- Strong geographical alignment of acquired orchards to existing Mr Apple orchards and its post-harvest infrastructure
- High concentration of Dazzle™ plantings, with approximately 110 hectares planted in Dazzle™
- Acquired orchards also include High-Colour Fuji and Royal Gala plantings

This transaction settled on 13 June 2024.

Secondly, on 4 June 2024, Scales announced it had increased its investment in Meateor Australia Pty Limited (Meateor Australia) from 33 per cent to 50 per cent. Scales' joint venture partner, the Fayman family, also increased its stake from 33 per cent to 50 per cent, with both Scales and the Fayman family acquiring their additional holdings from their third joint venture partner.

Scales' total cost of its investment is now AUD$11.5 million, representing a 50 per cent share of capital expenditure and working capital requirements.

Lastly, on 16 July 2024, Scales announced it had entered into an agreement to sell 2 apple orchards owned by Mr Apple New Zealand Limited (Mr Apple) to a fund managed by Craigmore Sustainables (Craigmore).

The sale price was $34 million with key points being:

- The orchards sold were Te Papa and Blyth and the total planted orchard area of both properties was 186 hectares
- Fruit from both orchards will be supplied to Mr Apple for packing, storage and marketing under a long-term agreement
- Blyth orchard (approximately 98 hectares) is being leased back to Mr Apple until the end of the 2027 season
- Mr Apple will provide short-term management services for the Te Papa orchard

This transaction settled on 30 September 2024. The net cost of the Bostock and Craigmore transactions was $13.5 million.

The net impact of all transactions on 2024's Underlying earnings was negligible although we expect these transactions to positively impact earnings in future periods. We are also delighted to welcome Profruit into Scales as a wholly-owned subsidiary.

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 13 per cent compounded annual return[1] on funds invested to the end of February 2025. By comparison, an investment in the S&P NZX50 would have delivered a 9 per cent compounded annual return[1] over the same period.

China Resources

In October 2024, China Resources sold its 15 per cent holding in Scales due to a change in its strategic direction. The offering of its shares was over-subscribed by new and existing institutional and retail investors. All new shareholders are welcomed to the register. The Board would like to thank China Resources for its support during its time as a shareholder and wishes it well for the future.

Strategy

Scales' Mission

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

Scales' Long-term Goal

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

Corporate and Competitive Strategies

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

[1] Compounded annual returns are calculated using share price movements and net dividends paid

Strategic Update

During 2024 we released a presentation specific to the Global Proteins division. The purpose of the presentation was to provide detailed information on the petfood industry and our place in it. Areas covered included the growth prospects of the industry, how and why we are positioned to capitalise on this growth, who the market participants are including suppliers, customers and competitors and our growth strategy and targets. Lastly, we provided an outlook on the strategic initiatives that will help us deliver on those targets.

Following the completion of the Horticulture and Global Proteins transactions this year, we will be focused on executing on all current projects and initiatives. This includes increasing margins through the improved variety mix in the Horticulture division, scaling up volumes and improving efficiencies in our new plants to capitalise on the additional capacity in Global Proteins and implementing new technology systems and building capability and talent across all divisions.

We will be reviewing our Group capital allocation and divisional strategies in 2025 and, whilst we do not expect a material change to our strategy outlined below, we may look to refresh some of the targets, including our sustainability metrics.

Mission

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

Goal

12.5% ROCE

Investment Pillars

People and Partnerships

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

Sustainable Growth

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

Operational Excellence

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

Customer Focused Innovation

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

Portfolio & Capital Allocation

Global Proteins

Horticulture

Logistics

Competitive Strategy

Product

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

Market/Channel

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

Infrastructure/Systems

+ Investment in new ERP systems
+ Continual assessment of orchard/post-harvest location and infrastructure
+ Investment in new processing technology/ automation (all divisions)

Resources

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

Specific Strategic Targets

In line with the above strategy, we have made great progress across our product and market initiatives in all 3 divisions, executing on several projects including the Bostock transaction, Meateor Australia investment and commissioning of our new toll processing site and in plant collection system in the United States.

However, most pleasingly, we are also taking significant steps to make sure our operating model is fit for purpose to enable this growth. This includes undertaking our first Enterprise Resource Planning (ERP) upgrade in the Global Proteins division with the successful implementation at Meateor New Zealand, making continuous improvements to our post-harvest systems to improve efficiency at Mr Apple and building our teams across the globe through recruitment and also internal development.

	Target	Status
Group	**Financial and operational** • Maintain financial returns in line with, or above, industry returns • Continue to seek acquisitive and organic growth to expand the business	**Excellent Progress** • Purchase of orchards and 50 per cent of Profruit from Bostock • Increased investment made in Meateor Australia • Sale of orchards to Craigmore • Other acquisition and internal growth opportunities regularly reviewed
Group	**Shareholder returns** • Continue to provide shareholders with an attractive yield on dividends • Deliver capital gains and shareholder liquidity through careful strategic execution	**Good Progress** • Interim dividend of 7.25 cents per share paid in January 2025, with second instalment to be reviewed and advised on in early May 2025 • Group ROCE of 14.5 per cent, above Group target of 12.5 per cent
Group	**Sustainability** • Develop Group and divisional sustainability strategies, including clear goals and targets • Further develop and evolve our reporting and measuring of key sustainability aspects affecting Scales' businesses	**Good Progress** • Second standalone CRD statement to be released in April 2025 • Appointed 2 new roles to the Group with a strong focus on sustainability initiatives • On target with Mr Apple's 5-year people strategy • Continued progress on our wastewater and regenerative orchard trials
Global Proteins	**Increase scale and expand offering** • Reach $70 million of EBITDA by 2027 • Execute on current initiatives • Investigate further organic and inorganic opportunities in the petfood sector	**Excellent Progress** • Increased investment in Meateor Australia from 33 per cent to 50 per cent • Commissioned new toll processing plant in the United States • Developing a new processing facility in the Netherlands, with commissioning expected in the first quarter of 2025 • New in-plant collection and cooling system in the United States fully operational in 2024. Signed agreement for second site, to be developed in 2025 • Increased volumes and yields at Meateor Australia and a move into profitability during 2024 • Ongoing global growth opportunities being actively investigated
Horticulture	**Operational and branding** • 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	**Excellent Progress** • Acquisition of approximately 240 hectares of orchards with a high concentration of Dazzle™ plantings • Sale of approximately 186ha of less strategically valuable orchards • Increased proportion of sales made to the Asia and Middle East markets • Premium volumes accounted for approximately 72 per cent of total export sale volumes • A wide variety of marketing and branding initiatives undertaken, particularly across China and other key Asia markets • Continued growth in sales of PVRs such as Dazzle™ and Posy™
Logistics	**Expand logistics offerings** • Develop scale to utilise the expertise and capacity within the team	**Excellent progress** • Commissioned a new Auckland warehouse and chiller facility • Record result achieved supported by higher ocean and air freight volumes • Strategic benefit of being an in-house logistics provider during continued period of geopolitical tensions

Sustainability

Scales is focused on:

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

People continued to be a major focus within the Group this year. We were delighted to appoint 2 new roles to the Group, being a Chief Risk Officer and a Global Safety Officer. Both of these positions have a strong focus on sustainability initiatives across the 3 divisions.

Mr Apple continued to progress its 5-year people strategy through leadership courses, succession and leadership planning. The business also worked with the Fijian Government to employ 15 Recognised Seasonal Employer (RSE) workers from Fiji's Kia Island to help rebuild the community after it was destroyed by a category 5 cyclone a few years ago.

Environmental programmes were also progressed, with Shelby commissioning a new wastewater plant at Amarillo in the USA, improving environmental and health and safety outcomes. Mr Apple re-established the regenerative trial at Kinross orchard, which had been lost during Cyclone Gabrielle, and has also introduced a second site at Blyth orchard, with the first results due in the 2025 harvest.

Our summary sustainability report is presented in the next section, and we will be publishing our second standalone CRD statement in April this year. We hope that you will find time to read both these reports.

Scales' Team

The true measure of a company is the quality of its people and we are proud to have a diverse and incredibly talented group of people who are passionate about what they do. They are at the heart of our success and the delivery of our strategy.

Their health, safety and wellbeing are our first priority and we continue to invest in appropriate health and safety programmes. Feedback is extremely important to us and improvements of any size or scale are always welcome.

We are also keen to nurture the unique Scales' culture, which we believe is one of the strengths of the Group. It is important to us that every person is treated fairly and rewarded appropriately. We are committed to being a fair and inclusive employer by empowering our people and ensuring opportunities for skills and career development are open to all, allowing them to develop to the best of their potential.

Everything Scales has achieved this year is down to the hard work of our people across the Group. They have embraced changes to, and the growth of, the Group and we would like to thank them all for their belief, skill and commitment.

Appropriately Incentivising our Team

Compensation of the Scales' management team continues to link remuneration with financial performance as well as driving a strong health and safety culture and delivering on our sustainability requirements. 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 96 to 116.

Group Financials

Summary

Scales delivered excellent results for the year ended 31 December 2024 with record Underlying NPAT and record Underlying EBITDA.

Underlying NPAT Attributable to Shareholders was $34.3 million and Reported NPAT Attributable to Shareholders was $30.7 million. Revenue was $584.6 million and Underlying EBITDA was $91.7 million.

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

Income Statement

	2024 $000's	2023 $000's
Revenue	584,627	565,356
Underlying EBITDA	**91,704**	**67,514**
Underlying EBIT	**69,251**	**48,061**
Underlying NPAT	**53,602**	**38,422**
After tax impact of:		
Non-cash, NZ IFRS and other adjustments	(3,565)	(13,748)
NPAT	**50,037**	**24,674**
Underlying NPAT Attributable to Shareholders	**34,291**	**18,982**
NPAT Attributable to Shareholders	**30,725**	**5,235**
Capital employed	497,816	440,958
Return on capital employed	14.5%	10.8%

Capital Management

Return on Capital Employed (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.

ROCE targets vary by division, given each division's specific asset and risk profiles. In 2024, Group ROCE exceeded our target, with excellent returns generated by both Global Proteins and Logistics, and with Horticulture on the pathway to improvement following Cyclone Gabrielle in 2023.

	2024	2023
ROCE		
Global Proteins	45.3%	46.8%
Horticulture	5.6%	-1.0%
Logistics	54.1%	39.4%
Group	**14.5%**	**10.8%**
Target	*12.5%*	*12.5%*

Group capital employed increased compared to last year due to increased investment in Profruit, Meateor Australia and Esro Petfood.

Scales' Reported basic earnings per share for the year ended 31 December 2024 was 21.6 cents per share (2023: 3.7 cents per share)[1]. Scales' Underlying basic earnings per share for the year ended 31 December 2024 was 24.1 cents per share (2023: 13.4 cents per share).

Financing

Average Net Debt for the year was $34.7 million (2023: $8.9 million), an increase of $26.0 million, with the movement primarily relating to the Bostock transaction, investment in Meateor Australia, advances to Esro Petfood and capital expenditure. At the end of the year our Net Cash position was $12.5 million, which was comparable with the prior year (2023: $12.0 million).

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.

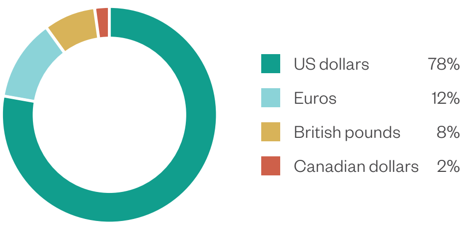
Under this policy we may take foreign exchange cover for Mr Apple for up to 5 years forward using a variety of foreign exchange instruments (including options and forward contracts). Scales maintains a blend of instruments. In addition, Scales manages the cover levels for seasonal and market variations 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 2024, Mr Apple's net foreign currency exposures were as shown below.



The average conversion rate of Mr Apple's main foreign currency exposures since 2021 were as noted below.

	2024	2023	2022	2021
USD	.6364	.6515	.6588	.6697
EUR	.5414	.5452	.5449	.5455
GBP	.4770	.4912	.4962	.5027
CAD	.8468	.8407	.8597	.8651

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

The hedging position for Mr Apple's 2 main foreign currency exposures, as at 28 February 2025, was:

		2025	2026	2027	2028	2029
USD	% cover of expected exposure	100%	88%	68%	54%	53%
	Average rate of cover	.6255	.6033	.5837	.5875	.5960
EUR	% cover of expected exposure	100%	100%	64%	60%	36%
	Average rate of cover	.5435	.5296	.5384	.5153	.5108

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 have historically funded offshore investments via term debt in the currency of the investment. This provides an investment hedge. As at 31 December 2024 our US dollar term debt was 47 per cent hedged by interest rate swaps.

Dividend

A final 2023 fully imputed cash dividend of 4.25 cents per share (a gross amount of 5.90 cents per share) was paid on 12 July 2024. Together with a 2023 interim dividend of 4.25 cents per share (a gross amount of 5.90 cents per share) that was paid on 18 January 2024, this brought the annual dividends for 2023 to a total of 8.50 cents per share (a gross amount of 11.81 cents per share).

A fully imputed initial interim 2024 cash dividend of 7.25 cents per share (a gross amount of 10.07 cents per share) was declared on 4 December 2024 and paid on 17 January 2025. We will review, and advise on, a final dividend for 2024 in early May 2025.

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

It is noted that, due to the increasingly offshore nature of the Group's earnings, it is likely that dividends after the 2024 financial year will be partially, rather than fully, imputed.

Capital Expenditure

Capital expenditure in 2024 was $19.0 million, an increase of $1.9 million on the prior year (2023: $17.1 million).

Considerable investment was made in margin improvement projects at Mr Apple, such as the ongoing orchard redevelopment programme. Other material capital expenditure related to capital works at Shelby in respect of the new in-plant collection and cooling system and sustainability improvements.

	2024 $000's	2023 $000's
Operational capital expenditure		
Global Proteins	1,606	2,622
Horticulture	4,401	2,291
Logistics	938	234
Other	19	137
Total operational capital expenditure	**6,964**	**5,284**
Margin sustainability capital expenditure		
Horticulture	6,951	944
Total margin sustainability capital expenditure	**6,951**	**944**
Growth capital expenditure		
Global Proteins	4,066	3,535
Horticulture	-	210
Total growth capital expenditure	**4,066**	**3,745**
Cyclone capital expenditure		
Horticulture	1,060	7,162
Total Cyclone expenditure	**1,060**	**7,162**
Total capital expenditure	**19,042**	**17,135**

Outlook

We were pleased to report that our 2024 earnings were towards the top end of our market guidance. The Group's financial position remains strong and we continue to explore new growth opportunities, both internal and external.

Whilst we expect some geopolitical uncertainty to remain throughout 2025, within the Global Proteins division we expect the strong financial performance will continue. Meateor Australia and Esro Petfood will continue to progress through their start-up phases and we expect Esro Petfood to join Meateor Australia into profitability by the end of the year.

Within Horticulture, picking and packing has commenced for the 2025 season, with initial crop indications being positive. A crop of around 3.4 million TCEs is forecast, and we expect a higher proportion of Premium apples within that crop. Pricing is also forecast to be positive due to several factors including the improving variety mix, larger apple size and favourable movement in exchange rates. Profruit is also currently experiencing positive demand.

We expect Logistics to continue to perform well, despite the ongoing geopolitical uncertainty that is expected to affect trade routes and market stability.

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 113th year of trading.

Mike Petersen
Chair

Andy Borland
Managing Director

20 March 2025

Sustainability Report

Scales FY24 Sustainability Report

2024 was a more positive year for the Scales teams following the weather challenges of 2023. There has been a strong focus on our people and resources to enable ongoing recovery, particularly within our Horticultural division. We continue to work on our sustainability initiatives through education, customer conversations and the appointment of 2 new roles. By understanding the requirements of our customers, investors and shareholders we can ensure we are developing a strategy that captures the views of our wider stakeholder group.

Scales will publish its second Climate-Related Disclosure (CRD) report in April 2025 (https://scalescorporation.co.nz/sustainability).

2024 sustainability snapshot:

- Completed our second mandatory CRD report
- Appointed a new role, Chief Risk Officer focused on health, safety and wellbeing, compliance and sustainability across the Group
- Appointed a new role, Global Safety Officer to support management of collaboration and consistency of health, safety and wellbeing across the Group
- First full year of our regenerative planting trial on 2 Mr Apple orchards
- Targeted employment of 15 Fijian RSE workers from Kia Island to assist with redevelopment after their village suffered devastating impacts from a category 5 Cyclone

615
Permanent staff members

48 years
Longest serving employee

39
Operational sites[1]

>1,200
RSE workers

35%
Permanent female staff

42%
Female senior leadership / management staff

Materiality

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

Our last assessment was conducted in 2021 by thinkstep-anz. This assessment gave us an extensive list of materiality topics, which we then narrowed down to key areas as noted below.

We will update our materiality assessment in 2025 prior to our strategic refresh later this year.

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

Marketplace
- Market access
- Consumer preferences
- Innovation
- Regulation

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

Corporate
- Brand reputation

[1] Owned, leased and third party

People

Mr Apple People Strategy

As the largest employer across Scales Group, with over 350 permanent staff and over 2,000 staff at peak season, it is important for Mr Apple to attract and retain staff, to create a positive work culture and drive high performance.

Mr Apple implemented a 5-year people strategy in 2022, making great progress within the last 3 years and delivering on its yearly targets.

Pillar	Purpose	2024 initiatives	2025 goals
People & culture digitalisation	Automation of people processes and transactional people activity.	Commenced Phase I of moving our RSE recruitment and RSE logistics teams to a more automated way of working via AirTable. The aim is to reduce transactional activity, reduce human error and develop a more efficient flow of data to internal and external customers.	Phase II of the RSE operations automation. Continue to expand on digitisation to our RSE logistics team with a particular focus on worker productivity.
Attraction & retention	Create and launch a brand narrative that aligns to our Employee Value Proposition, builds authenticity and trust with the employee's voice and connects to talent with data driven insights by connecting with schools, polytechnics, universities and other bodies to sell the story of horticulture.	Targeted recruitment from Kia Island in 2024 to support the community to rebuild after category 5 Tropical Cyclone Yasa in 2020 that devastated the tiny island on Fiji's northern coast off Vanua Levu. Rebuilding of the island is progressing well with a gratitude video sent to Mr Apple from the headman of Yaro Village to highlight the positive impact the partnership with Mr Apple has had on the people and their community.	**RSE:** Partner with the Government of Papua New Guinea (PNG) to identify communities that could benefit from working with Mr Apple, specifically apple growers in the highlands of Morobe Province. We will plan with the PNG Government to bring workers from this community to Mr Apple to be part of our orchard team in spring 2025. A training programme will be developed to support the workers in their horticultural aspirations in their province. **Communications:** Expand our internal communications strategy, which will have a strong focus on regular CEO and Senior Leadership updates in addition to the intranet and company magazines. **Engagement:** Deliver identified people initiatives by team, department and company based on the annual engagement survey results.
Leadership development	Identify and develop the skills of current and future leaders to ensure there is a strong pipeline of talent and a positive culture.	Invested in our high performing and high potential staff, upskilling through coaching conversations and running a total of 121 coaching sessions. Piloted the new Mr Apple Safety Leadership Programme across the senior management group including the launch of the new Mr Apple Safety Vision and Safety Values.	**People Leadership:** Targeted mid-senior level staff to be part of the customised Mr Apple Leadership Programme, which aims to upskill leadership skills. Deliver modified Dignity & Respect (ethics) workshops to staff. **Safety Leadership:** Roll out of the safety initiatives identified in the safety roadmap, which includes rollout of the Safety Leadership Programme.
Succession planning & talent development	To ensure that Mr Apple continues to run smoothly and without interruption after critical talent move on to new opportunities, retire or other.	Completed mapping talent using the 9 Box methodology for all permanent staff and completed succession plans for over 15 critical roles utilising our online people system (ELMO).	Deliver workshops to upskill people managers on how to drive and measure high performance in their team. Embedding people processes in ELMO, which includes upskilling for all staff to optimise the benefits of automated processes.
Performance & reward management	Develop a framework to improve performance measurement and monitoring, and drive a high-performance culture.	Introduced a pay-for-performance model, implemented pay principles and automated the end of year remuneration process.	Implementation of the performance and reward management framework via our Human Resources Information System (connected to our pillar of Digitisation).
Career pathways & personal development	Helps employees to grow and shape their careers on their competencies and interests.	Created and piloted the first Mr Apple Horticulture Development programme with a pilot group of 12 employees. The in-house program provides individuals from across our orchard and post-harvest divisions with the opportunity to upskill and enhance their knowledge of the different elements of growing, packing and exporting our apples.	To deliver the Mr Apple Horticulture Development programme for a second year which will include a new selected team.

Emerging Leaders Group

Scales has established an emerging leaders group. The purpose of the group is to connect emerging leaders across Scales, to discuss challenges and opportunities across our divisions, as well as giving more visibility to Scales' group strategy, access to Directors and other industry leaders.

Health & Safety

Health, safety and wellbeing continues to be a top priority for Scales and, with the evolution across the business units, Scales made the decision to appoint a new role of a Global Safety Officer who will oversee health, safety and wellbeing across the Group. This will provide collaboration, support, alignment and consistency across these areas, for all Scales businesses.

The Mr Apple team worked together to develop a safety vision and specific safety values last year ("Connected in Safety, Trust in Safety and Leaders in Safety") and will implement these in 2025. The Mr Apple team will work with other business units to develop a vision and values relevant to their teams and environments.

Community

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

- Partner of the New Zealand Olympic Team
- Planting 1,000 native trees along the Karamu Stream
- Provided 50 volunteers to help plant 3,500 natives at Maraekakaho Stream, run by Focus Maraekakaho and Hawke's Bay Regional Council
- Provided the Measles, Mumps and Rubella (MMR) vaccine to 300 RSE workers so they are protected when they return home
- Kia Island rebuild initiative post cyclone Yasa
- Corporate sponsor of Toitū Te Reo, which was the "world first Māori language and culture festival" in Hastings. This was led by local Iwi Ngāti Kahungunu in partnership with Hastings District Council and Kauwaka. The event received funding support from local businesses, of which Mr Apple was one

RSE Highlight

Mr Apple's RSE strategy is focused on partnering with Pacific Island Governments to develop recruitment plans that meet the goals of workers, Pacific communities and Mr Apple. Mr Apple endeavours to maintain strong bilateral links with the Governments from the 7 Pacific Island countries it employs from and is exploring ways to enhance the strength of these partnerships.

When Mr Apple was looking to employ more seasonal workers from Fiji under the RSE Scheme it asked the Fijian Government if there were any communities that needed support. They were taken to Kia Island where category 5 Tropical Cyclone Yasa had destroyed most of the homes in Yaro village. Between March and October 2024 Mr Apple employed 15 workers from Kia Island who have all returned to Yaro to build houses that are more cyclone resilient.

Mr Apple at the Commonwealth Heads of Government Meeting (CHOGM)

In 2024 Mr Apple was invited to, and participated in, a roundtable discussion on sustainable labour mobility, skills migration and regional collaboration as part of the Commonwealth Business Forum at CHOGM, held in Apia in October 2024.

Marketplace

With a global market presence Scales, as a diversified agribusiness, focuses on assuring customers that our business units can competently and comfortably meet or exceed market access and assurance requirements.

Our strategy outlines that we will leverage our internal capability to share knowledge and experience and to support each division in obtaining all the certifications sought by their customer base.

Scales will continue to invest in our people, systems, infrastructure and processes to produce safe and sustainable products.

Certifications and Audits

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

- AA+ rated certification to BRCGS Global Standard Food Safety (Issue 9) benchmarked to the Global Food Safety Initiative (GFSI)
- Sedex Members Ethical Trade Audit
- Walmart customer standard for Food Security
- Tesco, Costco, Albert Heijn, Delhaize and FairPrice customer standards
- OECD Grade Assurance Scheme

- New Zealand Secure Export Scheme
- Biogro Organic Certification for handling organic product
- Ecovardis, measuring environmental, social and ethical performance
- GLOBALG.A.P. (Version 6), benchmarked to GFSI. This covers food safety, traceability, biodiversity, water management, sustainability, nutrition and plant protection, worker health & safety and welfare

- GLOBALG.A.P. Risk Assessment on Social Practice, covering workers' voice, human and labour rights information and human and labour rights indicators
- LEAF Marque, an environmental assurance scheme from Linking Environment and Farming, which recognises sustainably farmed products
- Official Assurance Programmes, which describe the phytosanitary requirements of an importing country, for Taiwan, China, Thailand, Japan and the United States

Environment

Climate-Related Disclosures

In 2024 Scales has continued to educate our business units on the CRD regime. These requirements are now built into our business-as-usual practices and are being integrated into our strategic frameworks.

Scales completed a scope 3 carbon emissions screening exercise with consultants. This was a valuable process that enabled us to understand and confirm the key sources of emissions to ensure we will meet the future audit requirements.

It is evident how important understanding and recording emissions data is, not only for the CRD report, but for our customers as well. During the last year we have received an increase in requests from customers on our emissions and what our environmental targets are for the future. Although we have not yet set Group targets, we have made significant inroads during 2024 and are in a good position to set our targets in 2025.

Shelby

Shelby has completed a number of environmental initiatives over the past 24 months, which have led to sustainability and health and safety improvements in its Amarillo plant including:

- installing internal LED lights
- upgrading the refrigeration compressors to improve efficiency in the plate freezers
- installing a new high efficiency boiler
- investing in a frozen block splitter to improve safety

Furthermore, Shelby has replaced its old on-site wastewater treatment system with a new system, improving the water quality that is sent back to Amarillo city from the plant. This new system is also a major health and safety improvement for the Amarillo site as employees previously had to manually remove solids each shift.

Mr Apple Regenerative Trial

Mr Apple continues to focus on its eco-system health, pest and disease strategy with its regenerative planting trials. The first trial began on Kinross orchard in 2022, which was unfortunately washed away by Cyclone Gabrielle. However, Mr Apple restarted the trial in December 2023 reinstating Kinross orchard and starting Blyth orchard with four treatments on each, including different inter-row and intra-row practices.

The potential benefits looking to be proved are increased soil organic matter (carbon), improved nutrients and water holding capacity. These benefits are expected to improve drainage, the overall health of the trees and reduce inputs. Mr Apple will monitor soil nutrient levels and soil carbon retention as well as the nutrient levels of the fruit and complete testing in early 2025. This will give us baseline data for comparison of soil characteristics with fruit quality, which will then be tested in mid-2025. This will be a longitudinal trial that we report on as it progresses.

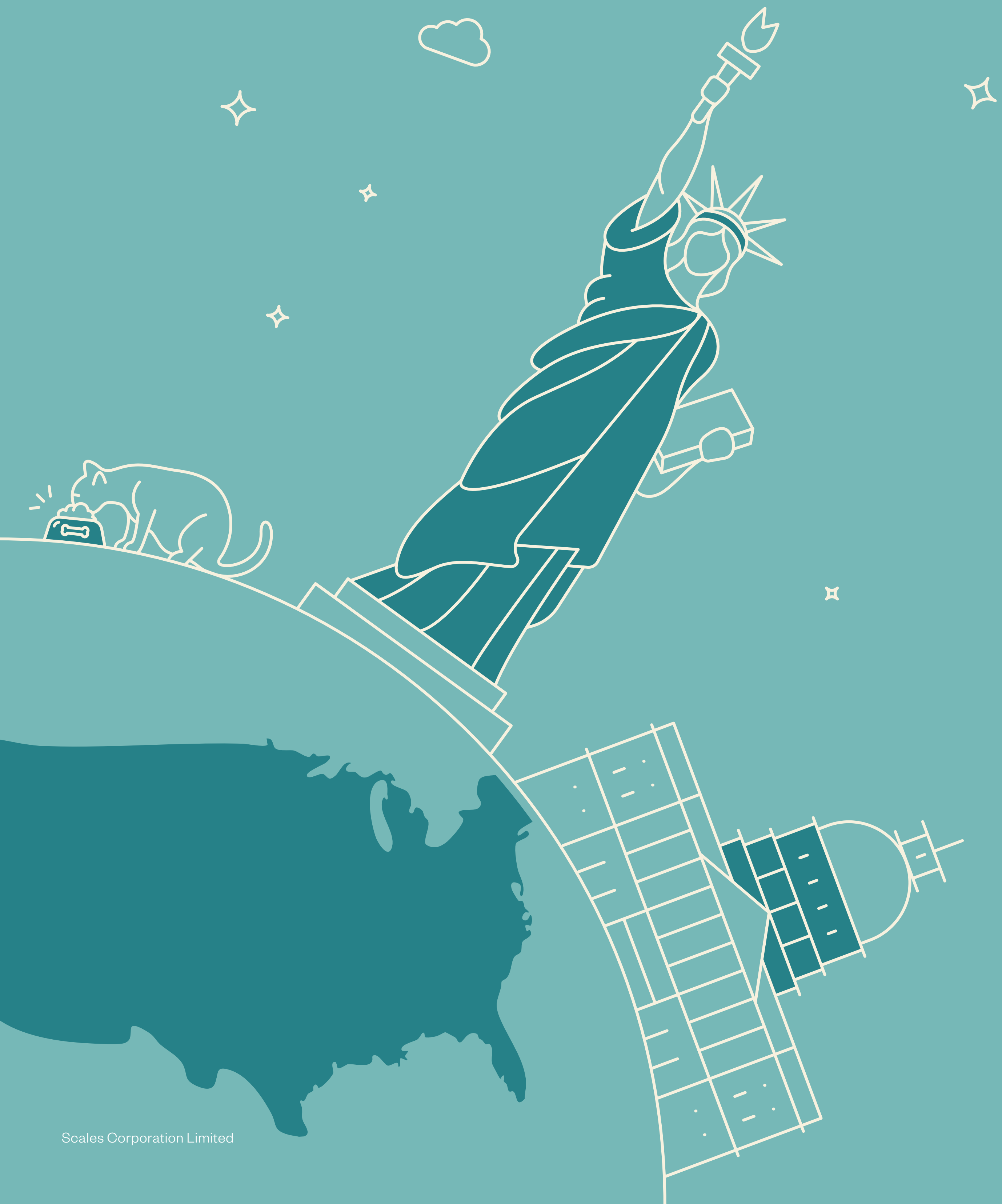
To date we have seen no adverse effects on fruit size and initial testing has shown some positive soil and fruit changes:

- Elevated nitrogen levels (without applying synthetic fertiliser) in the fruit
- Improved calcium fruit levels on the Dazzle™ trial (improves storageability of the fruit)
- Improved nutrient ratios in the fruit, which should lead to improved internal quality (we will confirm this with laboratory tests over the next few years)
- Lift in fungal association around the roots, which is a key indicator of soil health for apples

An unexpected benefit to date has been wider industry interest in our trials.

Mr Apple has now begun internal staff training to ensure its orchard staff understand what is required and the benefits we anticipate from this way of planting. Once more data around yield and profitability is available, further training and rollouts will be discussed.

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 and petfood ingredients. The division comprises 6 business operations:

Meateor NZ

50 per cent ownership of a petfood ingredients business with processing plants in Whakatu and Dunedin

Meateor International

100 per cent ownership of a supplier of petfood ingredients from Australia and other markets

Shelby

60 per cent ownership of a United States petfood ingredients business with owned and toll-processing plants in Texas, Kansas and Iowa

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

50 per cent ownership of a petfood ingredients business with a processing plant in Melbourne

Esro Petfood

50 per cent ownership of petfood ingredients business with processing plants in the Belgium and the Netherlands (under construction)

Meateor NZ*

Petfood ingredients,
New Zealand
(50%)

Meateor International**

Petfood ingredients supplier,
Australia & other markets
(100%)

Meateor Australia*

Petfood ingredients,
Australia
(50%)

Shelby Foods**

Petfood ingredients,
United States
(60%)

Fayman*

Edible proteins, Australia
(50% Fayman International / 42.5% ANZ Exports)

Esro Petfood*

Petfood ingredients,
Belgium and the Netherlands
(50%)

*Equity accounted.
** Fully consolidated into Scales' financial results, with Shelby non-controlling interest of $19.3 million deducted from NPAT (2023: $19.4 million).

Operational and Financial Performance

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

		2024	2023
Key Operational Metrics			
Petfood ingredients volume sold	MT	152,149	137,477
Edible proteins volume sold	MT	109,742	85,900
Financial Performance		**$000's**	**$000's**
Global Proteins revenue		266,791	298,547
Underlying Global Proteins EBITDA		**55,353**	**54,520**
Depreciation and amortisation		(1,652)	(791)
Depreciation of right-of-use assets		(69)	(66)
Underlying Global Proteins EBIT		**53,632**	**53,662**
Global Proteins EBITDA		**52,987**	**52,245**
Global Proteins EBIT		**51,266**	**51,388**
Capital employed		115,989	120,848
ROCE		45.3%	46.8%

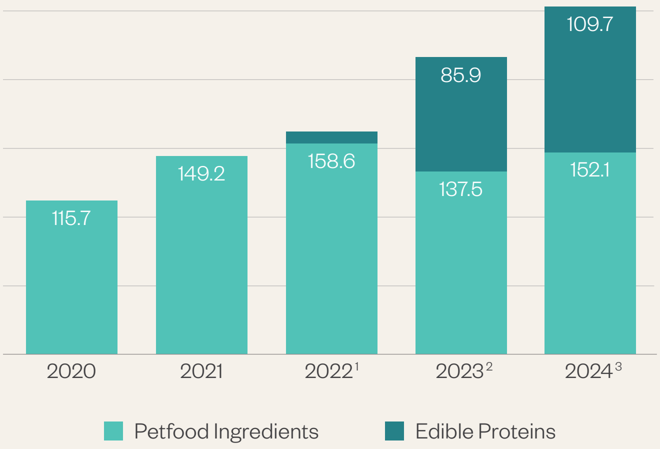
NB: A reconciliation of Underlying to Reported profit measures follows this Divisional Overview section.

Operational Summary

Global Proteins produced a strong result during a period of transition. Petfood ingredients volumes increased 11 per cent whilst edible proteins volumes increased 28 per cent.

There was strong volume growth in New Zealand, Meateor Australia and Esro Petfood as well as in the edible proteins business.

Volumes Sold (MT 000s)



[1] 2022 edible protein volumes are for a 2 month period

[2] 2023 petfood ingredient volumes exclude those sold at Meateor Australia and Esro Petfood due to low volumes, both of which were operational by the end of 2023

[3] 2024 petfood ingredient volumes include 100% of petfood ingredient volumes from relevant businesses (i.e. total petfood ingredient volumes controlled directly and indirectly by Global Proteins) but excludes inter-company sales. Inter-company sales were not excluded in prior years due to immaterial volumes

Financial Summary

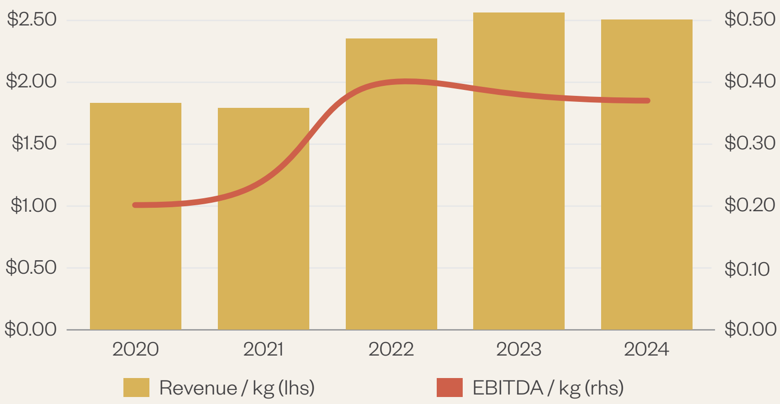
There was a decrease in revenue of 11 per cent compared to last year, to $266.8 million (2023: $298.5 million), primarily related to the transition of Meateor International. However, Underlying EBITDA increased 2 per cent to $55.4 million (2023: $54.5 million) and the division's profit margins also increased compared to 2023.

There was a consistent performance by Shelby whilst it sets up for the next stage of its growth. Meateor Australia and Esro Petfood continue to progress through their respective start-up phases, with Meateor Australia operating profitably during 2024 and Esro expected to move into profitability by the end of 2025.

Margin Performance

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

Petfood Ingredients Revenue and Underlying EBITDA/kg[1].



Revenue and margin per kilogram of volume sold within our petfood ingredients businesses decreased slightly compared to last year primarily due to increased volumes from Meateor Australia and Esro Petfood whilst they continue through their start-up phases. However, there was a consolidation of gains in margin improvements in other businesses during 2024 and a continued positive movement in product mix towards beef during the year.

[1] Margins may differ slightly from previously reported numbers due to adjustments made to reflect the true operational performance of the petfood ingredients businesses.

Current Initiatives

During 2024, the Global Proteins division continued to make significant progress towards its strategic goal of generating $70 million of EBITDA by 2027. There are 9 key strategic initiatives that are being developed within the division, which we believe will help the division deliver its target.

Projects that are nearing completion included:

Construction of a new toll processing plant in the United States:
This was commissioned towards the end of 2024.

Construction of a new processing facility in the Netherlands:
Commissioning of this facility is anticipated in the first quarter of 2025.

A product blending project in the United States:
Customer audits and specifications are complete with commercial loads now being delivered.

Construction of a new in-plant collection and cooling system in the United States:
This plant was fully operational in 2024.

Meateor Australia:
Increases in volumes and yields were achieved and the business moved into profitability during 2024.

Inside the new toll processing plant in the United States

New processing facility under construction in the Netherlands

Other projects that are ongoing include:

Planning for a second in-plant collection and cooling system in the United States:
A contract has been signed and this system is expected to be operational in 2026.

Scaling up of our fish and poultry presence in the United States

Finalising plans for a second European site

Assessing options for additional capacity in New Zealand

These initiatives are taking place across all our current geographical locations and include a variety of project types. We are excited by these opportunities and look forward to updating you on our progress in 2025.

2025 Outlook

We expect the Global Proteins' strong financial performance to continue in 2025. The division continues to progress opportunities and projects, and these are expected to contribute positively in future years.

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

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

A manufacturer of high-quality apple, kiwifruit and pear juice concentrates, located in Hawke's Bay

During 2024, we operated 2 packhouses. Each of our packhouses is equipped with high-speed optical grading machines. Mr Apple also operates 6 coolstores.

Financial Performance and Key Operating Statistics

Financial Summary

The table below shows the financial performance of our Horticulture division for 2024 and 2023.

	2024 $000's	2023 $000's
Horticulture revenue	248,875	209,939
Underlying EBITDA		
Mr Apple	29,768	11,286
Fern Ridge	1,624	1,786
Profruit	6,302	1,762
Underlying Horticulture EBITDA	**37,694**	**14,834**
Depreciation and amortisation	(11,182)	(9,687)
Depreciation of right-of-use assets	(8,366)	(8,071)
Underlying Horticulture EBIT	**18,146**	**(2,923)**
Horticulture EBITDA	**37,932**	**4,493**
Horticulture EBIT	**18,800**	**(13,265)**
Capital employed	336,059	292,615
ROCE	5.6%	-1.0%

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

Improved apple volumes, quality and average prices helped Horticulture return towards a more normal financial performance level in 2024. Its integrated business model, an increased focus on Premium varieties and overall variety mix also proved beneficial.

Profruit delivered an exceptional performance assisted by a high level of processed and exported volumes.

Orchard Statistics

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

		2024	2023	2022	2021	2020
Orchard						
Total planted orchard (at time of harvest)[1]	Ha.	1,095	1,150	1,167	1,201	1,186
Fully mature equivalent planted orchard	Ha.	982	1,050	1,024	1,050	1,028
Apples picked (Mr Apple orchards)	TCE 000s	3,833	3,872	4,281	4,757	5,119
Apples packed (Mr Apple + external growers (Hawke's Bay))	TCE 000s	3,499	3,330	3,960	4,430	4,858
Exported volume						
Mr Apple	TCE 000s	3,033	2,733	3,324	3,651	3,915
External growers	TCE 000s	1,094	1,187	1,256	1,332	1,824
Total	TCE 000s	**4,126**	**3,920**	**4,580**	**4,983**	**5,739**
Mr Apple packout %	%	79%	71%	78%	77%	76%
Total NZ production	TCE 000s	19,052	17,264	18,777	19,666	22,199
Mr Apple own grown volume share of NZ production	%	15.9%	15.8%	17.7%	18.6%	17.6%
Profruit						
Juice concentrate sold	litres 000s	7,785	5,783	5,748	6,497	6,544

Volumes increased significantly in 2024 following the remediation of our Cyclone-damaged orchards:

- Gross production was in line with prior year at 3.83 million TCEs (2023: 3.87 million TCEs)
- Own-grown export volumes were up 11 per cent to 3.03 million TCEs (2023: 2.73 million TCEs)
- Total exported volumes, were up 5 per cent to 4.13 million TCEs (2023: 3.92 million TCEs)

The national apple crop grew compared to the prior year, with an increase of 10 per cent. Mr Apple continued to contribute significantly to the national apple crop in 2024, with production from its owned and leased orchards accounting for 15.9 per cent of New Zealand's apple exports (2023: 15.8 per cent).

At Profruit, strong demand and increased supply contributed to a record volume of juice concentrate produced and sold by the business of 7.8 million litres, a 35 percent increase on the previous year (2023: 5.8 million litres). We are delighted to welcome Profruit as a wholly-owned subsidiary and look forward to working closely with them.

[1] Planted orchard at the end of the year was 1,191 hectares (2023: 1,086)

Volumes and Prices

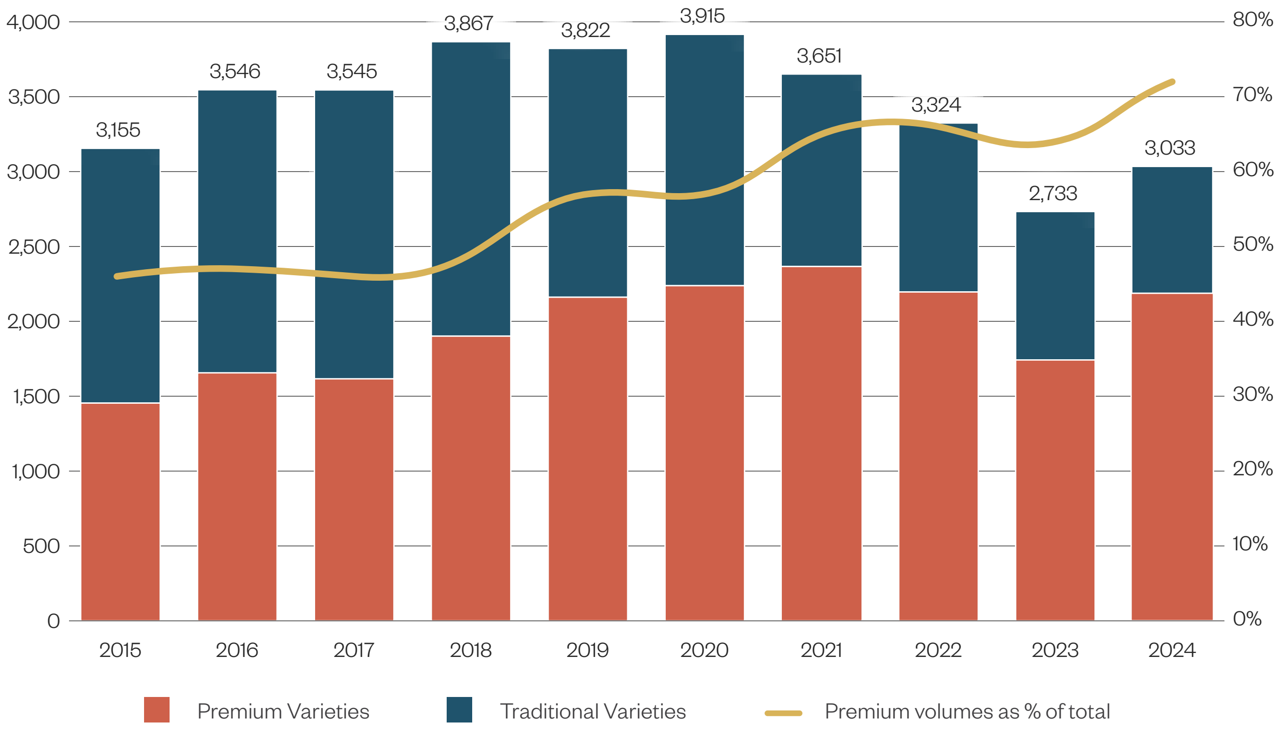
Volumes and prices (on an NZD FOB basis) for 2024 and 2023 are noted below.

Volumes by Variety (TCE 000s)		2024	2023
Premium Varieties			
NZ Queen	TCE 000s	494	337
Pink Lady	TCE 000s	332	249
Red Sports (Fuji and Royal Gala)	TCE 000s	876	820
Dazzle™ & Posy™	TCE 000s	392	269
Other	TCE 000s	92	68
Total	**TCE 000s**	**2,186**	**1,742**
Growth	%	25%	(21%)
% premium		72%	64%
Traditional varieties			
Braeburn	TCE 000s	134	263
Royal Gala	TCE 000s	316	265
Other	TCE 000s	397	463
Total	**TCE 000s**	**847**	**991**
Growth	%	(15%)	(12%)
Total Mr Apple owned and leased orchards	**TCE 000s**	**3,033**	**2,733**
Growth	%	11%	(18%)
Prices by Variety (NZD / TCE (FOB))			
Weighted average price for premium varieties	NZD / TCE	45.6	44.1
Weighted average price for traditional varieties	NZD / TCE	37.6	33.5
Total weighted average price	**NZD / TCE**	**43.4**	**40.3**

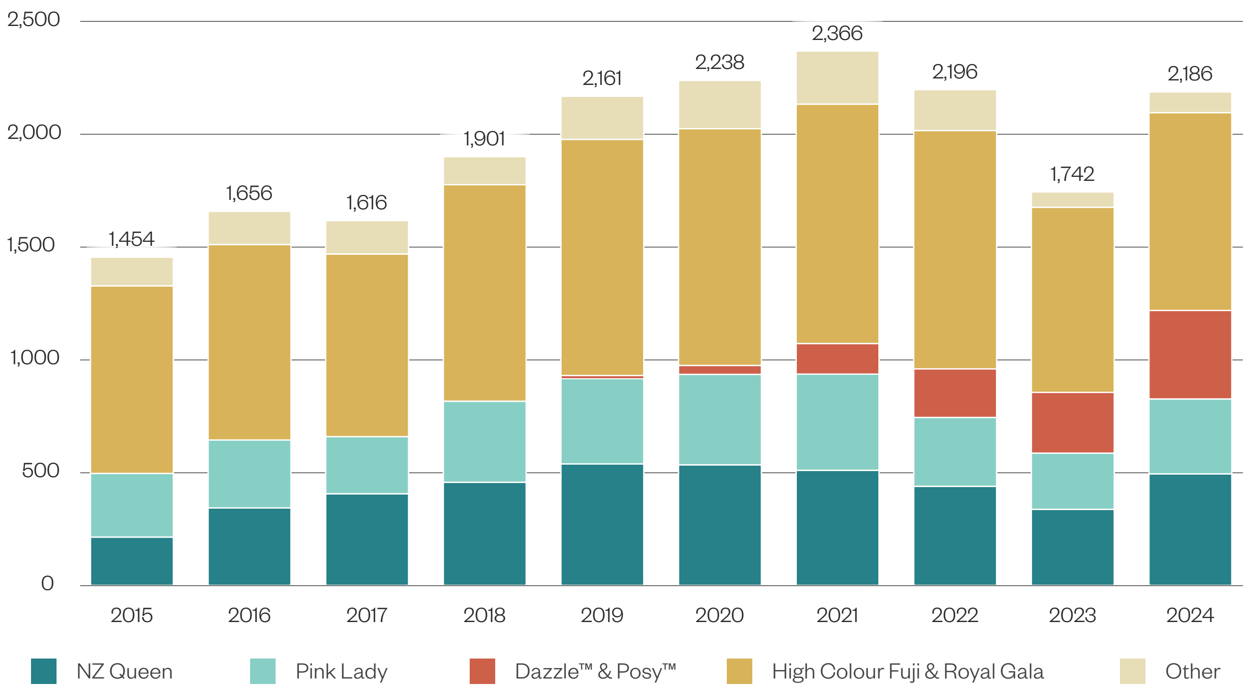
Volumes of Premium varieties were up 25 per cent in 2024, with volumes of Traditional varieties down 15 per cent. Accordingly, the proportion of Premium apple volumes increased from 64 per cent in 2023 to 72 per cent in 2024, in line with our strategy. There was growth across all Premium varieties but, pleasingly, there was significant growth in Dazzle™, Posy™ and NZ Queen.

There was an increase in prices for both Premium and Traditional varieties, aided by positive market sentiment, improved fruit quality and favourable exchange rates. It was also assisted by in-market support and promotion activities across Asia & Middle East to further build the Mr Apple, Dazzle™ and Posy™ brands.

Mr Apple Own Export Volume (TCE 000s)

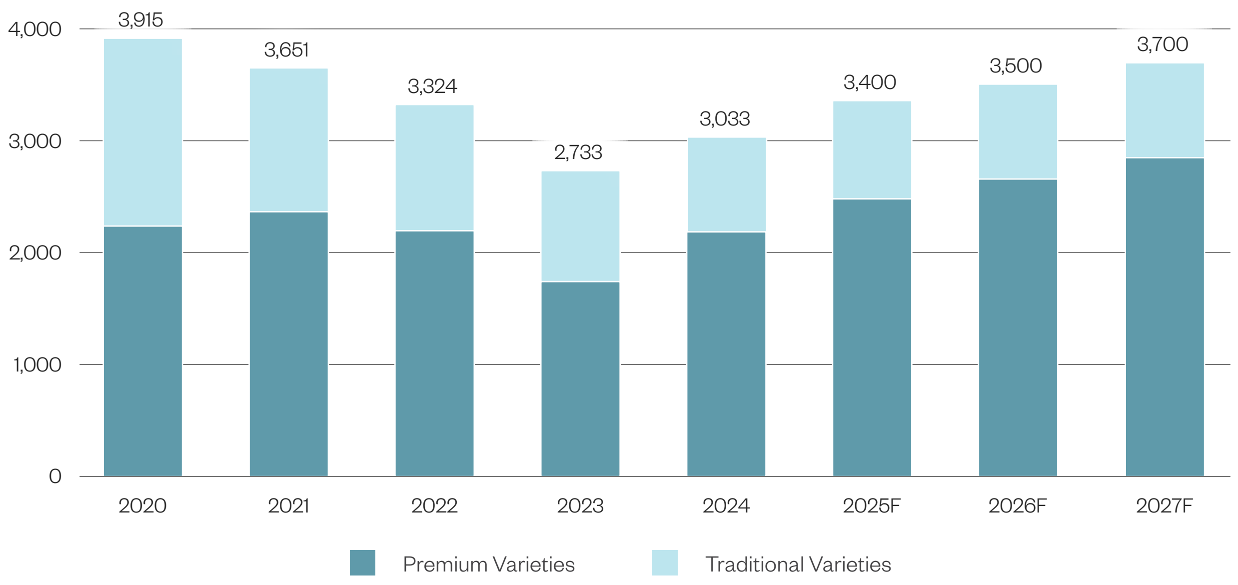


Movement in Premium Volumes by Variety (TCE 000s)



Forecast Volumes

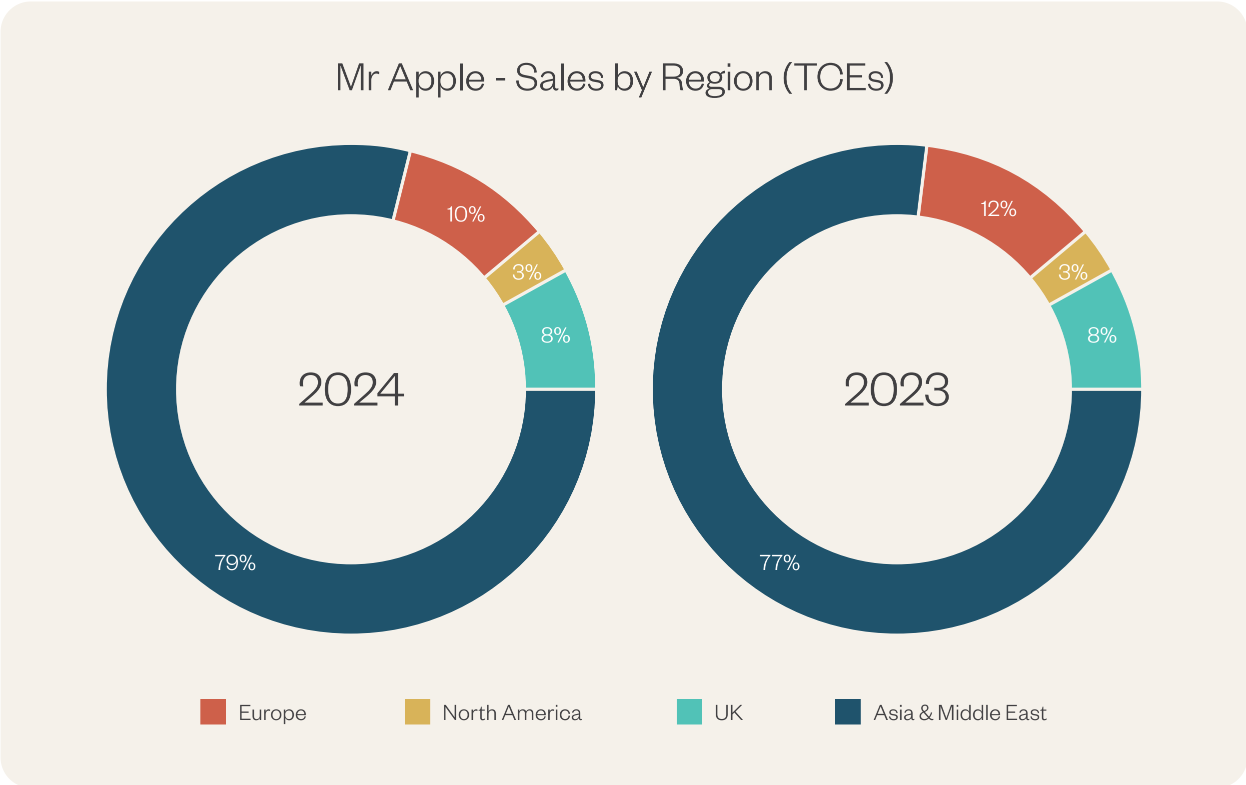
We estimate that Premium varieties will account for around 80 per cent of export volumes by 2027, as a result of the acquisition of the Bostock orchards as well as the ongoing Mr Apple orchard redevelopment programme. The graph below depicts our actual apple volumes from 2020 to 2024 and our forecast volumes from 2025 to 2027.



Markets

Our apples are sought after around the world, with Mr Apple selling to approximately 124 customers in around 33 countries.

We continue to grow the strategically important Asia and Middle East markets, which accounted for approximately 79 per cent of export sales volumes in 2024 (2023: 77 per cent).



Marketing and Branding Developments

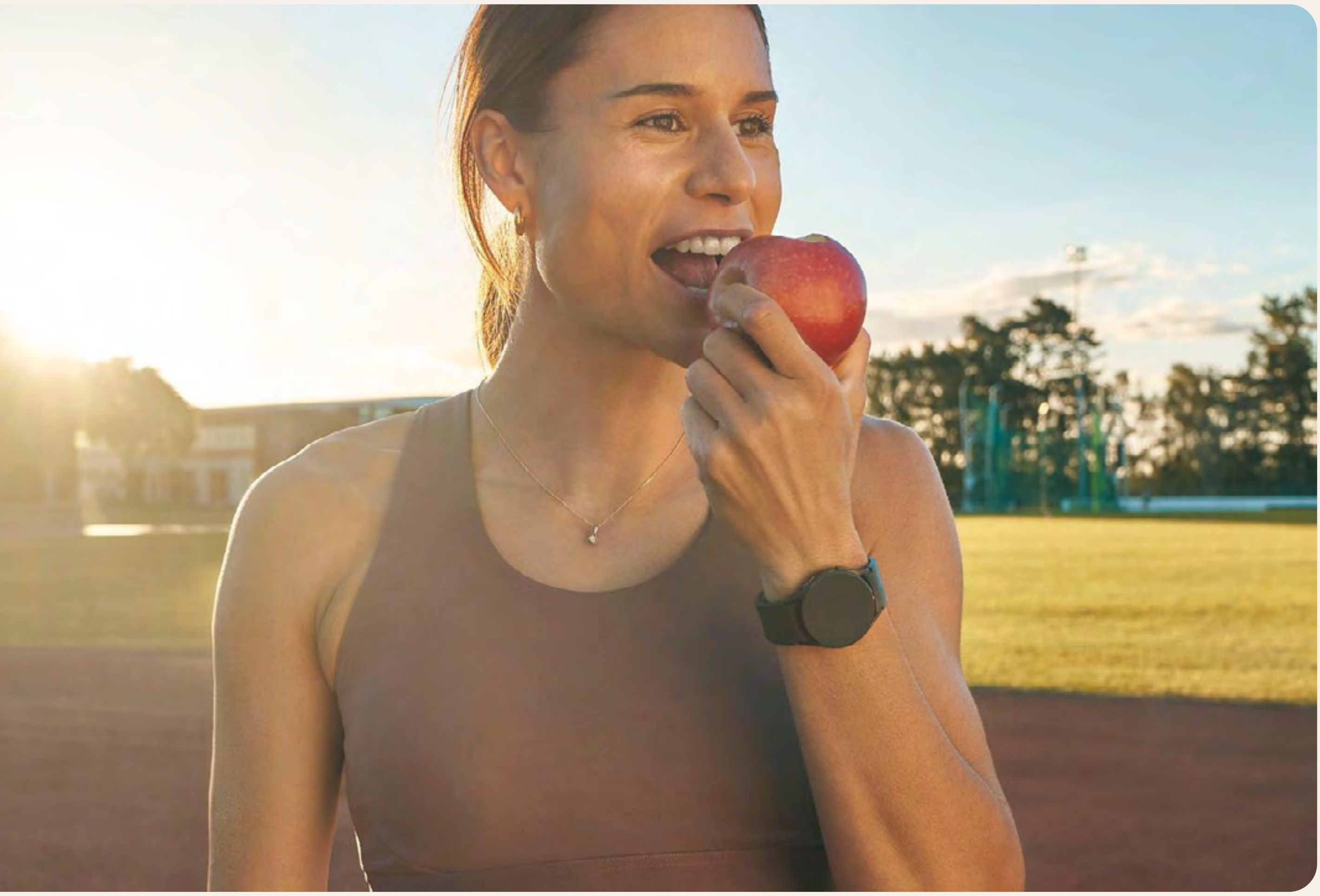
In addition to development of the Mr Apple brand, our emphasis is on the development of high value variety brands such as Dazzle™, Posy™, and Diva™, which achieve significantly higher NZD FOB prices than traditional apples. Development of these varieties was accelerated during 2024 as a result of the acquisition of the Bostock orchards as well as the ongoing orchard redevelopment programme at Mr Apple.

To support the brands, Mr Apple's marketing team undertook a variety of marketing and branding activities in China and other key Asia markets during 2024.

These activities included:

- Retail sampling programmes to drive sales velocity and communicate our brand story direct to consumers
- Point of sale materials and branded packaging to achieve premium retail prices
- Social media presence on all major platforms in each key market, using paid advertising and social influencers to drive reach and recommendation
- In-market events and sponsorships to engage our target market

In addition, Olympian Zoe Hobbs, the New Zealand track and field sprinter and Oceania record holder for the 60 and 100 metres, is now a brand ambassador for Mr Apple Dazzle™ apples.



Zoe Hobbs, ambassador for Dazzle™

2025 Outlook

Picking and packing has commenced at Mr Apple for the 2025 season, with initial crop indications being positive. An export crop of around 3.4 million TCEs is forecast, which includes a higher proportion of Premium varieties following the Bostock and Craigmore transactions. This forecast volume also includes the impact of orchard redevelopment and the relinquishment of a small number of leases of underperforming orchards during the year.

Pricing is also forecast to be positive due to several factors including the improving variety mix, larger apple size and favourable movement in exchange rates.

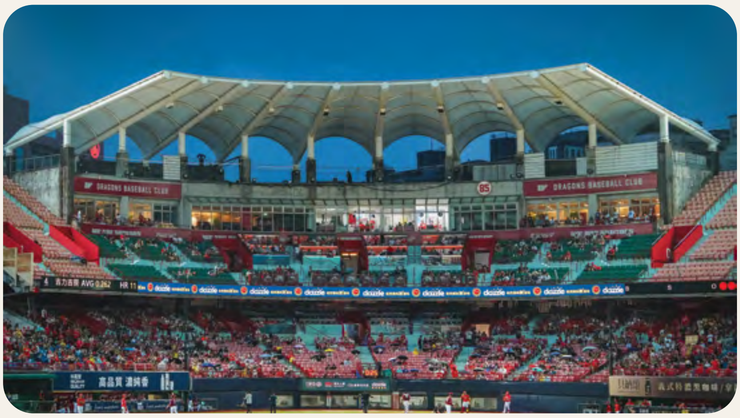
Profruit is also currently experiencing positive demand.

The following pictures illustrate some of the marketing and branding undertaken and events held.

Metro Train advertising in Taipei

Posy™ mini-show launch in Guangzhou

Influencer in Vietnam



Taipei Dragons baseball team sponsorship by Dazzle™

Dazzle™ *by Mr Apple* sampling at a Hema supermarket, China

Logistics

Overview

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 and warehousing facilities in both Christchurch and Auckland

Operational and Financial Performance

The key operational metrics and the summarised financial performance for the Logistics division for 2024 and 2023 are shown below.

		2024	2023
Key Operational Metrics			
Ocean freight volume	TEUs	30,068	26,010
Airfreight volume	MT	7,615	4,464
Financial Performance		**$000's**	**$000's**
Revenue		98,797	92,568
Underlying Logistics EBITDA		**6,884**	**4,281**
Depreciation and amortisation		(293)	(234)
Depreciation of right-of-use assets		(731)	(493)
Underlying Logistics EBIT		**5,860**	**3,555**
Logistics EBITDA		**6,884**	**4,281**
Logistics EBIT		**5,860**	**3,555**
Capital employed		11,171	10,499
ROCE		54.1%	39.4%

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

Logistics produced a record result in 2024. Revenue was up 7 per cent to $98.8 million (2023: $92.6 million) and Underlying EBITDA was up 61 per cent to a record $6.9 million (2023: $4.3 million).

Both ocean freight and airfreight volumes were up on last year, at 16 per cent and 71 per cent respectively. The new Auckland warehouse and chiller facility has been beneficial, processing a strong level of air freight volumes. Air freight volumes were also positively impacted by an expected one-off customer project.

The division continues to prove its strategic value to both internal and external customers.

2025 Outlook

Logistics is expected to continue to perform well and to continue to provide a valuable service to both internal and external customers despite the ongoing geopolitical uncertainty that is expected to affect trade routes and market stability.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SECURITY TAPE

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	
	2024	2023	2024	2023
	$000's	$000's	$000's	$000's
Underlying EBITDA (excluding NZ IFRS 16)	79,366	55,940	55,250	54,441
NZ IFRS 16 *Leases*	12,338	11,736	103	78
NZ IFRS 16 *Leases* - renewal reassessment	-	(162)	-	-
Underlying EBITDA (including NZ IFRS 16)	**91,704**	**67,514**	**55,353**	**54,520**
Other adjustments:				
(Impairment) of non-current assets	(2,490)	(3,353)	-	-
Impairment of goodwill	-	(8,531)	-	-
Cyclone Gabrielle - net costs and proceeds	183	901	-	-
Gain on sale of Blyth & Te Papa orchards	4,934	-	-	-
Equity settled employee benefits	(710)	(456)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	-	162	-	-
Fayman acquisition entries	(1,606)	1,176	(1,606)	1,176
Profruit acquisition entries	(781)	-	-	-
Equity accounting losses not recognised	1,755	670	1,755	670
Change in fair value gain on apple inventory	(1,139)	480	-	-
Change in gross liability for non-controlling interests and joint venture options	(2,515)	(4,121)	(2,515)	(4,121)
Transaction costs	(1,241)	(767)	-	-
Reported EBITDA	**88,093**	**53,676**	**52,987**	**52,245**
Underlying EBIT (excluding NZ IFRS 16)	66,198	45,198	53,597	53,650
NZ IFRS 16 *Leases*	3,053	3,025	35	12
NZ IFRS 16 *Leases* - renewal reassessment	-	(162)	-	-
Underlying EBIT (including NZ IFRS 16)	**69,251**	**48,061**	**53,632**	**53,662**
Other adjustments:				
(Impairment) of non-current assets	(2,490)	(3,353)	-	-
Impairment of goodwill	-	(8,531)	-	-
Cyclone Gabrielle - net costs and proceeds	183	901	-	-
Gain on sale of Blyth & Te Papa orchards	4,934	-	-	-
Equity settled employee benefits	(710)	(456)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	-	162	-	-
Fayman acquisition entries	(1,606)	1,176	(1,606)	1,176
Profruit acquisition entries	(364)	-	-	-
Equity accounting losses not recognised	1,755	670	1,755	670
Change in fair value gain on apple inventory	(1,139)	480	-	-
Change in gross liability for non-controlling interests and joint venture options	(2,515)	(4,121)	(2,515)	(4,121)
Transaction costs	(1,241)	(767)	-	-
Reported EBIT	**66,057**	**34,222**	**51,266**	**51,388**

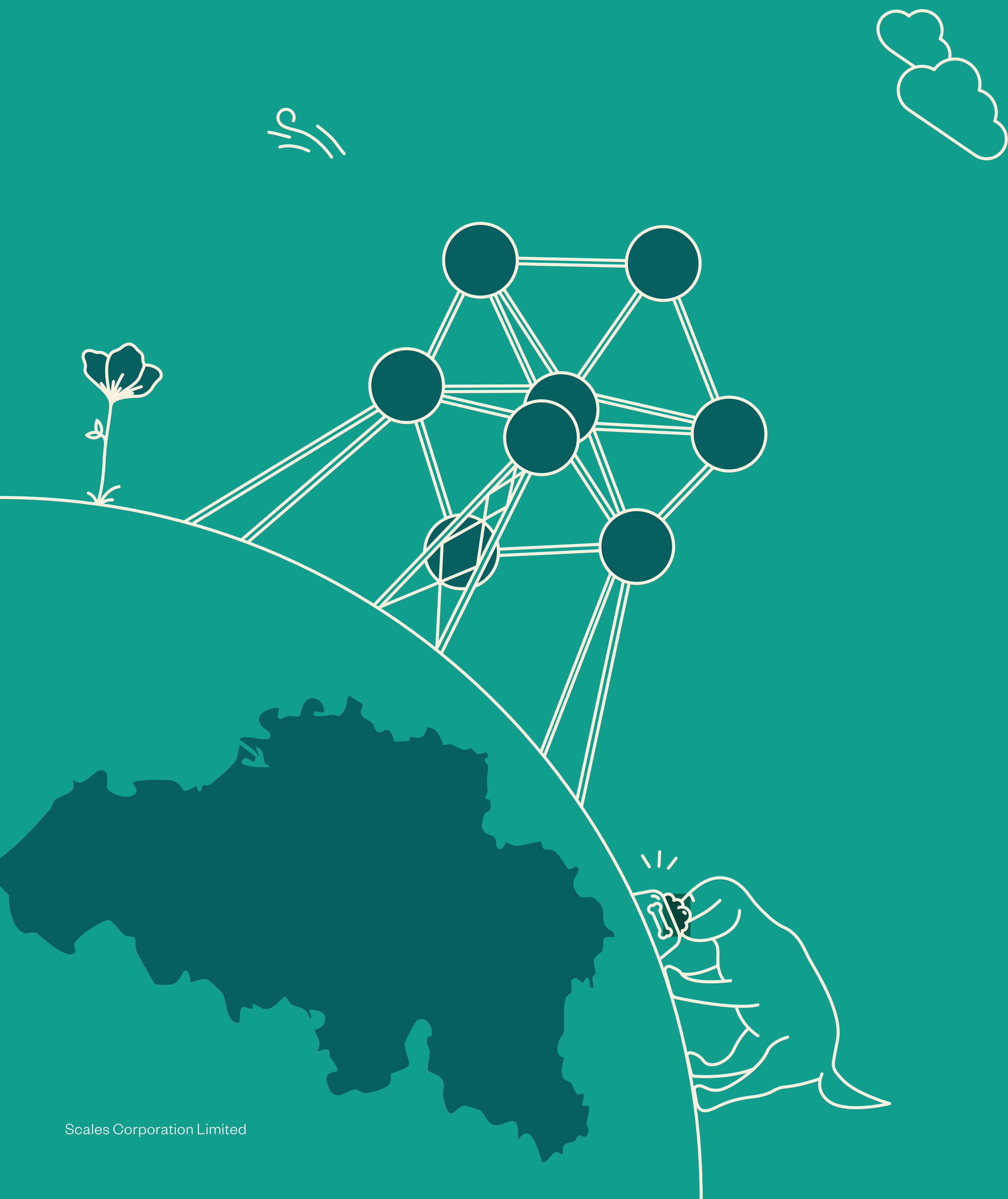
Horticulture		Logistics		Corporate and eliminations	
2024	2023	2024	2023	2024	2023
$000's	$000's	$000's	$000's	$000's	$000's
26,778	4,185	5,725	3,550	(8,387)	(6,237)
10,916	10,811	1,159	730	160	116
-	(162)	-	-	-	-
37,694	14,834	6,884	4,281	(8,228)	(6,121)
(2,490)	(3,353)	-	-	-	-
-	(8,531)	-	-	-	-
183	901	-	-	-	-
4,934	-	-	-	-	-
-	-	-	-	(710)	(456)
-	162	-	-	-	-
-	-	-	-	-	-
(781)	-	-	-	-	-
-	-	-	-	-	-
(1,139)	480	-	-	-	-
-	-	-	-	-	-
(468)	-	-	-	(772)	(767)
37,932	4,493	6,884	4,281	(9,710)	(7,344)
15,596	(5,501)	5,432	3,317	(8,427)	(6,268)
2,549	2,740	428	238	41	35
-	(162)	-	-	-	-
18,146	(2,923)	5,860	3,555	(8,386)	(6,233)
(2,490)	(3,353)	-	-	-	-
-	(8,531)	-	-	-	-
183	901	-	-	-	-
4,934	-	-	-	-	-
-	-	-	-	(710)	(456)
-	162	-	-	-	-
-	-	-	-	-	-
(364)	-	-	-	-	-
-	-	-	-	-	-
(1,139)	480	-	-	-	-
-	-	-	-	-	-
(468)	-	-	-	(772)	(767)
18,800	(13,265)	5,860	3,555	(9,869)	(7,455)

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

	Group		Global Proteins	
	2024	2023	2024	2023
	$000's	$000's	$000's	$000's
Underlying NPAT (excluding NZ IFRS 16)	54,120	38,626	46,689	45,367
NZ IFRS 16 *Leases*, net of tax	(518)	(87)	13	(1)
NZ IFRS 16 *Leases* - renewal reassessment, net of tax	-	(117)	-	-
Underlying NPAT (including NZ IFRS 16)	**53,602**	**38,422**	**46,702**	**45,367**
Other adjustments:				
(Impairment) of non-current assets	(2,490)	(3,353)	-	-
Impairment of goodwill	-	(8,531)	-	-
Cyclone Gabrielle - net costs and proceeds	183	901	-	-
Gain on sale of Blyth & Te Papa orchards	4,934	-	-	-
Equity settled employee benefits	(710)	(456)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	-	162	-	-
Fayman acquisition entries	(1,141)	1,307	(1,141)	1,307
Profruit acquisition entries	(168)	-	-	-
Equity accounting losses not recognised	1,755	670	1,755	670
Change in fair value gain on apple inventory	(1,139)	480	-	-
Change in gross liability for non-controlling interests and joint venture options	(2,515)	(4,121)	(2,515)	(4,121)
Transaction costs	(1,241)	(767)	-	-
Tax deduction change for buildings	(2,065)	-	-	-
Tax effect of other NZ IFRS adjustments	1,033	(40)	(528)	(547)
Reported NPAT	**50,037**	**24,674**	**44,273**	**42,677**
Underlying NPATAS (excluding NZ IFRS 16)	34,809	19,187	27,377	25,928
NZ IFRS 16 *Leases*, net of tax	(518)	(87)	13	(1)
NZ IFRS 16 *Leases* - renewal reassessment, net of tax	-	(117)	-	-
Underlying NPATAS (including NZ IFRS 16)	**34,291**	**18,982**	**27,391**	**25,927**
Other adjustments:				
(Impairment) of non-current assets	(2,490)	(3,353)	-	-
Impairment of goodwill	-	(8,531)	-	-
Cyclone Gabrielle - net costs and proceeds	183	901	-	-
Gain on sale of Blyth & Te Papa orchards	4,934	-	-	-
Equity settled employee benefits	(710)	(456)	-	-
NZ IFRS 16 *Leases* - renewal reassessment	-	162	-	-
Fayman acquisition entries	(1,141)	1,307	(1,141)	1,307
Profruit acquisition entries	(168)	-	-	-
Equity accounting losses not recognised	1,755	670	1,755	670
Change in fair value gain on apple inventory	(1,139)	480	-	-
Change in gross liability for non-controlling interests and joint venture options	(2,515)	(4,121)	(2,515)	(4,121)
Transaction costs	(1,241)	(767)	-	-
Tax deduction change for buildings	(2,065)	-	-	-
Tax effect of other NZ IFRS adjustments	1,033	(40)	(528)	(547)
Reported NPAT Attributable to Shareholders	**30,725**	**5,236**	**24,961**	**23,237**

Horticulture		Logistics		Corporate and eliminations	
2024	2023	2024	2023	2024	2023
$000's	$000's	$000's	$000's	$000's	$000's
11,254	(3,419)	3,877	2,381	(7,701)	(5,703)
(361)	(10)	(153)	(73)	(18)	(4)
-	(117)	-	-	-	-
10,893	(3,545)	3,725	2,308	(7,718)	(5,707)
(2,490)	(3,353)	-	-	-	-
-	(8,531)	-	-	-	-
183	901	-	-	-	-
4,934	-	-	-	-	-
-	-	-	-	(710)	(456)
-	162	-	-	-	-
-	-	-	-	-	-
(168)	-	-	-	-	-
-	-	-	-	-	-
(1,139)	480	-	-	-	-
-	-	-	-	-	-
(468)	-	-	-	(772)	(767)
(2,065)	-	-	-	-	-
1,561	507	-	-	-	-
11,240	(13,380)	3,725	2,308	(9,201)	(6,931)
11,254	(3,419)	3,877	2,381	(7,701)	(5,703)
(361)	(10)	(153)	(73)	(18)	(4)
-	(117)	-	-	-	-
10,893	(3,545)	3,725	2,308	(7,718)	(5,707)
(2,490)	(3,353)	-	-	-	-
-	(8,531)	-	-	-	-
183	901	-	-	-	-
4,934	-	-	-	-	-
-	-	-	-	(710)	(456)
-	162	-	-	-	-
-	-	-	-	-	-
(168)	-	-	-	-	-
-	-	-	-	-	-
(1,139)	480	-	-	-	-
-	-	-	-	-	-
(468)	-	-	-	(772)	(767)
(2,065)	-	-	-	-	-
1,561	507	-	-	-	-
11,240	(13,380)	3,725	2,308	(9,201)	(6,930)

Leadership



Management Profiles

Andy Borland

Managing Director

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

Brett Frankel

President Shelby Foods

Brett established Shelby Foods in 2007 and has been its President since inception. Brett has over 25 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 18 years, including 16 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 35 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 35 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 35 years' experience in the growing and post-harvest sectors of the apple industry and remains very active in export sales for the company.

Nadine Tunley

Chief Risk Officer

Nadine was appointed as Scales' Chief Risk Officer during 2024. Nadine was previously a director of Scales and was also Chair of Scales' Health & Safety and Sustainability Committee. Nadine has extensive primary industry management and governance experience.

Board of Directors

In order from left to right:

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.

Mike Petersen

Non-Executive Independent Chair

Mike was appointed to the Board in April 2023. Mike has over 30 years' management and governance experience in the agribusiness sector. Mike is currently a director of ANZCO Foods Limited and Kelso Genetics Limited and Chairs the Tukituki Water Security Project, alongside advisory roles with a number of other privately owned and publicly listed companies. Mike was previously Chair of Beef + Lamb New Zealand and was also New Zealand's Special Agricultural Trade Envoy for 6 years. Mike is a member of Scales' Nominations and Remuneration Committee and Scales' Finance and Treasury 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 and The New Zealand Community Trust, a Director of Oceania Healthcare (NZ) Limited, Skellerup Holdings Limited and the Wellington Free Ambulance. 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.

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 and co-founder of Food Nation, a New Zealand based food manufacturer producing plant-powered products. Miranda is currently Executive Chair of Cyprus Enterprises which operates in covered crops and intensive horticulture in New Zealand and is the Chair of Live Ocean Foundation. Miranda is Chair 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 Farms 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.

Tony Batterton

Non-Executive Independent Director

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

Financial Statements

Contents

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2024

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

The notes to the financial statements on pages 55 to 91 form part of and should be read in conjunction with this statement.

Consolidated Statement of Comprehensive Income (continued)

for the year ended 31 December 2024

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

The notes to the financial statements on pages 55 to 91 form part of and should be read in conjunction with this statement.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2024

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

The notes to the financial statements on pages 55 to 91 form part of and should be read in conjunction with this statement.

Consolidated Statement of Financial Position

as at 31 December 2024

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

The notes to the financial statements on pages 55 to 91 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows

for the year ended 31 December 2024	Note	2024 $000's	2023 $000's
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		590,424	571,987
Insurance proceeds		-	4,809
Government grants received		25	1,986
Dividends and distributions received		1,546	751
Interest received		3,000	1,814
		594,995	581,347
Cash was disbursed to:			
Payments to suppliers and employees		(481,705)	(502,201)
Interest paid		(8,593)	(6,475)
Income tax paid		(7,140)	(7,971)
		(497,438)	(516,647)
Net cash provided by operating activities		97,557	64,700
Cash flows from investing activities			
Cash was provided from:			
Advances repaid		261	255
Sale of property, plant and equipment and software		34,000	(424)
		34,261	(169)
Cash was applied to:			
Purchase of property, plant and equipment	C1	(54,433)	(16,808)
Purchase of software	C7	(507)	(325)
Acquisition of subsidiary, net of cash acquired	F3	(11,080)	-
Advances to joint ventures		(17,338)	(11,869)
		(83,358)	(29,002)
Net cash used in investing activities		(49,097)	(29,171)
Cash flows from financing activities			
Cash was provided from:			
Treasury stock sold		256	96
Drawdowns of seasonal facility borrowings	E4	25,500	-
Drawdowns of term facility borrowings	E4	56,000	27,306
		81,756	27,402
Cash was applied to:			
Dividends paid	D3	(12,083)	(26,955)
Dividends paid to non-controlling interests	F2	(17,175)	(15,312)
Repayments of lease liabilities	G2	(9,075)	(8,420)
Repayments of seasonal facility borrowings	E4	(28,937)	-
Repayments of term facility borrowings	E4	(87,087)	-
		(154,357)	(50,687)
Net cash used in financing activities		(72,601)	(23,285)

The notes to the financial statements on pages 55 to 91 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2024	2024 $000's	2023 $000's
Net (decrease) increase in cash	**(24,141)**	**12,244**
Net foreign exchange difference	256	(382)
Cash and cash equivalents at the beginning of the year	77,638	65,776
Cash and cash equivalents at the end of the year	**53,753**	**77,638**
Represented by:		
Cash and bank balances	53,753	77,638
Cash and cash equivalents at the end of the year	**53,753**	**77,638**
Net cash generated by operating activities		
Reconciliation of profit for the year to net cash generated by operating activities:		
Profit for the year	**50,037**	**24,674**
Non-cash items:		
Depreciation (including on right-of-use asset)	21,292	18,956
Gain on lease modification	(79)	(177)
Gain on rights transferred	(3,113)	-
Impairment on revaluation	2,732	4,729
Amortisation	744	497
Share of equity accounted results	(6,402)	(8,131)
Gain on fair value equity investment	(3,367)	-
Hedging instruments	4,790	(416)
Gain on disposal of property, plant and equipment	(1,225)	(118)
Share-based payments	710	456
Change in value of call and put options	2,515	4,121
Deferred tax	6,455	(4,867)
Interest capitalised into loans	(465)	(111)
Fair value loss on interest-free related party loans, net of interest income	1,663	1,913
Impairment of goodwill	-	8,531
Foreign exchange on related party loans	(682)	232
Joint ventures purchase price receivable	-	(1,307)
Operating cash receipts not included in profit for the year:		
Dividends received from equity accounted entities	1,545	750
Changes in net assets and liabilities:		
Trade and other receivables	1,009	9,662
Unharvested agricultural produce	(2,426)	927
Inventories	24,175	13,040
Prepayments	884	445
Trade and other payables	(532)	(11,131)
Current tax assets and liabilities	(2,703)	2,025
Net cash provided by operating activities	**97,557**	**64,700**

The notes to the financial statements on pages 55 to 91 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2024

Statement of Cash Flows

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

The following terms are used in the statement of cash flows:

Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

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

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

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

Mike Petersen, Chair

Andy Borland, Managing Director

The notes to the financial statements on pages 55 to 91 form part of and should be read in conjunction with this statement.

Notes to the consolidated financial statements

for the year ended 31 December 2024

About This Report

Notes to the financial statements

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

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

Reporting entity

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

Basis of preparation

The financial statements have been prepared:

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable. The levels are described as:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

Key judgements and estimates

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

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

- Apple trees in note C1;
- Unharvested agricultural produce in note C2;
- Assessment of Group goodwill for impairment in note C4;
- Fair value of assets acquired in Profruit (2006) Limited (Profruit) in note F3.

Basis of consolidation

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

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

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

Other accounting policies

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

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

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

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

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

NZ IFRS 18 introduces new requirements to:

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

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

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

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

A. Segment Information

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, being the Managing Director. The Managing Director monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction. Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. No single external customer's revenue accounts for 10% or more of the Group's revenue.

The Group comprises the following operating segments:

Global Proteins: processing and marketing of proteins such as pet food ingredients, edible meat and offal products.

Meateor Foods Limited, Meateor Foods Australia Pty Limited, Meateor Group Limited, Meateor US LLC, Shelby JV LLC Group (Shelby Cold Storage LLC, Shelby Exports Inc, Shelby Foods LLC, Shelby JV LLC, Shelby Properties LLC, Shelby Trucking LLC), Meateor GP Limited, Meateor Pet Foods Limited Partnership, Scales FI Group Holdings Pty Limited, Meateor Australia Pty Limited, FI Group Holdings Pty Limited Group (FI Group Holdings Pty Limited, Fayman International Group Pty Limited and Fayman New Zealand Limited), ANZ Exports Pty Limited and Esro Petfood B.V.

Horticulture: orchards, fruit packing, juice concentrate processing and marketing.

Mr Apple New Zealand Limited, New Zealand Apple Limited, Longview Group Holdings Limited, Profruit (2006) Limited and Fern Ridge Produce Limited.

Logistics: logistics services.

Scales Logistics Limited and Scales Logistics Australia Pty Ltd.

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

A. Segment Reporting (continued)

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

A. Segment Reporting (continued)

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

Non-current assets other than financial instruments by geographical location

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

B. Financial Performance

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

B1. Revenue

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

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

B1. Revenue (continued)

Sale of agricultural produce and fruit juice

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

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 and fruit juice - 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

	2024 $000's	2023 $000's
Auditor's remuneration		
Deloitte Limited (New Zealand):		
Audit and review of the financial statements:		
Audit of the annual financial statements	359	321
Other services:		
Audit or review related services:		
Audit of the Charging Group financial statements	20	-
Audit of solvency certificate for Selacs Insurance Limited	9	9
Other assurance services and other agreed upon procedures engagements		
Greenhouse gas emission assurance engagement	45	-
Other services		
Greenhouse gas assurance engagement readiness	45	-
Sheehan & Company CPA, PC (United States):		
Audit and review of the financial statements:		
Group reporting audit	144	134
Review of subsidiary financial statements	40	37
Lowe Lippmann (Australia):		
Audit and review of the financial statements:		
Group reporting audit	33	22
Bad debts (recovered) incurred	(681)	2,847
Change in fair value adjustment to unharvested agricultural produce	1,139	(480)
Change in inventories	23,582	11,559
Direct expenses	97,471	91,267
Directors' fees	704	716
Donations	12	261
Electricity	3,667	3,036
Employee benefits expense:		
Post employment benefits - defined contribution plans	1,220	1,232
Post employment benefits - defined benefit plans	555	627
Salaries, wages and related benefits	94,423	87,778
Other employee benefits	710	456
Grower payments	34,738	35,318
Insurance	5,233	4,537
Management fees	48	48
Materials and consumables	127,780	153,817
Ocean and air freight	90,304	92,533
Operating lease expenses	1,287	1,990
Packaging	14,382	13,673
Provision for write-down of inventories	786	1,825
Repairs and maintenance	5,781	5,222
	503,836	**508,785**
Disclosed as:		
Cost of sales	439,602	444,662
Administration and operating expenses	64,234	64,123
	503,836	**508,785**

Employee benefits

An accrual is made for benefits due to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Accruals are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Contributions to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

B3. Other Income and Losses

	2024 $000's	2023 $000's
Dividends	1	1
Fair value loss on interest-free related party loans	(1,663)	(2,044)
Gain on disposal of property, plant and equipment	1,225	118
Gain on rights transferred	3,113	-
(Loss) gain on joint ventures call options	(174)	171
Gain on joint ventures earn-out provision settlement	-	1,307
Gain on lease modification	79	177
Gain on fair value equity investment	3,367	-
Government grants - Cyclone Gabrielle	25	1,986
Insurance proceeds	-	4,809
Remeasurement of gross liability on put options to non-controlling interest	(2,341)	(4,292)
	3,632	**2,233**
Disclosed as:		
Other income	7,810	8,569
Other losses	(4,178)	(6,336)
	3,632	**2,233**

B4. Finance Cost

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

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

B5. Taxation

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

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

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

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

B5. Taxation (continued)

	Opening balance $000's	Charged to profit or loss $000's	Acquisition of subsidiary $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 2024						
Deferred tax liabilities (assets):						
Trade and other receivables	(47)	(45)	-	-	-	(92)
Unharvested agricultural produce	6,782	679	-	-	-	7,461
Property, plant and equipment and software	12,435	4,147	2,256	4,432	390	23,660
Trade and other payables	(1,097)	363	-	-	-	(734)
Lease liability and right-of-use asset	(1,718)	(216)	-	-	-	(1,934)
Other financial assets and liabilities	749	1,527	62	(12,121)	-	(9,783)
Net deferred tax liability	**17,104**	**6,455**	**2,318**	**(7,689)**	**390**	**18,578**
31 December 2023						
Deferred tax liabilities (assets):						
Trade and other receivables	82	(129)		-	-	(47)
Unharvested agricultural produce	7,042	(260)		-	-	6,782
Property, plant and equipment and software	13,960	(2,517)		1,002	(10)	12,435
Trade and other payables	(708)	(389)		-	-	(1,097)
Lease liability and right-of-use asset	(1,686)	(32)		-	-	(1,718)
Other financial assets and liabilities	(869)	(1,540)		3,159	(1)	749
Net deferred tax liability	**17,821**	**(4,867)**		**4,161**	**(11)**	**17,104**

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

Income tax

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

Deferred tax on buildings adjustment

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

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.

C1. Property, Plant and Equipment

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

C1. Property, Plant and Equipment (continued)

Accounting policy

Land, buildings and apple trees are included in the statement of financial position at their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any valuation increase arising on the revaluation of such land, buildings and apple trees is recognised in other comprehensive income and accumulated as a separate component of equity in the revaluation reserve, except to the extent that it reverses a valuation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land, buildings and apple trees is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and apple trees is charged to profit or loss. On the subsequent sale or retirement of revalued property or apple trees, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

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

Depreciation is provided on property, plant and equipment, including buildings and apple trees but excluding land and capital work in progress. Depreciation is charged so as to write off the cost or valuation of assets, other than land and capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 to 50 years
Apple trees	30 years
Plant and equipment	2 to 25 years
Office equipment and motor vehicles	2 to 20 years

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

Land and buildings carried at fair value

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

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

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

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

The higher the rental rates the higher the fair value. The higher the capitalisation rates the lower the fair value. Significant changes in either of these inputs would result in significant changes to the fair value measurement. Orchard land is valued within the range of $34,100 - $157,500 per hectare (2023: $27,400 - $170,000).

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

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

Apple trees carried at fair value

The Group's apple orchards, being the apple trees other than the existing crop on the trees, were valued at fair value by Boyd Gross B.Agr (Rural Val), Dip Bus Std, FNZIV, FPINZ of Logan Stone Limited as at 31 December 2024.

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

C1. Property, Plant and Equipment (continued)

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

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

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

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

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

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

Risk management strategy:

The Group is exposed to financial risks arising from changes in climatic conditions, market prices and the value of the New Zealand dollar. The Group mitigates these risks by geographical spread of orchards, installing hail and frost protection on orchards which have shown to be more susceptible to these risks, utilising foreign currency derivative instruments and building close working relationships with key customers.

C2. Unharvested Agricultural Produce

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

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

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

The significant unobservable inputs included in the model are the:

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

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

C3. Investments Accounted for Using the Equity Method

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

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

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

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

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

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

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

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

	2024 $000's	2023 $000's
Current assets	-	17,096
Non-current assets	-	6,032
Current liabilities	-	(7,390)
Non-current liabilities	-	-
Net assets	**-**	**15,738**
Group's share in the net assets	-	7,869
Carrying amount of investment in equity accounted entities	**-**	**7,869**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	-	491
Current financial liabilities (excluding trade and other payables and provisions)	-	(2,143)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-
Capital commitments	-	357
Revenue	10,472	26,225
Profit for the year after tax	726	3,525
Other comprehensive income attributable to the owners of the company	-	-
Total comprehensive income	**726**	**3,525**
The above profit for the year includes the following:		
Depreciation and amortisation	417	668
Interest expense	181	734
Income tax expense	283	1,383

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

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

	2024 $000's	2023 $000's
Share of profit before taxation	505	2,454
Share of income tax	(142)	(692)
Share of other comprehensive income (net of tax)	-	-
Share of net profit for the year and total comprehensive income	**363**	**1,762**
Carrying value at beginning of the year	7,869	6,857
Investment acquired	(8,232)	-
Dividends and distributions paid	-	(750)
Investment in equity accounted entities	**-**	**7,869**

Summarised financial information for Meateor Pet Foods Limited Partnership

	2024 $000's	2023 $000's
Current assets	20,443	28,162
Non-current assets	33,285	33,389
Current liabilities	(10,222)	(14,421)
Non-current liabilities	(3,351)	(3,862)
Net assets	**40,155**	**43,268**
Group's share in the net assets of equity accounted entities	20,078	21,634
Carrying amount of investment in equity accounted entities	**20,078**	**21,634**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	549	422
Current financial liabilities (excluding trade and other payables and provisions)	(3,500)	(8,400)
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-
Capital commitments	-	750
Revenue	60,863	53,007
Profit for the year after tax	2,117	1,788
Other comprehensive income attributable to the owners of the company	(3,229)	(154)
Total comprehensive income	**(1,112)**	**1,634**
The above profit for the year includes the following:		
Depreciation and amortisation	1,643	1,322
Interest expense	937	649
Income tax expense	-	-

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

	2024 $000's	2023 $000's
Share of profit before taxation	1,059	894
Share of income tax	-	-
Share of other comprehensive income (net of tax)	(1,615)	(77)
Share of net profit for the year and total comprehensive income	**(556)**	**817**
Carrying value at beginning of the year	21,634	20,817
Dividends and distributions paid by equity accounted entities	(1,000)	-
Investment in equity accounted entities	**20,078**	**21,634**

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

Underlying* financial performance of Meateor Pet Foods Limited Partnership:

	2024 $000's	2023 $000's
Underlying EBITDA/EBITDA**	4,697	3,738
Depreciation and amortisation	(1,643)	(1,322)
Underlying finance revenue/finance revenue	-	21
Underlying finance costs/finance cost	(937)	(649)
Income tax expense	-	-
Underlying NPAT/NPAT	**2,117**	**1,788**
Share of Meateor Pet Foods Limited Partnership Underlying NPAT included in Group Underlying EBITDA	**1,059**	**894**

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

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

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

Summarised financial information for the Australian Joint Venture equity accounted entities

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

	2024 $000's	2023 (Restated) $000's
Current assets	84,925	62,020
Non-current assets	35,041	38,246
Current liabilities	(61,659)	(43,214)
Non-current liabilities	(36,787)	(36,074)
Net assets	**21,520**	**20,978**
Group's share in the net assets of equity accounted entities	10,716	9,613
Goodwill	25,261	24,563
Effect of foreign exchange translation	1,157	224
Carrying amount of investment in equity accounted entities	**37,134**	**34,400**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	6,500	492
Current financial liabilities (excluding trade and other payables and provisions)	(38,840)	(26,793)
Non-current financial liabilities (excluding trade and other payables and provisions)	(39,600)	(37,442)
Revenue	524,756	384,033
Profit for the year after tax	9,986	12,355
Other comprehensive income attributable to the owners of the company	(5,436)	1,031
Total comprehensive income	**4,550**	**13,386**
The above profit for the year includes the following:		
Depreciation and amortisation	2,908	876
Interest income	3,307	6,186
Interest expense	6,440	2,933
Income tax expense	4,557	3,132

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

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

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

Underlying financial performance of Australian Joint Ventures:*

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

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

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

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

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

Summarised financial information for Esro Petfood B.V.

	2024 $000's	2023 $000's
Current assets	9,620	1,838
Non-current assets	13,507	5,479
Current liabilities	(7,019)	(1,040)
Non-current liabilities	(22,370)	(7,984)
Net assets	**(6,262)**	**(1,707)**
Group's share in the net assets of equity accounted entities	(3,131)	(854)
Effect of foreign exchange translation	-	-
Carrying amount of investment in equity accounted entities	**-**	**-**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	2,853	566
Current financial liabilities (excluding trade and other payables and provisions)	(708)	(105)
Non-current financial liabilities (excluding trade and other payables and provisions)	(20,095)	(7,984)

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

	2024 $000's	2023 $000's
Revenue	14,980	714
Loss for the year after tax	(3,511)	(1,340)
Other comprehensive income attributable to the owners of the company	-	-
Total comprehensive loss	**(3,511)**	**(1,340)**
The above loss for the year includes the following:		
Depreciation and amortisation	1,384	69
Interest expense	1,383	211
Income tax expense	1,170	447
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		
Share of profit before taxation	-	-
Share of income tax	-	-
Share of other comprehensive income (net of tax)	-	-
Share of net profit for the year and total comprehensive income	**-**	**-**
Carrying value at beginning of the year	-	-
Effect of foreign exchange translation	-	-
Investment in equity accounted entities	**-**	**-**

Underlying financial performance of Esro Petfood B.V.:*

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

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

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

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

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Dividends or distributions received from a joint venture reduce the carrying amount of the investment in that joint venture in the Group financial statements. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture until the date it ceases to be a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment. The requirements of NZ IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss.

C4. Goodwill

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

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

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

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

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

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

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

C5. Inventories

	2024 $000's	2023 $000's
Finished goods	19,897	24,854
Other	5,065	4,689
	24,962	**29,543**

Inventories are stated at the lower of cost and net realisable value. Cost means the actual cost of the inventory and in determining cost the first in first out basis of stock movement is followed, with due allowance having been made for obsolescence. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

C6. Impairment of Assets

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

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

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

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

C7. Software

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

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

D. Capital Funding

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

Capital management

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and customer confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

D1. Share Capital

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

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

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

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

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

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

D2. Reserves

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

D2. Reserves (continued)

Revaluation reserve

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

Cash flow hedge reserve

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

Equity-settled employee benefits reserve - LTI Scheme

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

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

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

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

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

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

Equity-settled employee benefits reserve - PSR Scheme

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

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

D2. Reserves (continued)

Total Shareholder Returns (TSR) Hurdles - Tranches 1 and 3

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

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

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

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

Tranche 1 - % vesting	
0%	< 8.5% CAGR
25%	= 8.5% CAGR
26% - 99% (straight-line pro rata)	> 8.5%, < 12.5% CAGR
100%	= 12.5% CAGR
Tranche 3 - % vesting	
0%	= 12.5 % CAGR
1% - 99% (straight-line pro rata)	> 12.5%, < 31.1% CAGR
100%	= 31.1% CAGR

The TSR performance tranches are calculated across the following periods:

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

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

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

Tranche 1 & 3

The inputs into the Monte Carlo simulation are:	FY24A	FY24B	FY23
Risk free interest rate, %	5.00	4.41	4.53
Expected life, years	2.90	2.30	2.20
Expected share volatility, %*	30.87	32.62	31.12
Fair value, at the grant date, $	**3.20**	**4.05**	**3.17**

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

Earnings per Share (EPS) Hurdle - Tranche 2

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

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

Tranche 2 - % vesting	
0%	< 5% CAGR
25%	= 5% CAGR
26% - 99% (straight-line pro rata)	> 5%, < 10% CAGR
100%	= 10% CAGR

The EPS performance is calculated across the following periods:

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

D2. Reserves (continued)

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

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

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

Foreign exchange translation reserve

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

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

D3. Dividends Attributable to Equity Holders of the Company

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

All above dividends were fully imputed.

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

D4. Imputation Credit Account

	2024 $000's	2023 $000's
Balance at end of the year	5,901	8,651

The imputation credit account balance represents the net amount available at the reporting date that can be attached to future dividends declared.

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

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.

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

E. Financial Assets and Liabilities

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'measured at amortised cost'.

The classification depends on the business model for managing the financial asset and the cash flow characteristics of the financial asset and is determined at the time of initial recognition or when a change in the business model occurs.

Financial assets at FVTPL

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

Financial assets measured at amortised cost

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

Impairment of financial assets

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

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

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

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

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

Financial liabilities measured at amortised cost

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value with reference to observable market data at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as cash flow hedges. A derivative is presented as a non-current asset or a non-current liability where the cash flow will occur after twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

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

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.

E. Financial Assets and Liabilities (continued)

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

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

Credit risk management

The Group activities expose it to credit risk which refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents, trade and other receivables and advances. The Group performs credit evaluations on trade customers and obtains trade credit insurance as appropriate but generally does not require collateral. The Group continuously monitors the credit quality of its major receivables and does not anticipate non-performance of those customers. Cash and cash equivalents are placed with high credit quality financial institutions.

There is a significant concentration of credit risk with 5 customers who represent 26.60% (2023: 5 customers who represented 35.95%) of trade and other receivables.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Included in trade receivables are debtors which are past due at balance date, as payment was not received within one month, and for which provision for expected credit losses was not material as there has not been a significant change in credit quality and the amounts are still considered recoverable. No collateral is held over these balances although trade credit insurance cover is obtained in respect of some specific receivables. Interest is not charged on overdue debtors.

Ageing of past due trade receivables:

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

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

E2. Other Financial Assets

Current	2024 $000's	2023 $000's
At fair value:		
Foreign currency derivative instruments	1,470	5,217
Interest rate swap contracts and forward rate agreements	760	772
	2,230	**5,989**

Non-current:

At fair value:		
Foreign currency derivative instruments	3,636	13,678
Interest rate swap contracts and forward rate agreements	504	262
Joint venture call option	-	171
Shares in unlisted companies	185	184
At amortised cost:		
Employee loans	3,113	2,103
Related party loans	29,750	12,679
	37,188	**29,077**

E3. Trade and Other Payables

	2024 $000's	2023 $000's
Trade payables	14,011	10,224
Accruals	10,216	11,816
Employee entitlements	5,625	4,406
	29,852	**26,446**

E4. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest method. The fair value of current and non-current borrowings is approximately equal to their carrying amount.

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

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

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

Group term debt is subject to financial covenants tested quarterly on 31 March, 30 June, 30 September and 31 December of each year. The covenant measures the interest cover ratio and net debt to EBITDA ratio of the Charging Group. The Group has complied with all financial covenants in 2024 and 2023. There are no indications the Group will have difficulty complying with the covenants in the next 12 months.

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

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

E5. Other Financial Liabilities

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

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

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

E6. Interest Rate Risk

Interest rate risk management

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

Interest rate swap contracts and forward rate agreements

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

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

Interest rate swap contracts:

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

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.

E6. Interest Rate Risk (continued)

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

E7. Foreign Currency Risk

Foreign currency risk management

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of normal trading transactions denominated in foreign currencies. The currencies in which the Group primarily trades are the Australian dollar, Euro, Canadian dollar, Great Britain pound and United States dollar, with the largest exposure being to the United States dollar.

Currency risk is managed by the natural hedge of foreign currency receivables and payables and the use of foreign currency derivative financial instruments. The fair value of foreign currency derivative financial instruments at the reporting date is determined on a discounted cash flow basis whereby future cash flows are estimated based on forward exchange rates and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

Foreign currency instruments at balance date:

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

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

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

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

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

E8. Categories of Financial Instruments

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

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

Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Foreign currency derivative liabilities are presented below at fair value.

E9. Maturity Profile of Financial Liabilities

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


Scales

F. Group Structure

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

F1. Subsidiary Companies

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

Subsidiary companies are controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

F2. Non-Controlling Interests

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

Proportion of equity interest held by non-controlling interests:

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

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

	2024 $000's	2023 $000's
Statement of financial position		
Current assets	37,789	31,013
Non-current assets	17,669	11,362
Current liabilities	(10,746)	(8,174)
Non-current liabilities	(144)	(140)
Net assets	**44,567**	**34,060**
Attributable to:		
Equity holders of the Company	26,740	20,436
Non-controlling interests	17,827	13,624

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	**17,175**	**15,312**
Statement of comprehensive income		
Total revenue	235,136	214,624
Net profit for the year	48,327	48,647
Attributable to:		
Equity holders of the Company	28,996	29,188
Non-controlling interests	19,331	19,459
Statement of cash flows		
Net cash provided by operating activities	50,589	45,350
Net cash used in investing activities	(5,650)	(6,160)
Net cash used in financing activities	(43,026)	(38,346)
Net increase in cash	**1,913**	**844**

F3. Acquisition of Apple Orchards and 50% of Profruit (2006) Limited

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

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

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

F3. Acquisition of Apple Orchards and Profruit (2006) Limited (continued)

Details of the Profruit acquisition are as follows:

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

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

The fair value of trade receivables has been adjusted to be measured in accordance with NZ IFRS 15 *Revenue from Contracts with Customers* and the related revenue recognition requirements. Inventory acquired has been measured at the fair value, being the sales price less costs to sell. Costs to sell include the cost of raw materials, freight charges and commission payable.

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

The revenue included in the consolidated statement of comprehensive income since acquisition contributed by Profruit was $24.2m. Profruit was break even over the same period. Had Profruit been consolidated from 1 January 2024 the consolidated statement of comprehensive income would have included revenue of $34.6m and profit of $1.0m.

G. Other

G1. Capital Commitments

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

G2. Leases

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

G2. Leases (continued)

Right-of-use assets

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

	2024 $000's	2023 $000's
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	9,285	8,711
Gain on lease modification	(79)	(177)
Interest expense on lease liabilities	3,774	3,144
Expense relating to short-term leases and low-value assets	1,287	1,990
Lease liabilities		
Current	13,464	10,963
Non-current	52,921	44,670
Maturity analysis (undiscounted cash flows)		
Year 1	13,471	10,963
Year 2	12,973	10,059
Year 3	11,214	9,489
Year 4	9,489	8,611
Year 5	8,077	6,698
Onwards	35,946	30,517
	91,170	76,337
Cash outflows for leases		
Interest on lease liabilities	3,774	3,144
Repayments of lease liabilities	9,075	8,420
Short-term leases and low-value asset leases	1,287	1,990
	14,136	13,554

Sale and leaseback

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

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

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

G3. Related Party Disclosures

Transactions with related parties

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

Key management personnel remuneration

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

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

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

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

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

In October 2022, Meateor Group Limited along with the other joint venture partners, agreed a financing arrangement with Meateor Australia Pty Limited for a term of 5 years. The total facility provided to Meateor Australia Pty Limited is AUD 4 million with the interest rate on the drawdown balances charged at 5% per annum. In July 2023 the financing arrangement with Meateor Australia Pty Limited was amended to nil interest over the term of the loan. The loan balance has been recorded using the effective interest method.

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

G4. Assets Held for Sale

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

G5. Contingent Liabilities

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

G6. Events Occurring After Balance Date

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

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 2024, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements, on pages 48 to 91, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

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

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

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

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

Audit materiality

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Valuation of Unharvested Agricultural Produce

Key audit matter

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

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

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

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

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

How our audit addressed the key audit matter

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

Our procedures included, amongst others:

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

Valuation of Apple Trees

Key audit matter

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

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

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

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

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

How our audit addressed the key audit matter

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

Our procedures included, amongst others:

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

Key audit matter	How our audit addressed the key audit matter
Profruit step acquisition and Bostock orchard acquisition In the current year, Scales Corporation Limited has entered into two transactions with Bostock Group Limited: • Purchase of the remaining 50% in their previous equity-accounted joint venture Profruit (2006) Limited ('Profruit') to increase the Scales Corporation Limited shareholding in Profruit to 100%; and • Purchase of various orchards and bearer plants (which do not constitute a business as defined under NZ IFRS 3 *Business Combinations*). As detailed in note F3 and C3, Scales Corporation Limited acquired the remaining shares in Profruit and the orchards for a combined value of $47.5 million on the 13th of June 2024. The process of accounting for these transactions involved complex and subjective estimation by management including the following: • Accounting treatment for a step acquisition and an asset acquisition; • Identification and valuation of the assets acquired, including specialised assets, land and buildings and other assets and liabilities assumed at acquisition date; • The consideration of both transactions together due to the transactions occurring on the same date and with contractual clauses linking the contracts; and • The allocation of the purchase price consideration based on relative fair values. We have included the determination of the fair values attributable to the assets and liabilities acquired as a part of these transactions, and the purchase price accounting as a key audit matter due to the significance to the financial statements, and the subjectivity and complexity inherent in determining fair value, as well as the purchase price allocation.	Our procedures focused on the appropriateness of the accounting applied to the transactions and the fair value of the assets acquired. Our procedures included, amongst others: • Assessing management's accounting treatment for the step acquisition of the remaining 50% share in Profruit (2006) Limited; • Assessing management's accounting treatment for the asset acquisition of the orchards and bearer plants; • Reviewing the terms of the two sale and purchase agreements; • Consideration of the treatment of the purchase price under NZ IFRS 3 *Business Combinations* taking into account the contracts being inter-related and the impact on the purchase price allocation; • Obtaining management's independent valuations of assets acquired. Assessing the competence, objectivity and integrity of the Group's independent registered valuers. This included assessing the valuer's professional qualifications, experience and independence. It also included meeting with the valuers to understand the valuation process adopted and to identify and challenge the critical judgement areas in the valuation; • Obtaining management's purchase price allocation and reperforming the calculation of the goodwill arising from the business combination transaction; and • Reviewing of financial statement disclosures for completeness and accuracy.

Other information

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

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

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

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

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Nicole Dring, Partner
for Deloitte Limited

Christchurch, New Zealand
25 February 2025

Corporate Governance Statement

The Board of Directors (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 (31 January 2025 version) (NZX Code) and discloses the practices relating to the NZX Code's recommendations.

Scales considers that it has followed all of the recommendations of the NZX Code during the year ended 31 December 2024. The Board believes our governance structures, in particular our approach to remuneration, meet our strategic objectives. In forming our conclusions, we have sought external feedback from shareholders and advisors to challenge our thinking and validate our findings, which we have appreciated.

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

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

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

- Corporate Governance Code (including Scales' Remuneration Policy)
- Code of Ethics
- Diversity Policy
- External Auditor Independence Policy
- Securities Trading Policy and Guidelines
- Shareholder Communications and Market Disclosure Policy
- Audit and Risk Management Committee Charter
- Finance and Treasury Committee Charter
- Health & Safety and Sustainability Committee Charter
- Nominations and Remuneration Committee Charter

Scales' corporate governance documents listed above were reviewed and updated in February 2024. This Corporate Governance Statement was approved by the Board on 20 March 2025.

Principle 1 – Ethical Standards

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

RECOMMENDATION 1.1

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

Code of Ethics

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

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

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

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

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

Regular training on ethics and on aspects of the Code of Ethics is undertaken. Training is completed via a combination of facilitated sessions for Directors and senior management, and for the management of individual subsidiaries in sessions tailored to their specific businesses. Scales last provided training to senior management in 2024 and will provide this training to Directors and employees in 2025. Employee training in ethics is delivered for Scales' largest subsidiary, Mr Apple New Zealand Limited (Mr Apple), via Employment Relationship workshops. These workshops cover the subsidiary's Code of Conduct, ethical behaviour (including respect and dignity and how to report ethics concerns) and were last delivered in 2024.

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

RECOMMENDATION 1.2

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

Share trading by Company Directors and Employees

The Board has implemented formal procedures to address trading in the Company's securities by Directors, employees and advisors of the Company, with approval being required before trading can occur. Approval is required to be obtained from the Chairperson, other Directors, the Managing Director or the Chief Financial Officer depending on who is trading. The company mandates a trading blackout period for all Directors and employees between the end of the half year and full year and the release to NZX of the results for that period.

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

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

Principle 2 – Board Composition & Performance

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

RECOMMENDATION 2.1

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

Responsibilities of the Board

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

The main functions of the Board include to:

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

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

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

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

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

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

RECOMMENDATION 2.2

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

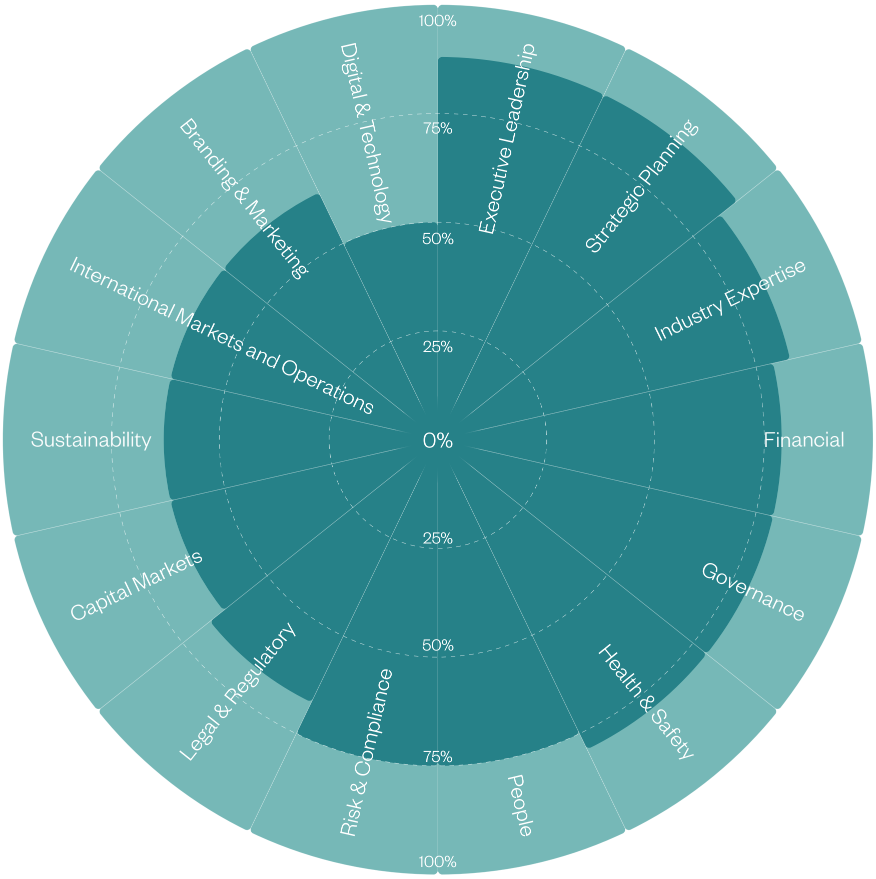
Director nomination and appointment

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

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

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

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Scales. The following graphic illustrates the current collective Board skill level for each discipline.



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

RECOMMENDATION 2.3

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

Letter of appointment

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

RECOMMENDATIONS 2.4, 2.8, 2.9 AND 2.10

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

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

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

Board of Directors

A profile of each of the Directors is set out on pages 44 - 45 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

At all times during 2024 the Board had a majority of Independent Directors. Mike Petersen is the Independent Chairperson of Scales. Tony Batterton, Miranda Burdon, Nick Harris and Alan Isaac are Independent Directors.

Andy Borland is the Managing Director and Chief Executive Officer (CEO) of Scales and therefore is not an Independent Director.

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

The Board determines annually on a case-by-case basis on the advice of the Nominations and Remuneration Committee who, in its view, are Independent Directors. The guidelines set out in the NZX Code, including the amendments made to the Code in January 2025, are considered for this purpose. The Board also reconsiders director independence throughout the year as required where the relationships or circumstances of a Director change and this is brought to the Board's attention.

Ownership of Scales shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed on page 119 of this report.

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. Board succession processes are designed to ensure a planned and orderly succession of the Board over time, with new Directors required to have appropriate experience and qualifications. The aims of succession processes are to:

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

The most recent Board succession process was completed in 2023.

In accordance with the NZX Listing Rules, directors appointed by the Board are required to offer themselves for election at the next Annual Shareholders' Meeting (ASM) following their appointment. Accordingly, Tony Batterton was elected as a Director by shareholders at the 2024 ASM having been appointed to the Board in August 2023.

	Director period of appointment		
	0-3 years	3 – 12 years	12 years +
Number of Directors	3	1	2

Interests Register

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

Particulars of entries made in the Interests Register are included in the Director Disclosures section on page 118 of this report.

RECOMMENDATION 2.5

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

Diversity

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

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

Scales participates in the Institute of Directors' Future Directors programme as part of our commitment to further develop the skill sets available within the agriculture sector. The programme is designed to give talented aspiring Directors exposure to a company Board, whilst also giving the host company a fresh perspective. To date the Board has appointed six Future Directors as part of this programme, with Emma Wheeler being the latest appointee, having been appointed during 2024.

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

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

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

The Board annually assesses the measurable objectives and Scales' progress in achieving these objectives. Progress made to date is:

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

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

	As at 31 December 2024			As at 31 December 2023		
Position	Female	Male	Gender Diverse	Female	Male	Gender Diverse
Directors	1 (17%)	5 (83%)	0 (0%)	2 (25%)	6 (75%)	0 (0%)
Officers[1]	1 (17%)	5 (83%)	0 (0%)	0 (0%)	5 (100%)	0 (0%)
Senior management team (excluding Officers)	10 (36%)	18 (64%)	0 (0%)	6 (27%)	16 (73%)	0 (0%)

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

RECOMMENDATION 2.6

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

Director Training

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

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

RECOMMENDATION 2.7

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

Board Performance Evaluation

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

Principle 3 – Board Committees

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

Board Committees

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

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

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

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 December 2024.

	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	7	7	-	-	-	-	7	7	9	9
Tony Batterton	7	7	7	7	5	5	7	7	-	-
Miranda Burdon	7	7	-	-	-	-	-	-	9	7
Nick Harris	7	7	7	7	-	-	-	-	-	-
Alan Isaac	7	7	7	7	-	-	-	-	-	-
Mike Petersen	7	7	-	-	5	5	5	5	-	-
Nadine Tunley[1]	5	5	-	-	-	-	-	-	7	4
Qi Xin[2]	6	6	-	-	-	-	-	-	-	-

1 Nadine Tunley resigned from the Board on 31 August 2024.
2 Qi Xin resigned from the Board on 25 October 2024.

RECOMMENDATION 3.1

An issuer's Audit Committee should operate under a written charter. An Audit Committee should only comprise non-executive Directors of the issuer. One member of the Committee should be both independent and have an adequate accounting or financial background. The Chair of the Audit Committee should be an independent director and not the Chair of the Board.

Audit and Risk Management Committee

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

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

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

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

RECOMMENDATION 3.2

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

Meeting Attendance

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

RECOMMENDATIONS 3.3 AND 3.4

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

Nominations and Remuneration Committee

The purpose of the Nominations and Remuneration Committee is to assist the Board in overseeing the management of the people and performance activities of the Company.

Members of the Committee are appointed by the Board and must comprise a majority of Independent Directors. The current members of the Committee are Tony Batterton (Chairperson) and Mike Petersen.

Management attends Nominations and Remuneration Committee meetings only if invited by the Committee. The Committee met on five occasions during the year.

RECOMMENDATION 3.5

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

Health & Safety and Sustainability Committee

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

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

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

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

The Committee met on nine occasions during the year.

Finance and Treasury Committee

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

The purpose of the Finance and Treasury Committee is to:

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

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

The Committee met on seven 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 'control transaction' for the issuer including the procedure for any communication between the issuer's Board and management and the bidder. The Board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent Control Transaction Committee, and the likely composition and implementation of an independent Control Transaction Committee.

Control Transaction Protocols

The Board has documented and adopted a series of protocols to be followed in the event of a control transaction being initiated, including communication between insiders and any bidder. A committee of Directors independent of the bidder and any substantial shareholders of the Company would be formed and would have responsibility for managing the control transaction in accordance with the Board protocols and the New Zealand Takeovers Code. As noted above, it is contemplated that, subject to any conflicts of interest, the Finance and Treasury Committee would operate as the Control Transaction Committee with additional director secondees if required.

Principle 4 – Reporting and Disclosure

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

RECOMMENDATION 4.1

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

Shareholder Communications and Market Disclosure

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

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

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

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

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

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

RECOMMENDATION 4.2

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

Governance Policies and Charters

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

RECOMMENDATION 4.3

Financial reporting should be balanced, clear and objective.

Financial and Non-Financial Reporting

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

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

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

Half year and full year financial statements are prepared in accordance with relevant financial standards. Both financial and non-financial disclosures are made at least annually.

RECOMMENDATION 4.4

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

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

Scales' Sustainability Report is included at pages 16-21 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 People, Corporate, Marketplace, and Environment.

Scales is a climate-reporting entity for the purposes of the Financial Markets Conduct Act 2013. On 23 April 2024, Scales published its first mandatory Climate-Related Disclosures (CRD) report under the Aotearoa New Zealand Climate Standards and Part 7A of the Financial Markets Conduct Act 2013. Scales' CRD report for the period ended 31 December 2024 will be made available at www.scalescorporation.co.nz/sustainability by no later than 30 April 2025.

Principle 5 - Remuneration

Remuneration Report

Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 31 December 2024 (FY24) and provides detailed information on the remuneration arrangements in this period for the Directors of the Company, the CEO and certain other nominated executives of the Group.

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

The disclosures in this report are aligned to the NZX Remuneration Reporting Template for Listed Issuers published by the NZX in December 2023.

Remuneration Governance

Remuneration Philosophy

The Company's remuneration governance framework is overseen by the Nominations and Remuneration Committee (the Committee) on behalf of the Board.

The Committee will comprise at least 2 directors, all members will be non-executive directors and the majority of directors shall be independent. Executive directors, including the CEO, are only entitled to attend meetings of the Committee by invitation.

During FY24, the Committee comprised the following members: Tony Batterton and Mike Petersen. Tony Batterton has served as the Chair of the Committee from 22 August 2023 and Mike Petersen has been a member of the Committee from 20 June 2023.

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

The Committee reviews market data on remuneration structure and quantum. The remuneration packages of the CEO and nominated executives are structured to include a Short-Term Incentive Scheme (STI Scheme) that is directly linked to the overall financial and operational performance of the Company. The CEO and nominated executives may also be invited to participate in the Company's share-based Long-Term Incentive Scheme (LTI Scheme) and/or the newly introduced Performance Share Rights (PSR) Scheme (PSR Scheme). Both schemes are detailed below.

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

The Committee operates under a written charter. The charter can be found at www.scalescorporation.co.nz/about-us/governance.

The internal governance policies that provide context for the remuneration outcomes are described below.

Executive Remuneration Policy

The Committee and Board support a remuneration strategy that drives longer-term performance and aligns the incentives of nominated executives with the interests of the Company's shareholders. A small number of additional employees of non wholly-owned subsidiaries have specific short-term incentive schemes linked to the performance of the subsidiary.

The Company aims to reward 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 remuneration packages for nominated executives are all subject to Board approval, following recommendations from the Committee.

(a) Fixed remuneration

The fixed remuneration component of executive remuneration consists of base salary, employer superannuation contributions and other employment benefits.

(b) Variable remuneration

The variable remuneration component of executive remuneration comprises the STI Scheme, the LTI Scheme and the PSR Scheme.

(i) STI Scheme

The current STI Scheme is directly linked to the achievement of annual financial and operational targets. As such it can be viewed as a 'profit share' arrangement, with the total annual payments made under the STI Scheme being funded from the overperformance against the targets.

STI Scheme payments relate to a specific financial year and are delivered as a taxable cash bonus. They are payable on completion of the annual audited financial statements for that financial year and therefore STI Scheme payments are made in the financial year after the financial year to which they relate (e.g. FY24 STI Scheme payments earned in respect of FY24 will be paid in FY25).

STI Scheme payment values are set as a percentage of total fixed remuneration, being between 10% and 35% for nominated executives for FY24. For FY24 there were 53 nominated executives in the STI Scheme.

(ii) LTI Arrangements

LTI Scheme

Under the LTI Scheme, participants are offered an interest free loan which is to be applied to acquire shares in the Company. The criteria to receive a loan under the LTI Scheme during each reporting period is the achievement of a gross total shareholder return (TSR) performance hurdle over the IPO reference share price, as set by the Board from year-to-year.

Shares acquired under the LTI Scheme are held by a custodian and will only vest with the participant if they are still employed by the Company after 3 years from the date of issue and if the interest free loan amount is less than the current market value of the Scales shares acquired with the loan.

Once the shares vest, the participant remains obligated to repay the outstanding balance of the loan. Often, to fund the repayment of the outstanding loans, participants may, subject to the approved procedures, sell on-market their LTI vested shares. All net dividends or distributions received in respect of the shares must be applied to repayment of the interest-free loan.

Alternatively, if a participant leaves employment before the expiry of the 3-year period, or if the participant's interest free loan amount is more than the current market value of the Scales shares acquired with the loan, the Company is authorised to sell that participant's shares with the proceeds applied to repay the balance of the loan, with any deficit covered by the Company and any surplus retained by the Company.

The gateway performance hurdle used for determining participation in the LTI Scheme is an absolute share price growth hurdle, which is more challenging to achieve over time than a relative TSR hurdle. This approach only rewards participants if long-term shareholders also do well.

Each participant's loan amount (which determines how many shares will be acquired for the participant and at risk under the LTI Scheme) is set as a percentage of their total fixed remuneration, being 30% for the CEO and between 10% and 20% for other nominated executives in respect of FY24.

In late 2024, the Board resolved that the FY24 allocation of shares under the LTI Scheme would be the last allocation under the LTI Scheme, with the Scheme to be replaced for current participants by the PSR Scheme. In making this decision the Board took into account a number of factors, including: that PSRs are the most prevalent instrument in Australasia, that the objectives and benefits of both Schemes are very similar and that the LTI Scheme could not be used for Scales' executives domiciled outside of New Zealand.

PSR Scheme

During FY23 the Board introduced a dividend protected PSR Scheme as an additional long-term incentive for the CEO and certain nominated executives. Under the PSR Scheme, PSRs are granted to key senior management personnel. The PSR Scheme was initially linked to the performance of the Global Proteins division which has been the focus of recent and continuing investment by the Company. During FY24, participation in the PSR Scheme was widened to include executives from a number of subsidiaries whose executives had not, until that time, been participants in a Scales long-term incentive scheme.

Vesting under the PSR Scheme is dependent upon the achievement of Earnings per Share (EPS) and TSR targets at the end of a 3-year term. On vesting, PSRs entitle participants to receive ordinary shares in Scales. The number of PSRs awarded to participants in the PSR Scheme is set at either a fixed amount, or is based on a value which reflects between 10% and 35% of participants' total fixed remuneration.

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

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

(iii) 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 of up to $5,000 to fund 50% of the subscription price for the shares which the employee wished to acquire in the Company as part of the IPO. Employees are obliged to repay their loans when the shares are sold or when they leave the Company. As at 31 December 2024, loans for shares acquired under the employee share ownership scheme totalling $33,500 remain outstanding and are recorded on the Company's balance sheet.

FY24 Executive Remuneration Outcomes

(i) STI Scheme

No amounts were paid to nominated executives in the STI Scheme during FY24, as the Company did not achieve its target Underlying Net Profit After Tax Attributable to Shareholders for the Group during FY23.

The actual amount earned for all nominated executives in the STI Scheme for FY24 was $1,542,963.

(ii) LTI Scheme

For FY24, 65 nominated executives (including the CEO) participated in the LTI Scheme.

The criteria to receive an interest free loan under the LTI Scheme in FY24 was the achievement of a gross TSR of 12.5% over the IPO reference share price (equivalent to $2.72 for FY24). During FY24, 475,546 shares were issued to the custodian for participants under the LTI Scheme, with matching interest free loans of $1,293,479, equating to $2.72 per share. Those shares will become eligible to vest, subject to the market value of Scales shares at the time exceeding the value of the interest free loans, in FY27.

During FY24, a total of 422,154 shares issued to the custodian in FY20 and FY21 vested, with the corresponding loan amounts becoming full recourse, and a total of 48,063 shares issued to the custodian in FY20 and FY21 lapsed.

As at 31 December 2024, total loans for vested shares, which are now full recourse, of $3,090,620 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 unvested shares on issue that are subject to the LTI Scheme as at the end of FY24 are as follows:

LTI shares Award Date	Vesting date	Hurdle price [1]	LTI shares issued on Award Date	Lapsed LTI shares	Vested LTI shares	Balance
7 April 2022 – FY21	7 April 2025	$3.20	327,031	19,568	-	307,463
24 April 2023 – FY22	24 April 2026	$3.33	374,113	12,432	-	361,681
24 April 2024 – FY23	24 April 2027	$2.72	475,546	-	-	475,546
Total			1,176,690	32,000	-	1,144,690

[1] The hurdle price for an LTI Award is calculated as the market price of a Scales share required to achieve a gross TSR over the IPO reference price. For the FY21 Award, Scales' Board set the hurdle price at $3.20 as a transition from a gross TSR hurdle of 20%, to 15%. For the FY22 Award, a gross TSR hurdle of 15% applied. For the FY23 Award, the Scales Board reduced the gross TSR hurdle to 12.5%.

Taxation

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

Scales' Board agreed, for the LTI Scheme shares vesting in FY24, to fully fund participants' tax liability, effectively passing on the actual economic benefit derived from the legislative changes.

(iii) PSR Scheme

For FY24, 12 nominated executives (including the CEO) participated in the PSR Scheme.

One grant of 398,872 PSRs was made under the PSR Scheme during FY24 and will be eligible for vesting during FY27.

No PSRs were eligible for vesting during FY24.

CEO Remuneration Arrangements

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

Remuneration consists of both fixed and variable remuneration components. The fixed remuneration component consists of base salary, employer superannuation contributions and other employment benefits. The variable remuneration component comprises the STI Scheme, the LTI Scheme and the PSR Scheme, with the proportion of fixed and variable components established for the CEO.

(a) Fixed annual remuneration

The CEO receives 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 FY24, the CEO's total fixed remuneration was $942,245 (FY23: $892,929).

(b) Variable remuneration – STI Scheme

The objective of the STI Scheme is to provide an additional incentive to the CEO to achieve relevant targets and ensure that the cost to the Company is flexible and in line with the trading outcome for the current year. STI Scheme payment values are set as a percentage of total fixed remuneration, being 45% for the CEO for FY24.

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 25% 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

The CEO's key performance indicators for the FY24 STI award are outlined below:

Measure	STI Weighting	Description
Underlying NPATAS	40%	Achievement of the target Underlying Net Profit After Tax Attributable to Shareholders for the Group
Underlying EBIT	27%	Achievement of the target Underlying Earnings Before Interest and Tax for the Group
Key operational milestone targets	33%	Achievement of five key operational milestone targets

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.

(c) Variable remuneration – LTI and PSR Schemes

LTI Scheme

The value of the loan provided to the CEO (which determines how many shares will be acquired on his behalf by the custodian) represents 30% of the CEO's total fixed remuneration.

The criteria to receive an interest free loan under the LTI Scheme in FY24 was the achievement of a gross TSR of 12.5% over the IPO reference share price (equivalent to $2.72 for FY24). The key terms and conditions under the LTI Scheme are described under the LTI Arrangements section above.

PSR Scheme

Grants of PSRs with vesting dates on or after 31 December 2024 were made on 20 December 2023 (FY23 Grant) and 1 May 2024 (FY24 Grant).

The FY23 Grant and FY24 Grant of PSRs each have three tranches. The value of the PSRs awarded to the CEO under the PSR Scheme for tranches 1 and 2 is set at a fixed amount representing 15% of the CEO's total fixed remuneration. The number of PSRs issued to the CEO for tranche 3 is set at a fixed number of 684,285 spread evenly over FY23, FY24 and FY25.

The key terms and conditions related to the PSRs awarded to the CEO under the PSR Scheme are as follows:

- The PSRs are granted for nil consideration and have a nil exercise price.
- The CEO must remain an employee of Scales as at the relevant vesting date for each tranche of PSRs.
- The FY23 Grant and FY24 Grant have three separate performance hurdles, each applying to a tranche.
- For each of the FY23 and FY24 Grants:
  - 7.3% of the PSRs are allocated to tranche 1, which is subject to a performance hurdle of the Company's TSR, equalling or exceeding 8.5%, calculated on a compound annual basis over the vesting period for the tranche;
  - 7.3% of the PSRs are allocated to tranche 2, which is subject to a performance hurdle of the Company's EPS having a compound annual growth rate (CAGR) of at least 5% over the vesting period for the tranche; and
  - 85.4% of the PSRs are allocated to tranche 3, which is subject to a performance hurdle of the Company's TSR equalling or exceeding 12.5%, calculated on a compound annual basis over the vesting period for the tranche.
- The PSR Scheme uses a progressive vesting scale for determining the percentage of PSRs that become eligible for vesting. Once the performance hurdle is met, PSRs will become eligible for vesting on a straight-line basis.
- The percentage of PSRs under each tranche of the FY23 Grant and FY24 Grant that become eligible for vesting is determined as follows:

% of PSRs under the tranche eligible for vesting	Tranche 1 TSR equals or exceeds	Tranche 2 EPS CAGR equals or exceeds	Tranche 3 TSR equals or exceeds
25%	8.5%	5%	12.5%
100%	12.5%	10%	31.1%

- On the vesting date for each tranche, subject to achieving the performance hurdles, each PSR entitles the CEO to one ordinary share. The PSR Scheme is dividend protected and the CEO will receive additional shares representing the value of dividends paid over the vesting period. The CEO is liable for tax on the shares received at the point of vesting. The Company will, at its discretion, either offer the CEO additional shares for nil consideration or make a cash payment to the CEO to meet some of the tax liability resulting for the CEO from the receipt of shares by the CEO on vesting of the eligible PSRs.

CEO Remuneration Outcomes

(a) Remuneration of the CEO

The total remuneration and value of other benefits paid to the CEO (including under the STI Scheme and LTI Scheme detailed above) for FY24 was $971,306 (FY23: $1,177,882).

Year	Fixed Remuneration			Pay For Performance					Total Remuneration
	Salary	Benefits[1]	Subtotal	STI Scheme[2]		LTI Scheme[3]		Subtotal	
				Paid	Amount received as a % of maximum award	Paid	Amount received as a % of maximum award		
FY23	$815,627	$77,302	$892,929	$259,438	100%	$25,515	100%	$284,953	$1,177,882
FY24	$857,872	$84,373	$942,245	$Nil	0%	$29,061	100%	$29,061	$971,306

1 Benefits include superannuation payments, the provision of a company vehicle and health insurance payments.

2 The STI Scheme amount earned for FY22 was paid in FY23. For FY23, the STI Scheme targets were not achieved. The STI Scheme amount earned for FY24 was paid in FY25 and will consequently show as FY25 remuneration in the FY25 Remuneration Report.

3 LTI Scheme amounts earned represent the market price of shares which vested to the CEO under the LTI Scheme during FY24 and FY23 (calculated as the volume weighted average price of a Scales share over the 5 trading days prior to the vesting date multiplied by the number of shares that vested under the LTI Scheme, less the value of the CEO's interest free loan used to acquire those shares on the vesting date) plus a cash bonus amount paid to fund the CEO's tax liability arising in respect of the LTI Scheme shares that vested during FY24, of $1,151.

The total remuneration of the CEO for FY23, of $1,177,882, differs from the amount reported in the 2023 Remuneration Report, of $1,266,118. This is due to a change in the way that remuneration in relation to LTI Scheme shares has been calculated. For the 2023 Remuneration Report, remuneration received by the CEO in FY23 in relation to the LTI Scheme, included the amortised option cost of unvested shares. In addition, the market value of shares vesting in FY23 was excluded from the calculation. For this Remuneration Report, remuneration received by the CEO in relation to the LTI Scheme is determined in accordance with the calculation described in the footnote below (and Scales expects to take this approach to its future Remuneration Report disclosures).

(b) FY24 STI Outcomes

A breakdown of the amount earned by the CEO for achievement of the FY24 STI Scheme key performance indicators is as follows:

Measure	STI Awarded		Earned	% Earned of Awarded
Underlying NPATAS	40%	$157,053	$157,053	100%
Underlying EBIT	27%	$104,702	$104,702	100%
Key operational milestone targets	33%	$130,877	$104,702	80%

(c) FY24 LTI Outcomes

LTI Scheme

During FY24, a total of 123,247 shares issued to the custodian in FY21 vested, with the corresponding loan amount becoming full recourse.

In total, at 31 December 2024, 226,145 shares are held for the CEO under the LTI Scheme which remain subject to vesting conditions. As at 31 December 2024, the total balance owing under the loans advanced to the CEO under the LTI Scheme was $1,517,272, with $650,111 relating to unvested shares and $867,161 relating to vested shares (and which have become full recourse). Note that under current accounting treatment, loans relating to unvested shares are not recorded on the Company's balance sheet.

A summary of the LTI Scheme shares held by the CEO which lapsed or vested during FY24 or which remain subject to vesting conditions as at 31 December 2024 is as follows:

LTI shares Award Date	Vesting Date	Hurdle Price[1]	LTI shares issued on Award Date	Market Price at Award Date[2]	LTI shares lapsed in FY24	LTI shares vested in FY24	Market Price at the Vesting Date[3]	Balance of LTI shares at 31 December 2024
28 June 2020	3 September 2024	$4.19	76,372	$55,926	-	76,372	$0	-
7 April 2021	7 April 2024	$3.20	46,875	$67,809	-	46,875	$29,061	-
7 April 2022	7 April 2025	$3.20	61,208	$115,842	-	-	N/A	61,208
24 April 2023	24 April 2026	$3.33	68,900	$0	-	-	N/A	68,900
24 April 2024	24 April 2027	$2.72	96,037	$45,243	-	-	N/A	96,037

1 The hurdle price for an LTI Award is calculated as the market price required to achieve a gross TSR over the IPO reference price.

2 Market price of LTI Scheme shares is calculated as the volume weighted average price of a Scales share over the 5 trading days prior to the award date multiplied by the number of LTI Scheme shares less the value of the CEO's interest free loan used to acquire those shares on the award date.

3 Market price of LTI Scheme shares is calculated as the volume weighted average price of a Scales share over the 5 trading days prior to the vesting date multiplied by the number of LTI Scheme shares less the value of the CEO's interest free loan used to acquire those shares on the vesting date.

PSR Scheme

One grant of 267,051 PSRs was made to the CEO as a part of the FY24 Grant.

None of the PSRs issued to the CEO under the FY23 Grant or the FY24 Grant became eligible for vesting during FY24. As outlined above, PSRs are subject to a number of performance hurdles, measured at the end of a 3-year vesting period. The number of PSRs vesting with the CEO is dependent on the level of performance achieved against the hurdles. Vesting of all PSRs requires achievement at the top end of the performance hurdle range. Achievement at this level represents a high level of long-term performance which would be of significant benefit to shareholders. In particular, PSRs issued in relation to tranche 3 are significant in number but are linked to a very demanding TSR performance hurdle of between 12.5% and 31.1%.

A summary of the PSRs granted to the CEO which lapsed or vested during FY24 or which remain subject to vesting conditions as at 31 December 2024 is as follows:

PSRs Award Date	Final Vesting Date	PSRs issued on Award Date	Market Price at Award[4]	PSRs lapsed in FY24	PSRs vested in FY24	Shares issued / transferred based on vesting outcomes	Market Price at the Vesting Date[4]	Issue / transfer date	Balance of PSRs at 31 December 2024
20 December 2023	11 trading days following the release of FY25 results to NZX	267,051	$856,299	-	-	-	N/A	N/A	267,051
1 May 2024	11 trading days following the release of FY26 results to NZX	267,051	$872,055	-	-	-	N/A	N/A	267,051

4 Market price is calculated as the volume weighted average price of a Scales share multiplied by the number of PSRs or shares (as applicable) over the 5 trading days prior to the relevant date (as specified in the table). The market price differs from the value ascribed to the PSRs for accounting purposes. The valuation of PSRs for accounting purposes uses a variant of the dividend adjusted Monte Carlo simulation, which acknowledges a number of value risks, including share price volatility, interest rates and the vesting period.

Remuneration bands

The following table notes the number of employees of the Group (including former employees and employees of non wholly-owned subsidiaries), not being a Director (and therefore excluding the CEO who is also a Director) mentioned below, who during FY24 received remuneration and other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, in brackets of $10,000:

Amount of Remuneration[1]	Employees
$100,001-$110,000	16
$110,001-$120,000	16
$120,001-$130,000	21
$130,001-$140,000	22
$140,001-$150,000	12
$150,001-$160,000	16
$160,001-$170,000	7
$170,001-$180,000	5
$180,001-$190,000	4
$190,001-$200,000	5
$210,001-$220,000	4
$220,001-$230,000	1
$230,001-$240,000	1
$250,001-$260,000	2
$270,001-$280,000	1
$280,001-$290,000	1
$290,001-$300,000	1
$310,001-$320,000	1
$330,001-$340,000	1
$340,001-$350,000	1
$410,001-$420,000	1
$460,001-$470,000	1
$470,001-$480,000	1
$690,001-$700,000	2
$820,001-$830,000	1
$4,340,001-$4,350,000	1

[1] The remuneration amounts include LTI Scheme shares that vested during FY24 calculated as the volume weighted average price of a Scales share over the 5 trading days prior to the vesting date multiplied by the number of shares that vested under the LTI Scheme less the value of the interest free loan used to acquire those shares on the vesting date. The remuneration amounts do not include any LTI Scheme awards or any PSR Scheme grants made in FY24 that have not vested.

Director Remuneration

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. Scales' shareholders approved a Directors' fee pool of $650,000 per annum at the 2022 Annual Shareholders' Meeting. With a subsequent increase in the total number of directors in August 2022, the Directors' fee pool was increased in line with NZX Listing Rule 2.11.3 at that time to $746,800. Since that time the number of directors has reduced to 5. The Board continues to review the optimum number of Directors for the Company.

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

Non-executive Directors have no entitlement to:

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

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

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

Director Remuneration Outcomes

Fees payable for Chair, Director and Committee member roles for FY24 were:

	Board of Scales Corporation Limited	Fees for serving on Nominations and Remuneration Committee	Fees for serving on Audit and Risk Management Committee	Fees for serving on the Board of Selacs Insurance Limited	Fees for serving on Health & Safety and Sustainability Committee	Fees for serving on Finance and Treasury Committee	Fees for serving on Australian subsidiary Boards
Board Chair	$166,000	N/A	N/A	N/A	N/A	N/A	N/A
Committee Chair	N/A	$15,000	$18,000	N/A	$12,000	$9,000	N/A
Director	$80,000	N/A	N/A	$12,000	N/A	N/A	$8,333
Committee Member	N/A	$6,000	$6,000	N/A	$6,000	$6,000	N/A

Fees payable to the non-executive Directors of the Group for the period 1 January 2024 to 31 December 2024 were as follows:

Director	Base fee	Fees for serving on Nominations and Remuneration Committee	Fees for serving on Audit and Risk Management Committee	Fees for serving on the Board of Selacs Insurance Limited	Fees for serving on Health & Safety and Sustainability Committee	Fees for serving on Finance and Treasury Committee	Fees for serving on subsidiary Boards	Total Fees
Mike Petersen	$166,000	-	-	-	-	-	-	$166,000
Tony Batterton	$80,000	$15,000	$6,000	-	-	$9,000	-	$110,000
Miranda Burdon	$80,000	-	-	-	$9,411	-	-	$89,411
Nick Harris	$80,000	-	$6,000	-	-	-	-	$86,000
Tim Goodacre	-	-	-	-	-	-	$8,178	$8,178
Alan Isaac	$80,000	-	$18,000	$12,000	-	-	-	$110,000
Grant Sinclair[1]	-	-	-	-	-	-	$4,492	$4,492
Nadine Tunley[2]	$53,589	-	-	-	$6,625	-	-	$60,214
Qi Xin[3]	$65,479	-	-	-	-	-	-	$65,479

[1] Grant was a Director of subsidiary Profruit (2006) Limited from 28 August 2006 until his resignation on 20 September 2024.

[2] Nadine resigned from the Board on 31 August 2024. Nadine served as the Chair of the Health & Safety and Sustainability Committee up until 5 June 2024 and as a Health & Safety and Sustainability Committee member until 31 August 2024.

[3] Qi Xin resigned from the Board on 25 October 2024.

Principle 6 – Risk Management

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

RECOMMENDATION 6.1

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

Risk Management Framework

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

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

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

The objectives of the framework are to:

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

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

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

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

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

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

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

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

RECOMMENDATION 6.2

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

Health and Safety

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

Principle 7 – Auditors

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

RECOMMENDATIONS 7.1 AND 7.2

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

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

External Auditor

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

The policy covers the following areas:

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

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

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

The amount payable by Scales and its subsidiaries to Deloitte Limited as audit fees during the year ended 31 December 2024 was $388,781. In addition, audit fees of $183,320 were payable to Sheehan & Company during the year ended 31 December 2024, for their audit of Meateor US LLC and its subsidiaries and audit fees of $32,715 were paid to Lowe Lippmann during the year ended 31 December 2024 for their audit of Fayman International Group Pty Limited.

Deloitte Limited were also paid $90,000 for assurance and pre-assurance engagements in relation to Greenhouse gas emissions during the year to 31 December 2024. There was no other non-assurance work carried out by the external auditors during the year. All non-assurance services provided must have the prior approval of the Audit and Risk Management Committee.

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

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

The auditor attended Scales' 2024 ASM and has been invited to attend the 2025 ASM so as to be available to answer questions about the audit process and the independence of the auditor.

RECOMMENDATION 7.3

Internal audit functions should be disclosed.

Internal Audit

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

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

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

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

The Company continues to co-source engagements in the internal audit programme with KPMG, as required. A number of such engagements are planned for 2025.

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 in the Investors section of the website.

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

RECOMMENDATION 8.2

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

Shareholder Meetings

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

Electronic Communications

Shareholders have the option of receiving their communications electronically. Shareholders can contact Scales at its head office, with contact details for Scales available on its 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 vote by post or proxy. Shareholders may raise matters for discussion at the ASM either in person, virtually or by emailing the Company with a question to be asked. Scales conducts voting at its ASMs by way of poll and on the basis of one share, one vote.

RECOMMENDATION 8.4

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

The Company did not raise equity capital in 2024. The Board will take this recommendation into account if considering any future capital raisings.

RECOMMENDATION 8.5

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

Notice of Meeting

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

Director Disclosures

Directors

The following persons were Directors of Scales and its subsidiaries during the year ended 31 December 2024:

Scales Corporation Limited

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

Fern Ridge Produce Limited

Andrew Borland
Hamish Davis
Andrew van Workum

Geo. H. Scales Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Longview Group Holdings Limited

Andrew Borland
Andrew van Workum

Meateor Foods Limited

Andrew Borland
Nick Harris

Meateor Foods Australia Pty Limited

Andrew Borland
Tim Goodacre

Meateor Group Limited

Andrew Borland
Nick Harris

Meateor US LLC

Andrew Borland
John Sainsbury

Mr Apple New Zealand Limited

Andrew Borland

New Zealand Apple Limited

Andrew Borland

Scales Logistics Australia Pty Limited

Andrew Borland
Tim Goodacre

Scales Employees Limited

Andrew Borland

Scales FI Group Holding Pty Limited

Andrew Borland
Nick Harris
Tim Goodacre
John Sainsbury

Scales Holdings Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Scales Logistics Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Selacs Insurance Limited

Andrew Borland
Alan Isaac
Steve Kennelly

Shelby Exports, Inc.

Brett Frankel

Shelby JV LLC

Andrew Borland
John Sainsbury
Brett Frankel

Profruit (2006) Limited

Andrew Borland
Grant Sinclair (resigned 20 September 2024)
Nadine Tunley (appointed 20 September 2024)

Interests Register

The following entries were made in the interests register of Scales and its subsidiaries during the period 1 January 2024 to 31 December 2024:

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 are insured for losses arising as a result of actions or omissions in their capacity as Directors. Certain actions are specifically excluded, for example, the incurring of criminal penalties.

Share Dealings by Directors

Dealings by Directors in relevant interests in Scales' ordinary shares during the year ended 31 December 2024 as entered in the Interests Register of Scales are as follows:

Name of Director	No. of Shares	Nature of Relevant Interest	Nature of Transaction	Consideration	Date of Transaction
Andrew Borland	46,875	Registered holder & beneficial owner	LTI Scheme Transfer	$0.00	8 April 2024
Andrew Borland	96,037	Beneficial owner	LTI Scheme Issue	$2.72 per share	24 April 2024
Andrew Borland	76,372	Registered holder & beneficial owner	LTI Scheme Transfer	$0.00	3 September 2024
Miranda Burdon	55,000	Registered holder & beneficial owner	Acquisition	$3.53 per share	23 October 2024
Mike Petersen	5,000	Registered holder	Acquisition	$3.40 per share	4 June 2024

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 2024 to 31 December 2024 are as follows:

Scales Corporation Limited

Andrew Borland

The Lincoln University Foundation	Trustee
Lincoln University Centennial Trust	Advisor
Lockbox Storage Rangiora Limited	Shareholder

Tony Batterton

Briscoe Group Limited	Director
Evergreen Partners Limited	Director
NZ Fine Touring Group Limited	Director
Siplow Nominees Limited	Director
Direct Capital IV Management Limited	Director

Miranda Burdon

Emerging Proteins New Zealand	Chair
Food Nation Limited	Director
Meadow Mushrooms Limited	Chair

Nick Harris

Glenturret Farm Limited	Director/Shareholder
Harris Farms Limited	Director/Shareholder
Harris Meats (Cheviot) Limited	Director/Shareholder
Highstead Trust	Trustee
Southbrook 2024 Ltd	Director/Shareholder

Alan Isaac

Basin Reserve Trust	Chair
NZ Community Trust	Chair
NZ Markets Disciplinary Tribunal	Member
Oceania Healthcare (NZ) Limited	Director
Skellerup Holdings Limited	Director
Wellington Cricket Foundation	Trustee
Wellington Cricket Trust	Trustee
Wellington Free Ambulance	Director

Mike Petersen

Antipodean Lands Limited	Director
ANZCO Foods Limited	Director
Bellarace Consulting Ltd	Director/Shareholder
Dryland Carbon	Advisory Committee Member
Forest Partners	Advisory Committee Member
Kelso Genetics Limited	Director
Nui Markets Limited	Chair
Rimanui Farms	Advisory Board Member
Te Hau Station Limited	Director
Te Puna Farm Trust	Trustee
Tukituki Water Security Limited	Chair

Relevant Interests

The table below records the Scales ordinary shares in which each Director had a relevant interest as at 31 December 2024.

Director	Number of Ordinary Shares – Beneficial	Number of Ordinary Shares – Non-Beneficial
Andrew Borland	526,347	500,000
Tony Batterton	83,891	Nil
Miranda Burdon	95,000	Nil
Nick Harris	250,000	Nil
Alan Isaac	25,000	3,000
Mike Petersen	Nil	20,000

Use of Company Information by Directors

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

Shareholder Information

Spread of Shares

Set out below are details of the spread of shareholders of Scales as at 31 January 2025:

	Number of Shareholders	Number of Shares Held	% of Shares Held
Under 2,000	1,188	1,136,398	0.79
2,000 to 4,999	1,273	3,848,572	2.68
5,000 to 9,999	754	4,982,341	3.47
10,000 to 49,999	734	13,534,110	9.42
50,000 to 99,999	84	5,535,492	3.86
100,000 and over	68	114,534,614	79.78

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of Scales as at 31 January 2025:

Shareholder	Number of Shares	% of Shares
Custodial Services Limited	22,201,850	15.46
BNP Paribas Nominees (NZ) Limited - NZCSD	13,880,933	9.67
Accident Compensation Corporation - NZCSD	9,947,478	6.93
FNZ Custodians Limited	6,830,599	4.76
HSBC Nominees (New Zealand) Limited - NZCSD	6,156,183	4.29
Tea Custodians Limited Client Property Trust Account - NZCSD	5,850,850	4.08
Citibank Nominees (New Zealand) Limited - NZCSD	4,610,768	3.21
Forsyth Barr Custodians Limited	4,469,893	3.11
JP Morgan Chase Bank - NZCSD	4,342,834	3.02
JB Were (NZ) Nominees Limited	3,148,779	2.19
New Zealand Depository Nominee Limited	2,868,023	2.00
HSBC Nominees (New Zealand) Limited - NZCSD	2,675,191	1.86
John Grant Sinclair & Camille Elizabeth Sinclair	2,241,000	1.56
HSBC Nominees (New Zealand) Limited - NZCSD	1,729,730	1.20
PT (Booster Investments) Nominees Limited	1,642,558	1.14
FNZ Custodians Limited	1,400,305	0.98
JB Were (NZ) Nominees Limited	1,188,716	0.83
Scales Employees Limited	1,144,690	0.80
Pathfinder Nominees Limited - NZCSD	1,047,052	0.73
Investment Custodial Services Limited	970,358	0.68

Substantial Product Holders

Set out below are details of the substantial product holders of Scales as at 31 December 2024.

The number of shares shown below is based on the most recent substantial product holder notices given to Scales and its records as at 31 December 2024.

Name	Number of Shares	Class of Shares
Accident Compensation Corporation	10,267,440	Ordinary
FirstCape Group Limited[1]	20,178,390	Ordinary

[1] As disclosed in a substantial product holder notice given by FirstCape Group Limited (FirstCape) on 25 October 2024, Harbour Asset Management Limited, BNZ Investment Services Limited, Jarden Wealth Limited and JB Were (NZ) Nominees Limited are also substantial product holders as they are related bodies corporate of FirstCape and therefore are deemed to have the same relevant interest in Scales' ordinary shares as FirstCape.

The total number of Scales Corporation Limited ordinary shares on issue as at 31 December 2024 was 143,571,527.

Other Information

NZX Waivers

Scales did not rely upon any waivers granted by NZX Limited during the year ended 31 December 2024.

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 2024.

Donations

Donations of $11,830 were made by Scales during the year ended 31 December 2024. 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 (also referred to as Climate Statements)
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPS	Earnings Per Share
Esro Petfood	Esro Petfood BV (50 per cent held by Scales, equity accounted as a joint venture)
Fayman	Australian operations of FI Group Holdings Pty Limited (50 per cent held by Scales, equity accounted as a joint venture) together with ANZ Exports Pty Limited (42.5 per cent held by Scales, equity accounted)
Fern Ridge	Fern Ridge Produce Limited (100 per cent held by Scales, consolidated)
FOB	Free On Board, a term which means that the price for goods includes delivery at the seller's expense on to a vessel at a named port and no further. The buyer bears all costs thereafter (including costs of sea freight)
FY	Financial Year
Group	Scales Corporation Limited, its subsidiaries and joint ventures
Ha	Hectare, a metric unit of measurement equal to 10,000 square metres
IPO	Initial Public Offering
Meateor Australia	Meateor Australia Pty Limited (50 per cent held by Scales, equity accounted as a joint venture)
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 (100 per cent held by Scales, consolidated)
PVRs	Plant Variety Rights
ROCE	Return on Capital Employed, calculated as EBIT divided by average Capital Employed
RSE	Recognised Seasonal Employer
Shelby	Shelby JV LLC group of companies (60 per cent held by Scales, consolidated)
TCE	Tray Carton Equivalent, a measure of apple and pear weight, equal to 18.6kg packed weight which equates to 18.0kg sale weight
TEU	A Twenty-foot Equivalent Unit is a unit of cargo capacity to describe container volumes
Underlying profit measures (EBIT, EBITDA, NPAT, NPATAS)	Non-GAAP profit measures that Directors and management use when discussing financial performance. See page 7 for definition and pages 38-41 for reconciliation to GAAP (NZ IFRS) profit measures


MrAPPLE

Directory

Board of Directors

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

Audit and Risk Management Committee

Alan Isaac (Chair)
Nick Harris
Tony Batterton

Nominations and Remuneration Committee

Tony Batterton (Chair)
Mike Petersen

Finance and Treasury Committee

Tony Batterton (Chair)
Andrew Borland
Mike Petersen

Health & Safety and Sustainability Committee

Miranda Burdon (Chair)
Andrew Borland

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