



Interim Report June 2015

**OUR BUSINESS  
IS AGRIBUSINESS**

# GROWING, PROCESSING, CHILLING AND EXPORTING TO THE WORLD.

THERE'S THREE THINGS WE ABSOLUTELY BELIEVE:



**1.**

New Zealand's agribusiness sector can be the most productive and the most competitive in the world.

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**2.**

This country produces premium products that hold their own anywhere.

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### 3.

And when a diversified agribusiness portfolio like ours thinks big, we're doing justice to this country's farmers and their capabilities.

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# DIRECTORS' REPORT



The board is very pleased to report a net profit after tax of \$33.2 million from continuing operations for the six months ended 30 June 2015. This result is ahead of our expectations and has been driven by a strong performance across all divisions. This result reflects a considerable effort from the entire Scales' team who continue to demonstrate that we deliver world-leading products and services every day.

## Financial Performance

Highlights of the interim result include EBITDA contribution increases from all three operating divisions, especially our Horticulture division which reported a 47 per cent improvement following a record crop and supportive market dynamics.

Net profit after tax from continuing operations was \$33.2 million compared to \$20.3 million in 2014. The improvement in profit is mostly driven by an uplift in performance from our Horticulture division which is due to higher than forecast export volumes, an improved weighted average selling price in New Zealand dollars (reflecting a higher proportion of premium to traditional varieties, market mix, and positive movements in the exchange rate compared to 2014), reduced costs of shipping, and proceeds from hail insurance. The result also reflects greater contributions from our Storage & Logistics and Food Ingredients divisions.

On the balance sheet a small increase in average net debt, to \$44.5 million, is slightly higher than average net debt at 31 December 2014 but is due to sales timing only. The only other notable balance sheet movement relates to non-cash mark to market revaluations of financial instruments due to changes in FX rates. Net tangible assets per share as at 30 June 2015 were \$1.07 compared to \$1.11 as at 30 June 2014.

## Divisions

### *Horticulture*

A strong start to the year has seen growth driven exclusively through increases in volumes of premium varieties. A 41.7 per cent increase in premium variety apple volumes over 2014 reflects the maturing of previously redeveloped orchard as well as an increase in high colour fruit supported by our investment in reflective cloth. Total export volumes increased by 14.6 per cent compared to the 2014 season and 16.1 per cent compared to forecast.

This represents the third season in a row where the total apple crop has exceeded our expectations. As a result of consistent strength in apple volumes, we now expect to produce apple crops of at least 3 million TCEs or more in normal years.

### *Storage & Logistics*

Divisional EBITDA increased by \$2.7 million and reflects solid performances across all three operations within this division, in particular in our coldstore operations, which have benefited from improvements in utilisation.

The new Auckland coldstore is expected to be operational in October and, when combined with a new leased facility at Christchurch, increases the total storage capacity across our coldstorage network by 17.4 per cent for 2016.

Our bulk liquid storage business, Liqueo, saw an increase in trade including via a new long-term oil storage contract that commenced at the beginning of August. Scales Logistics also reported good growth with its air-freighting operation, Balance Cargo, delivering an 89 per cent increase in revenues for the six months to 30 June 2015 compared to the same six months in 2014.

### *Food Ingredients*

Meateor Foods' sales volumes are up by 19 per cent on the same time last year and Profruit is also expected to deliver a record production year. Divisional EBITDA for the half year is up by \$0.6 million.

## Outlook

The outlook for Scales' diversified agribusiness portfolio remains very positive.

Our near term outlook is supported by a number of developments, whilst our longer term outlook is supported both by our focus on long-term returns and supportive macroeconomic demand drivers.

The strong crop performance that we continue to achieve from Mr Apple, especially volumes of premium varieties, affirms our strategic decision to pursue a well-diversified orchard that will meet the premium demand requirements of a wide-range of customers and markets. As a result of this strategy we have successfully reduced our reliance on traditional varieties, markets and customers, spreading our sales over a wider base. Furthermore, we are targeting the Asia and Middle East markets where New Zealand enjoys a number of strategic advantages, including faster and less expensive shipping, free trade agreements, and strong niche demand for premium New Zealand grown produce. To reflect the quality of our apple products and to continue to extract price premiums in the market we have, and will continue to, make significant investment in the Mr Apple brand.

Our Storage & Logistics division is also benefiting from a number of positive developments. These include: an expanded asset base, both in terms of increased coldstorage space as well as a new central hub facility in the Hawke's Bay to house Liqueo's value added activities; improved utilisation,

both from a return to more normal levels of storage in the coldstores as well as from a new long-term oil storage contract at Timaru; and organic growth initiatives supported by underlying growth in New Zealand's agricultural production.

Finally our Food Ingredients division continues to benefit from our strategies around procurement and protein diversification in the case of Meateor, and supply side integration in the case of Profruit.

The board continues to target longer term growth both organically and via acquisition. Our financial position continues to be strong and we will seek to make appropriate investments where they meet our criteria. The recent acquisition of the central hub facility for Liqueo is a good example of disciplined investment that supports existing business activities.

Lastly, the board would like to acknowledge the contribution of our team to Scales' success. The Scales' way is about valuing everyone's input, remaining humble and always striving for the best. We continue to be appreciative and impressed by the performance of all staff across all divisions.



**Jon Mayson**  
Chairman



**Andy Borland**  
Managing Director

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**Right:** Apple Orchard, Hawke's Bay









# FINANCIAL STATEMENTS







## REVIEW REPORT TO THE SHAREHOLDERS OF SCALES CORPORATION LIMITED

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We have reviewed the condensed consolidated interim financial statements of Scales Corporation Limited and its subsidiaries ("the Group") which comprise the condensed consolidated statement of financial position as at 30 June 2015, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information on pages 9 to 19.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review 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 engagement, for this report, or for the opinions we have formed.

### Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

### Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Scales Corporation Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in Scales Corporation Limited or its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2015 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.



26 August 2015  
**Chartered Accountants**

Christchurch, New Zealand

This review report relates to the unaudited condensed consolidated interim financial statements of Scales Corporation Limited for the 6 months ended 30 June 2015 included on Scales Corporation Limited's website. The Board of Directors are responsible for the maintenance and integrity of Scales Corporation Limited's website. We have not been engaged to report on the integrity of Scales Corporation Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed consolidated interim financial statements and related review report dated 26 August 2015 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Unaudited		Audited
		Six months ended 30 June 2015 \$'000	Six months ended 30 June 2014 \$'000	Year ended 31 December 2014 \$'000
NOTE				
CONTINUING OPERATIONS:				
		161,186	150,242	263,262
		(85,362)	(92,479)	(181,989)
		75,824	57,763	81,273
Share of profits of associate company and joint venture accounted for using the equity method	3	651	596	1,501
Other income		–	920	2,089
Other losses		(801)	(324)	–
Administration and operating expenses		(23,237)	(21,274)	(43,160)
Offer costs		–	(2,076)	(3,022)
EBITDA		52,437	35,605	38,681
Depreciation and amortisation		(4,906)	(4,726)	(9,550)
EBIT		47,531	30,879	29,131
Finance revenue		82	256	460
Finance cost		(1,651)	(2,262)	(3,729)
PROFIT BEFORE INCOME TAX EXPENSE		45,962	28,873	25,862
Income tax expense		12,747	8,536	7,786
PROFIT FROM CONTINUING OPERATIONS		33,215	20,337	18,076
Discontinued operations	5	–	299	299
PROFIT FOR THE PERIOD		33,215	20,636	18,375
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss – continuing operations:				
(Loss) gain on cash flow hedges		(18,771)	6,008	2,490
Income tax relating to cash flow hedges		5,256	(1,682)	(668)
		(13,515)	4,326	1,822
Items that will not be reclassified to profit or loss – discontinued operations:				
Gain on shares in listed company	5	–	1,206	1,206
		–	1,206	1,206
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(13,515)	5,532	3,028
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		19,700	26,168	21,403
EARNINGS PER SHARE:				
Basic and diluted earnings per share (cents) – continuing operations		23.8	17.0	14.1
Basic and diluted earnings per share (cents) – discontinued operations		0.0	0.3	0.2
Basic and diluted earnings per share (cents) – total		23.8	17.3	14.3

The notes to the financial statements on pages 14 to 19 form part of and should be read in conjunction with this statement.

# Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTE	Share Capital \$'000	Properties Revaluation Reserve \$'000	Hedging Reserve \$'000	Equity- settled Employee Benefits Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>UNAUDITED</b>							
<b>Six months ended 30 June 2015:</b>							
Balance at 1 January 2015		90,915	25,289	2,245	65	27,816	146,330
Profit for the period		–	–	–	–	33,215	33,215
Other comprehensive income for the period – continuing operations		–	–	(13,515)	–	–	(13,515)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>–</b>	<b>–</b>	<b>(13,515)</b>	<b>–</b>	<b>33,215</b>	<b>19,700</b>
Recognition of share-based payments		–	–	–	78	–	78
Dividend payable	7	–	–	–	–	(9,874)	(9,874)
<b>BALANCE AT 30 JUNE 2015</b>		<b>90,915</b>	<b>25,289</b>	<b>(11,270)</b>	<b>143</b>	<b>51,157</b>	<b>156,234</b>
<b>Six months ended 30 June 2014:</b>							
Balance at 1 January 2014		61,957	27,408	423	–	85,525	175,313
Profit for the period – continuing operations		–	–	–	–	20,337	20,337
Profit for the period – discontinued operations		–	–	–	–	299	299
Other comprehensive loss for the period – continuing operations		–	–	4,326	–	–	4,326
Other comprehensive income for the period – discontinued operations		–	–	–	–	1,206	1,206
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>–</b>	<b>–</b>	<b>4,326</b>	<b>–</b>	<b>21,842</b>	<b>26,168</b>
Transfers		–	(1,800)	–	–	1,800	–
Demerger of George H Investments Limited group	5	–	(319)	–	–	(61,388)	(61,707)
<b>BALANCE AT 30 JUNE 2014</b>		<b>61,957</b>	<b>25,289</b>	<b>4,749</b>	<b>–</b>	<b>47,779</b>	<b>139,774</b>
<b>AUDITED</b>							
<b>Year ended 31 December 2014:</b>							
Balance at 1 January 2014		61,957	27,408	423	–	85,525	175,313
Profit for the year – continuing operations		–	–	–	–	18,076	18,076
Profit for the year – discontinued operations		–	–	–	–	299	299
Other comprehensive income for the year – continuing operations		–	–	1,822	–	–	1,822
Other comprehensive income for the year – discontinued operations		–	–	–	–	1,206	1,206
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>–</b>	<b>–</b>	<b>1,822</b>	<b>–</b>	<b>19,581</b>	<b>21,403</b>
Transfers		–	(1,800)	–	–	1,800	–
Recognition of share-based payments		–	–	–	65	–	65
Dividends paid	7	–	–	–	–	(17,703)	(17,703)
Issue of share capital		30,000	–	–	–	–	30,000
Share issue costs		(1,042)	–	–	–	–	(1,042)
Demerger of George H Investments Limited group	5	–	(319)	–	–	(61,387)	(61,706)
<b>BALANCE AT 31 DECEMBER 2014</b>		<b>90,915</b>	<b>25,289</b>	<b>2,245</b>	<b>65</b>	<b>27,816</b>	<b>146,330</b>

The notes to the financial statements on pages 14 to 19 form part of and should be read in conjunction with this statement.

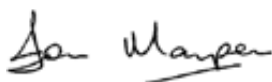


# Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2015

	NOTE	Unaudited		Audited
		30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
<b>EQUITY</b>				
Share capital		90,915	61,957	90,915
Properties revaluation reserve		25,289	25,289	25,289
Hedging reserve		(11,270)	4,749	2,245
Equity-settled employee benefits reserve		143	–	65
Retained earnings		51,157	47,779	27,816
<b>TOTAL EQUITY</b>		<b>156,234</b>	<b>139,774</b>	<b>146,330</b>
Represented By:				
<b>CURRENT ASSETS</b>				
Cash and bank balances		10,575	10,885	988
Trade and other receivables		38,931	31,417	13,298
Other financial assets		3,270	3,703	4,778
Inventories		69,747	56,740	14,021
Prepayments		4,588	1,161	2,678
<b>TOTAL CURRENT ASSETS</b>		<b>127,111</b>	<b>103,906</b>	<b>35,763</b>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method		4,216	5,148	3,565
Other financial assets		2,030	5,668	3,016
Property, plant and equipment		144,821	143,757	145,982
Biological assets		19,277	16,822	31,368
Goodwill		5,319	5,319	5,319
Other intangible assets		1,283	1,296	1,397
<b>TOTAL NON-CURRENT ASSETS</b>		<b>176,946</b>	<b>178,010</b>	<b>190,647</b>
<b>TOTAL ASSETS</b>		<b>304,057</b>	<b>281,916</b>	<b>226,410</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		36,749	30,908	17,940
Dividend payable	7	9,874	–	–
Borrowings		29,500	22,500	11,000
Current tax liabilities		14,292	13,676	1,921
Other financial liabilities		8,630	90	873
<b>TOTAL CURRENT LIABILITIES</b>		<b>99,045</b>	<b>67,174</b>	<b>31,734</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		30,000	60,000	30,000
Deferred tax liabilities		8,581	14,797	17,873
Other financial liabilities		10,197	171	473
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>48,778</b>	<b>74,968</b>	<b>48,346</b>
<b>TOTAL LIABILITIES</b>		<b>147,823</b>	<b>142,142</b>	<b>80,080</b>
<b>NET ASSETS</b>		<b>156,234</b>	<b>139,774</b>	<b>146,330</b>

For and on behalf of the Board, who authorised the issue of these interim financial statements on 26 August 2015.



**Jon Mayson**  
Chairman



**Andy Borland**  
Managing Director

The notes to the financial statements on pages 14 to 19 form part of and should be read in conjunction with this statement.

# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Unaudited		Audited
		Six months ended 30 June 2015 \$'000	Six months ended 30 June 2014 \$'000	Year ended 31 December 2014 \$'000
NOTE				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Receipts from customers		135,554	132,175	262,844
Dividends received from equity accounted companies		–	1,000	3,010
Finance revenue		82	256	460
		<b>135,636</b>	<b>133,431</b>	<b>266,314</b>
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		133,863	133,018	229,307
Finance cost		1,651	2,262	3,729
Income tax paid		4,413	119	7,033
		<b>139,927</b>	<b>135,399</b>	<b>240,069</b>
<b>NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES</b>	9	<b>(4,291)</b>	<b>(1,968)</b>	<b>26,245</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Employee advances repaid		–	779	1,206
Other advances repaid		608	–	64
Sale of property, plant and equipment and other intangible assets		61	2,552	298
		<b>669</b>	<b>3,331</b>	<b>1,568</b>
<i>Cash was applied to:</i>				
Advances to joint venture		–	500	1,530
Advances to employees		160	–	–
Advances to other entities		–	321	–
Cash transferred with demerged companies		–	313	313
Investment in biological assets		1,379	2,284	1,950
Purchase of associate company		–	–	56
Purchase of other intangible assets		394	–	675
Purchase of shares in unlisted companies		–	3	43
Purchase of property plant and equipment		3,358	5,458	10,414
		<b>5,291</b>	<b>8,879</b>	<b>14,981</b>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		<b>(4,622)</b>	<b>(5,548)</b>	<b>(13,413)</b>

The notes to the financial statements on pages 14 to 19 form part of and should be read in conjunction with this statement.



		Unaudited		Audited
		Six months ended 30 June 2015 \$'000	Six months ended 30 June 2014 \$'000	Year ended 31 December 2014 \$'000
	NOTE			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
Proceeds from borrowings		18,500	22,500	11,000
Shares issued		–	–	30,000
		<b>18,500</b>	<b>22,500</b>	<b>41,000</b>
<i>Cash was applied to:</i>				
Borrowings repaid		–	–	30,000
Distribution on demerger of George H Investments Limited group		–	8,560	8,560
Dividends paid		–	–	17,703
Share issue costs		–	–	1,042
		–	<b>8,560</b>	57,305
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>18,500</b>	<b>13,940</b>	<b>(16,305)</b>
<b>NET INCREASE (DECREASE) IN NET CASH</b>		<b>9,587</b>	<b>6,424</b>	<b>(3,473)</b>
Cash and cash equivalents at the beginning of the period		988	4,461	4,461
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>10,575</b>	<b>10,885</b>	<b>988</b>
<i>Represented by:</i>				
<b>CASH AND BANK BALANCES</b>		<b>10,575</b>	<b>10,885</b>	<b>988</b>

The notes to the financial statements on pages 14 to 19 form part of and should be read in conjunction with this statement.

# Notes to the Condensed Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

## 1. GENERAL INFORMATION

Scales Corporation Limited (the Company) is a profit-oriented company incorporated in New Zealand and registered under the Companies Act 1993. The Group consists of Scales Corporation Limited, its subsidiaries, associate company and joint venture. The principal activities of the Group are to provide logistics services, grow apples, export products, provide insurance services to companies within the Group and operate storage and processing facilities. The Company is an FMC reporting entity in terms of the Financial Markets Conduct Act 2013 and listed on the New Zealand Stock Exchange on 25 July 2014.

## 2. FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) *Interim Financial Reporting* and International Accounting Standard 34 (IAS 34), as applicable for profit orientated entities.

The same accounting policies and estimates are applied in the interim financial statements as were applied in the financial statements for the year ended 31 December 2014. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 31 December 2014. The information is presented in thousands of New Zealand dollars unless otherwise stated.

## 3. INVESTMENT IN ASSOCIATE AND JOINT VENTURE

		Holding	Contribution to net profit			
			Country of Incorporation	All reporting dates	Six months ended 30 June 2015 \$'000	Six months ended 30 June 2014 \$'000
ASSOCIATE						
Fern Ridge Produce Limited	New Zealand	50%	171	155	459	
JOINT VENTURE						
Profruit (2006) Limited	New Zealand	50%	480	441	1,042	
			651	596	1,501	

## 4. SEGMENT INFORMATION

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.

All non-current assets are located in New Zealand and no single external customer's revenue accounts for 10% or more of Group revenue.

*The Group's reportable segments are as follows:*

Food Ingredients: processing and marketing of food ingredients such as pet food ingredients and juice. Meateor Foods Limited,

Meateor Foods Australia Pty Limited and Profruit (2006) Limited.

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

Storage & Logistics: Liqueo Bulk Storage Limited, Polarcold Stores Limited, Scales Logistics Limited and Whakatu Coldstores Limited.

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

#### 4. SEGMENT INFORMATION (continued)

	Food Ingredients \$'000	Horticulture \$'000	Storage & Logistics \$'000	Other \$'000	Eliminations \$'000	Total \$'000
<b>Six months ended 30 June 2015</b>						
Total segment revenue	22,627	93,659	60,004	1,488	(16,592)	161,186
Inter-segment revenue	–	–	(15,292)	(1,300)	16,592	–
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>22,627</b>	<b>93,659</b>	<b>44,712</b>	<b>188</b>	<b>–</b>	<b>161,186</b>
Segment profit (loss) before income tax	3,402	35,044	10,505	(2,989)	–	45,962
Segment assets	25,052	184,945	95,993	(1,933)	–	304,057
Segment liabilities	6,026	58,607	24,152	59,038	–	147,803
<b>Six months ended 30 June 2014</b>						
Total segment revenue	18,769	90,117	60,994	1,567	(21,205)	150,242
Inter-segment revenue	–	–	(19,931)	(1,274)	21,205	–
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>18,769</b>	<b>90,117</b>	<b>41,063</b>	<b>293</b>	<b>–</b>	<b>150,242</b>
Segment profit (loss) before income tax	2,773	23,001	7,889	(4,790)	–	28,873
Segment assets	24,554	164,396	123,148	102,453	(132,635)	281,916
Segment liabilities	14,378	84,724	78,946	96,729	(132,635)	142,142
<b>Year ended 31 December 2014</b>						
Total segment revenue	37,217	158,808	90,609	3,212	(26,584)	263,262
Inter-segment revenue	–	–	(24,035)	(2,549)	26,584	–
<b>REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>37,217</b>	<b>158,808</b>	<b>66,574</b>	<b>663</b>	<b>–</b>	<b>263,262</b>
Segment profit (loss) before income tax	5,050	21,266	7,724	(8,178)	–	25,862
Segment assets	22,069	112,541	89,659	2,141	–	226,410
Segment liabilities	4,472	21,181	18,686	35,741	–	80,080

#### 5. DISCONTINUED OPERATIONS

On 30 April 2014 the demerger of the Investments operating division was effected, with Scales shareholders at that time being issued with shares in George H Investments Limited, the holding company for the Investments group. The other companies in the Investments group were Scales Property Development Limited, Silverstream Industrial Park Limited, Tiger Ventures NZ Limited and Whakatu Property Management Limited.

#### 6. TAXATION

##### Current Tax:

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated at the estimated average annual effective income tax rate applied to the pre-tax income of the interim period and adjusted for any estimated permanent and temporary differences.

##### Deferred Tax:

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of the assets and liabilities, using the estimated average annual effective tax rate for the interim periods presented.

#### 7. DIVIDENDS

During the six months ended 30 June 2015 the Directors resolved to pay a fully imputed final dividend of seven cents per share in respect of the year ended 31 December 2014. This dividend was paid on 10 July 2015. No dividend was paid during the six months ended 30 June 2014. Dividends totalling \$17.703 million were paid during the year ended 31 December 2014.



# Notes to the Condensed Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

## 8. PROPERTY, PLANT & EQUIPMENT

	Six months ended 30 June 2015 \$'000	Six months ended 30 June 2014 \$'000	Year ended 31 December 2014 \$'000
Cost of assets acquired	3,358	5,458	10,414
Net carrying value of asset disposals	118	2,365	142
(Loss) profit on asset disposals	(72)	186	148

## 9. NET CASH GENERATED BY OPERATING ACTIVITIES

Reconciliation of profit for the period to net cash generated by operating activities:

	Six months ended 30 June 2015 \$'000	Six months ended 30 June 2014 \$'000	Year ended 31 December 2014 \$'000
Profit for the period	33,215	20,636	18,375
Non-cash items:			
Change in fair value of biological assets	–	–	(1,409)
Change in fair value of derivative financial instruments	743	(410)	(510)
Deferred tax	(4,036)	(3,573)	516
Depreciation and amortisation	4,906	4,825	9,649
Share of equity accounted results	(651)	(596)	(1,501)
Share-based payment	78	–	65
Current assets and liabilities included in demerger transaction	–	157	855
Items classified as investing and financing activities:			
Dividends received from equity accounted companies	–	1,000	2,989
Purchase of shares in associate company	–	–	56
Loss (gain) on disposal of non-current assets	72	(186)	(148)
Changes in net assets and liabilities:			
Trade and other receivables	(25,633)	(18,507)	(388)
Inventories	(55,726)	(45,644)	(2,925)
Other current assets	(1,910)	1,055	(462)
Biological assets – unharvested crop	13,471	12,315	(1,156)
Trade and other payables	18,809	15,384	2,417
Current tax	12,371	11,576	(178)
<b>NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES</b>	<b>(4,291)</b>	<b>(1,968)</b>	<b>26,245</b>

## 10. CAPITAL COMMITMENTS

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Commitments entered into as at reporting date were:			
Biological assets	1,841	588	2,127
Plant and equipment	2,343	–	–
	<b>4,184</b>	<b>588</b>	<b>2,127</b>

## 11. CONTINGENT LIABILITIES

Guarantee of joint venture bank loan facility	<b>402</b>	<b>610</b>	<b>456</b>
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## 12. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies and uses interest rate swaps and forward rate agreements to manage cash flow interest rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a 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 of highly probable forecast transactions.

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Fair value of derivative financial instruments:			
Other financial assets – derivatives:			
Foreign currency forward exchange contracts	2,723	6,271	4,588
Interest rate swaps and forward rate agreements	–	818	167
	<b>2,723</b>	<b>7,089</b>	<b>4,755</b>
Other financial liabilities – derivatives:			
Foreign currency forward exchange contracts	17,871	79	924
Interest rate swaps and forward rate agreements	956	182	422
	<b>18,827</b>	<b>261</b>	<b>1,346</b>

The Group has categorised these derivatives, both financial assets and financial liabilities, as Level 2 under the fair value hierarchy contained within NZ IFRS 13. There were no transfers between fair value hierarchy levels during either the current or prior periods.

The fair value of foreign currency forward exchange contracts is determined using a discounted cash flow valuation. Key inputs include observable forward exchange rates, at the measurable date, with the resulting value discounted back to present values.

Interest rate swaps and forward rate agreements are valued using a discounted cash flow valuation. Key inputs for the valuation of interest rate swaps and forward rate agreements are the estimated future cash flows based on observable yield curves at the end of the reporting period, discounted at a rate that reflects the credit risk of the various counterparties.

The carrying amount of financial assets and financial liabilities at amortised cost in the financial statements approximates their fair value.

# Notes to the Condensed Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015

## 13. RELATED PARTY DISCLOSURES

### (a) Transactions with Related Parties

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

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
<b>(b) Key Management Personnel Remuneration</b>			
The compensation of the directors and executives, being the key management personnel of the Group, is as follows:			
Short-term employee benefits	1,405	1,223	2,618
Post-employment benefits	55	47	114
	<b>1,460</b>	<b>1,270</b>	<b>2,732</b>
<b>(c) Transactions with Equity Accounted Entities</b>			
Revenue from sale of goods	3,489	4,004	1,750
Revenue from services	454	1,669	754
Finance revenue	–	–	30
Dividends received	–	1,000	2,989
Trade receivables at balance date	1,161	–	70

## 14. EARNINGS PER SHARE

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Profit from continuing operations for the period – used in the calculation of total earnings per share	33,215	20,337	18,076
Profit from discontinued operations for the period – used in the calculation of total earnings per share	–	299	299
<b>BASIC EARNINGS PER SHARE</b>			
Weighted average number of ordinary shares	139,779,006	119,592,006	127,811,184
Basic earnings per share from continuing operations (cents)	23.8	17.0	14.1
Basic earnings per share from discontinued operations (cents)	0.0	0.3	0.2
<b>DILUTED EARNINGS PER SHARE</b>			
Weighted average number of ordinary shares	139,779,006	119,592,006	127,811,184
Diluted earnings per share from continuing operations (cents)	23.8	17.0	14.1
Diluted earnings per share from discontinued operations (cents)	0.0	0.3	0.2

The Company completed a 3 for 1 share split on 18 June 2014 which resulted in 119,592,006 shares being on issue at 30 June 2014. Subsequent to 30 June 2014 the Company issued 20,187,000 additional shares in the initial public offer.

The weighted average number of ordinary shares used in the calculation of earnings per share for each period presented has been adjusted to reflect the share split.



## 15. SEASONALITY OF BUSINESS

All business segments are subject to seasonal fluctuation. The apple crop has been picked and packed and the export programme is well under way in the first half year. In addition the harvested apple crop held in inventory at 30 June 2015 is valued at fair value less estimated costs to sell. Higher volumes are processed through the food ingredients plants in the first half of the year due to the seasonal nature of the meat industry and there is greater utilisation of storage and logistics services over the first half year as seasonal products are stored and then shipped to export markets.

At 30 June the harvested crop held in inventory is valued at fair value less estimated costs to sell and is classified as inventory within current assets. At 31 December the fair value of the unharvested crop is classified as a non-current biological asset and the fair value assessment represents development costs during the growing cycle which are determined to approximate fair value less estimated costs to sell of the unharvested crop on the trees.

## 16. EVENTS OCCURRING AFTER REPORTING DATE

There have been no significant post reporting date events.



# DIVERSE SEGMENTS AND ASSETS: A WHOLE WORLD OF POTENTIAL.



## Directory

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### Board of Directors

Jon Mayson (Chairman)  
Andy Borland (Managing Director)  
Tim Goodacre  
Nick Harris  
Mark Hutton  
Alan Isaac

### Audit and Risk Management Committee

Alan Isaac (Chairman)  
Nick Harris  
Mark Hutton

### Nominations and Remuneration Committee

Mark Hutton (Chairman)  
Tim Goodacre  
Jon Mayson

### Auditor

Deloitte  
Level 4  
151 Cambridge Terrace  
Christchurch 8013

### Bankers

ANZ Bank New Zealand Limited  
37-41 Rotherham Street  
Christchurch 8041

Rabobank New Zealand Limited  
Level 23  
157 Lambton Quay  
Wellington 6011

Westpac New Zealand Limited  
Level 2  
2 Show Place  
Christchurch 8024

### Solicitor

Anthony Harper  
Level 9  
HSBC Tower  
62 Worcester Boulevard  
Christchurch 8011

### Registered Office

52 Cashel Street  
Christchurch 8013  
New Zealand  
Telephone: 64-3-379-7720  
Website: [www.scalescorporation.co.nz](http://www.scalescorporation.co.nz)

### Postal Address

PO Box 1590  
Christchurch 8140  
New Zealand

### Share Registry

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



