Scales Corporation Limited
Annual Report 2021

Scales
growing New Zealand

Scales' response to another challenging year has been truly inspirational and testament to the strength, determination and culture of all of our teams.

Welcome to our Annual Report for our 110th year of trading.

2021 was another year of turbulence as the effects of COVID-19 continued. However, as in 2020, the Scales teams rose to the challenge, operating throughout all lockdowns and traffic light settings whilst breaking some records along the way. We are immensely proud of all of our staff for their extraordinary effort.

Reducing our staff's risk and ensuring their safety remains of critical importance. This includes their mental and emotional welfare and we have taken steps to put new wellbeing tools and resources in place for them to utilise. Our people are, and will always be, our number one priority.

From an operational viewpoint, we are also proud of each individual business, how they have operated and what they have achieved. There has been a constant 'never give up' mentality from the leadership teams together with some good old Kiwi (and US) ingenuity to make things happen.

To everyone involved, we say *thank you*.

Contents

Horticulture

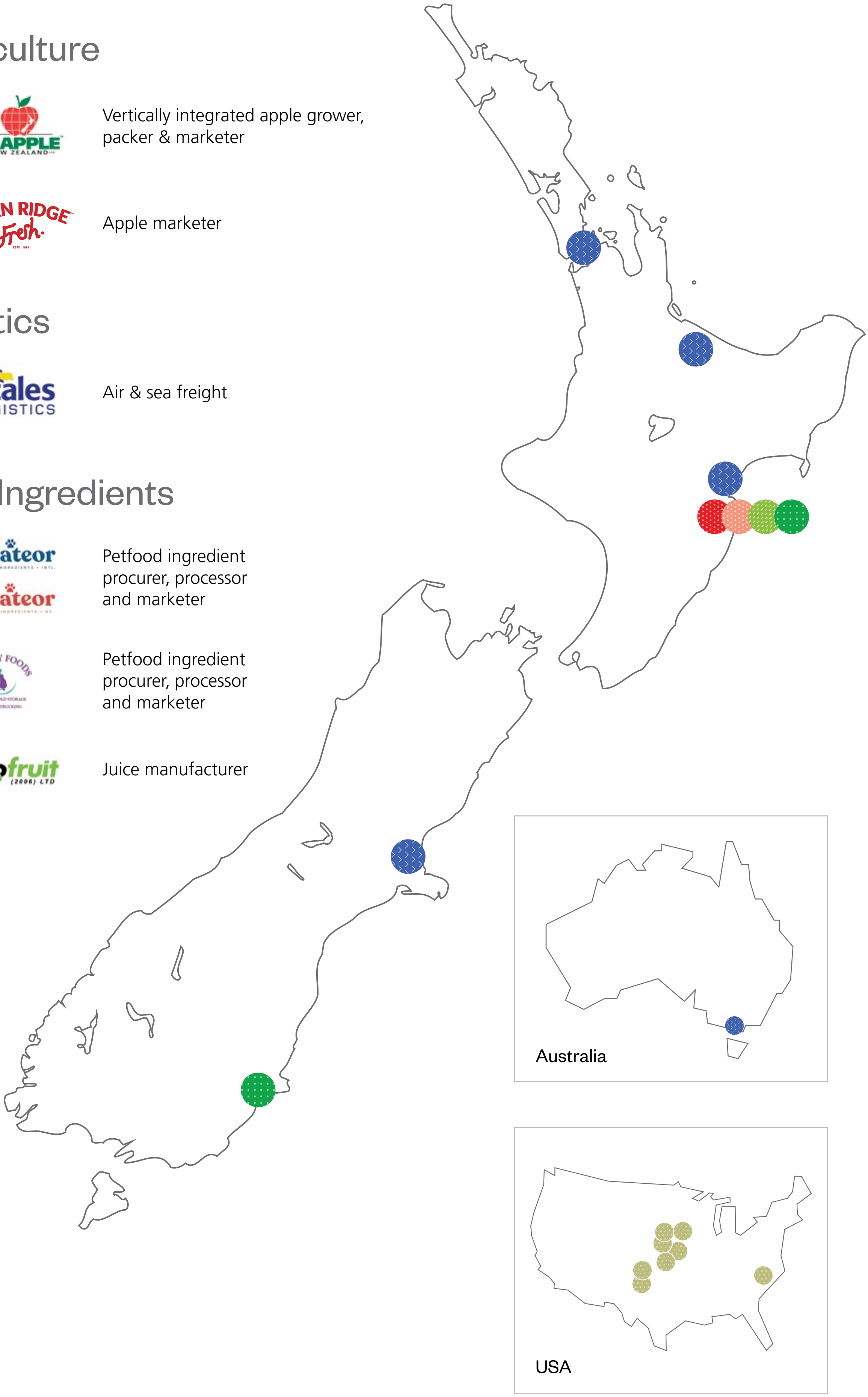
Mr Apple New Zealand	Vertically integrated apple grower, packer & marketer
Fern Ridge Fresh	Apple marketer

Logistics

Scales Logistics	Air & sea freight

Food Ingredients

meateor / meateor	Petfood ingredient procurer, processor and marketer
Shelby Foods	Petfood ingredient procurer, processor and marketer
profruit (2006) LTD	Juice manufacturer



Our Numbers

Reported Profit for the Year

$36.9m

▲ up 39% on 2020

Underlying EBITDA

$73.8m

▲ up 15% on 2020

Underlying NPAT

$39.8m

▲ up 20% on 2020

Underlying NPAT attributable to shareholders

$29.8m

▲ up 8% on 2020

$82.1m

Net Cash

(2020: $97.6 million)

19.1c

Earnings per Share

(2020: 15.0 cents)

3.65m

TCEs of own-grown apples exported

(2020: 3.92 million)

4.98m

TCEs of all apples exported

(2020: 5.74 million)

Record Revenue

$514.6m

▲ up 9% on 2020

First
hybrid (in-person and online) Annual Shareholders' Meeting held

Fourth
annual carbon footprint certification undertaken

Fifth
Future Director appointed

Dividends declared of
19.0c
per share
(2020: 19.0 cents)

149,207
Metric tonnes of petfood ingredients sold[1]
▲ up 29% on 2020

6.5m
litres of juice sold
(2020: 6.5 million litres)

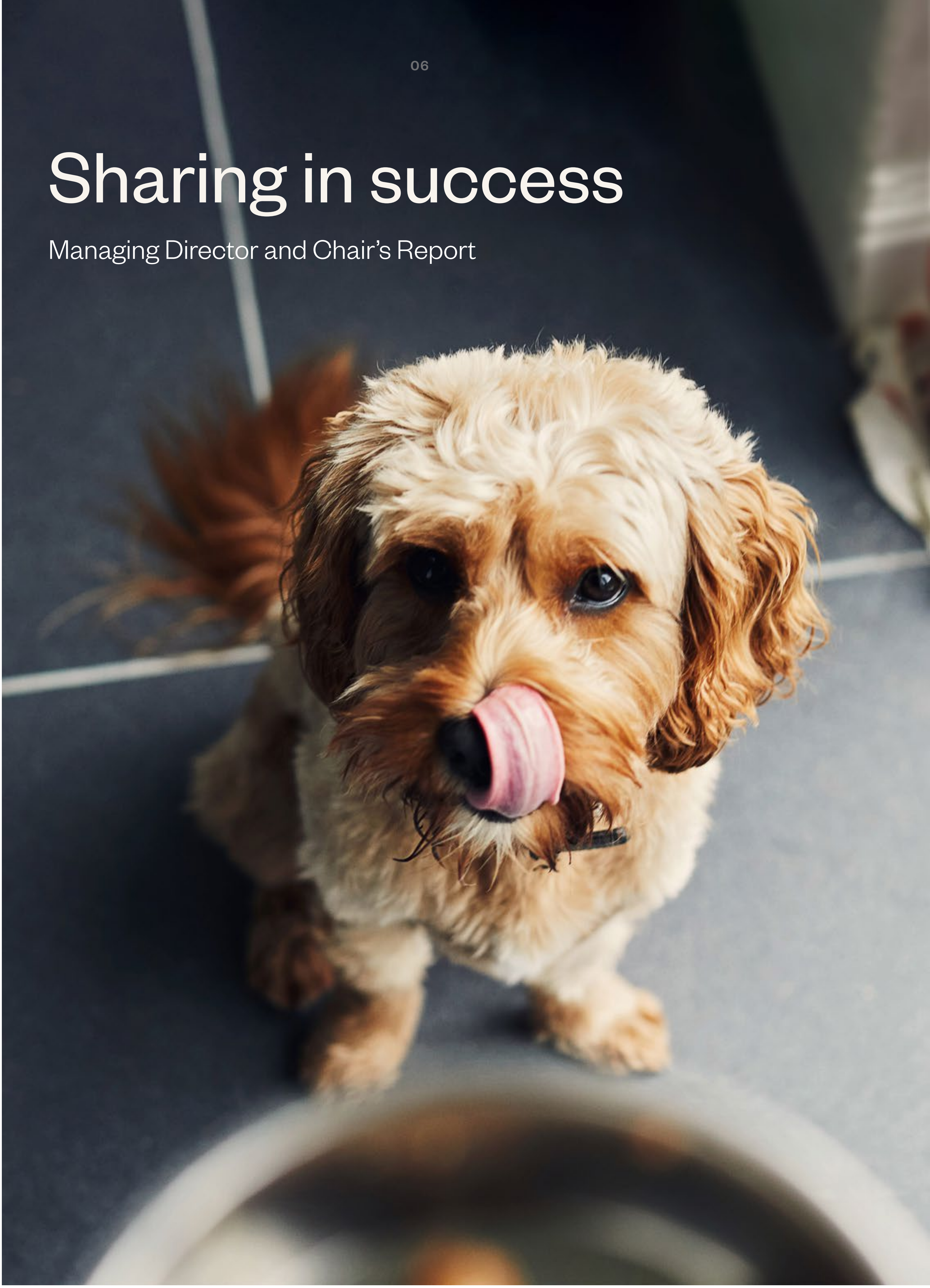
30,313
TEUs of ocean freight managed
(2020: 35,502 TEUs)

Return on Capital Employed
13.8%
(2020: 12.3%)

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

Sharing in success

Managing Director and Chair's Report



Tim Goodacre and Andy Borland.

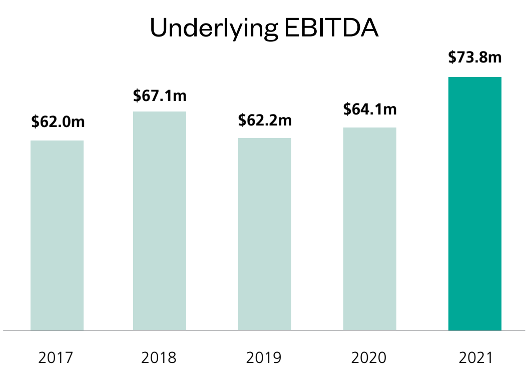
On behalf of the Board, we are pleased to present Scales' Annual Report for the year ended 31 December 2021.

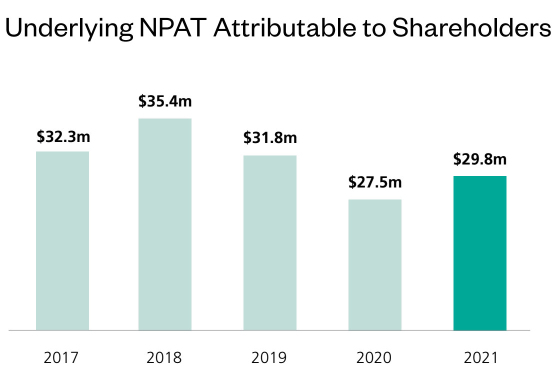
We are delighted to report an excellent result with record Revenue of $514.6 million and a Profit for the Year of $36.9 million. Our Underlying[1] results were also strong, with Underlying NPAT Attributable to Shareholders of $29.8 million, Underlying NPAT of $39.8 million and Underlying EBITDA of $73.8 million.

These results were underpinned by our diversified agribusiness strategy, with an outstanding outcome in Food Ingredients being complemented by strong results in Horticulture and Logistics. As in 2020, the mix of earnings between divisions continues to change.

	2021 $'000	2020 $'000	Variance
Revenue	514,551	470,709	9%
EBITDA	71,619	56,740	26%
Underlying EBITDA	73,793	64,141	15%
Net Profit	36,950	26,581	39%
Underlying Net Profit	39,775	33,041	20%
Net Profit Attributable to Shareholders	26,925	21,025	28%
Underlying Net Profit Attributable to Shareholders	29,750	27,486	8%

The graphs below show the Underlying EBITDA and Underlying NPAT Attributable to Shareholders trend for a five-year period. The historic results have not been amended for businesses that have been divested or acquired and therefore reflect the changes in Group structure, particularly from 2019 onwards. In addition, the 2017 and 2018 results have not been restated for the effects of NZ IFRS 16.





[1] Directors and management use non-GAAP (Underlying) profit measures when discussing financial performance in this document. The Directors and management believe that these profit measures provide meaningful information that is helpful to investors and gives them a better understanding of a company's financial performance when presented in addition to GAAP (NZ IFRS) information. Underlying profit measures are used internally to evaluate performance of our divisions, establish operational goals and to allocate resources. They also represent some of the profit measures required by Scales' debt providers. Non-GAAP (Underlying) profit measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other entities report and should not be viewed in isolation or considered as a substitute for GAAP (NZ IFRS) measures reported by Scales. Underlying profit measures were not subject to an audit or review. Underlying NPAT and Underlying EBITDA are shown before the deduction of share of Non-Controlling Interests (Fern Ridge and Shelby). Note that we have adjusted our definition of Underlying so that it now includes the effects of NZ IFRS 16 *Leases*. This is in line with current market practice. Underlying result numbers for 2021 and 2020 are now inclusive of NZ IFRS 16 effects.

A full reconciliation between Underlying and NZ IFRS measures is provided on pages 36 and 37.

Shareholder Returns

Long-term returns to our shareholders continues to be of importance to us. Shareholders who invested in our IPO in July 2014 will have achieved a 297 per cent return[1] on funds invested to the end of February 2022. By comparison, an investment in the S&P NZX50 would have delivered a 133 per cent return on funds invested over the same period.

Strategy

Scales' Vision

To be the foremost investor in, and grower of, New Zealand 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[2].

Strategic Update

We have continued to proactively seek, and review, potential investments during the year, both internal and external. We have commenced a significant investment in automation and technology at Mr Apple's Whakatu packhouse, which we believe will increase efficiency and stabilise margins throughout the business. We have also investigated a number of internal opportunities within Food Ingredients.

Work on external investments has been made difficult due to the COVID-19 travel restrictions. However, we are confident there are a number of Food Ingredient opportunities in the USA such that our divisional CEO is to relocate there later this year.

As previously advised, our investment reviews will continue to proceed with caution, particularly in the current business and economic environment. It is imperative to us that investments are made that align with our core strategic vision, play to our strengths and provide a return in line with our target ROCE.

[1] Calculated as the difference between the closing share price on 28 February 2022 plus all net dividends paid (a total of $1.295 per share) and the IPO listing price of $1.60.

[2] Note that the calculation of ROCE has been updated for the effect of NZ IFRS 16.

Specific Strategic Targets

Division	Target	Status
Group	**Sustainability**	***Good Progress***
	• Further develop and evolve our reporting and measuring of key sustainability aspects affecting Scales' businesses • Develop best-in-class sustainability reporting • Demonstrate improvements in sustainability	• Fourth carbon footprint certification process completed for Mr Apple • In-house carbon footprint assessment undertaken for Meateor NZ • Prepared second TCFD (Task Force on Climate-related Financial Disclosures) report • Increased use of technology to transfer information, resulting in increased efficiency and substantial decreases in paper use • Renewed our Global GAP (Good Agricultural Practices) certification and GRASP (Global GAP Risk Assessment on Social Practice) assessment
	Financial and operational	***On Track***
	• Maintain financial returns in line with, or above, industry returns • Continue to seek acquisitive and organic growth to expand the business	• A large number of investment and internal growth opportunities have been, and continue to be, actively reviewed
	Shareholder returns	***On Track***
	• Continue to provide shareholders with an attractive yield on dividends • Deliver capital gains and shareholder liquidity through careful strategic execution	• Interim dividend maintained at 9.5 cents per share • Maintained Group ROCE above adjusted long-run target of 12.5 per cent
Horticulture	**Brand and Intellectual Property development**	***Excellent Progress***
	• Continue to develop the Mr Apple brand, particularly within our key markets of Asia and the Middle East	• Market research undertaken with China, Vietnam and Thailand consumers • New, simplified branding generated for Mr Apple • Increased use of digital tools to build brand awareness and conversion with consumers throughout Asia
	Volumes	***Ongoing***
	• Reach 4 million TCEs of our own-grown apples	• 3.65 million TCEs exported
	Sales	***Excellent Progress***
	• Continue to increase market penetration into Asia through services company Primary Collaboration New Zealand (PCNZ) and in-market representation from China Resources Ng Fung Limited (China Resources Ng Fung)	• Continued growth in Asia and Middle East markets • Increased percentage of e-commerce and 'modern trade' in China • Significant growth in direct retail sales and brand recognition
	Plant Varieties	***Good Progress***
	• Continue to develop new Plant Variety Rights (PVRs) to meet emerging needs • Redevelop lower-performing orchards and varieties into higher value crops	• Significant growth in sales of Dazzle™ and Posy™ • 35 ha of orchard planted / redeveloped during the 2021 winter, primarily into Dazzle™ and NZ Prince™
Food Ingredients	**Increase scale and expand offering**	***Excellent Progress***
	• Review strategic initiatives and consider organic and acquisition opportunities to increase divisional scale	• Benefitted from the diversified geographies and proteins afforded by Shelby and the Meateor businesses and additional services offered to our existing and new customers • Ongoing growth opportunities being actively investigated
Logistics	**Expand logistics offerings**	***Ongoing***
	• Develop scale to utilise the expertise and capacity within the team	• Strategic benefit of in-house logistics provider validated during period of strong global shipping demand as well as port and logistics constraints

Sustainability

The 26th UN Climate Change Conference of the Parties (COP26) in Glasgow at the end of 2021 confirmed the need for countries all over the world to reduce their emissions. As a global corporate citizen, we believe that Scales needs to play its part. That is why, as our business grows, so does our focus on sustainability.

Once again COVID-19 placed additional demands on each of our divisions throughout the year. However, we continued our sustainability journey, progressing existing, and initiating new, projects. We undertook a number of assessments, actively reducing, re-using or recycling our output, as well as continued our current certifications.

We also appointed a specialist as our Chief Operations and Sustainability Officer with extensive experience across a variety of agribusinesses.

Our full Sustainability report is provided in the next section, which we encourage you to read.

Scales' Team

2021 was another year like no other, continuing to put a strain on all of us both personally and professionally. Scales was not immune to these effects, and we are extremely grateful for the tremendous efforts of all our staff in supporting our customers, suppliers, local communities and each other throughout the year.

Across the business, our people faced the challenges that were presented to them with strength and ingenuity. Their ability to adapt was tested, as we strived to update safe work practices in line with changing situations. Their courage was vital to ensure that our essential products and services continued to reach customers. We are proud of their enterprising spirit and resourcefulness.

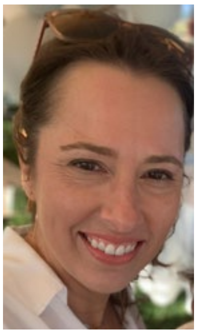
We are aware of the mental and emotional toll that the last two years have brought and have considered strategies to help. One of the tools that we are pleased to implement is a partnership with Mentemia, which provides wellbeing tools and resources to our employees. Further information about this can be found in our Sustainability report.

Despite the trying times, teams have pulled together and the positive, results-driven and supportive culture of Scales has shone through. We would like to take this opportunity to extend our thanks on behalf of the Board to the full team at Scales, for their contribution and commitment which have, once again, been invaluable.

Appropriately Incentivising our Team

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

We therefore maintain 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 86 to 100.



Heather Gorny

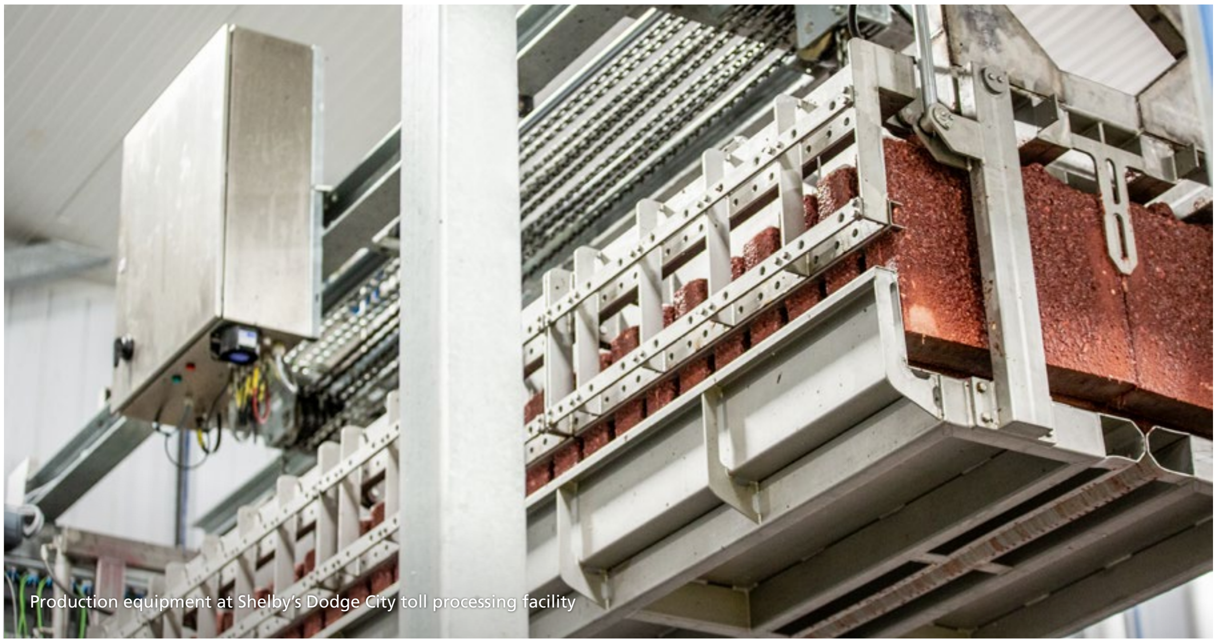
Obituaries – Heather Gorny and Tim Chism

It is with much sadness that we note the passing of two Shelby executives in 2021.

Shelby's CFO, Heather Gorny, passed away in late 2021. Heather was very well liked and highly regarded both within Shelby and the broader Scales team. Heather was a key part of the Shelby team – working with the business from its inception in 2007, first as their external accountant and later in 2013 when she joined as CFO. Shelby's CEO, Brett Frankel, speaks very highly of Heather's assistance in nurturing the development and success of Shelby over this time.

Members of the Scales team got to know Heather very well following the investment in Shelby in 2018. We noted her passion and enthusiasm for the business, her keen intellect and strong organisational skills. But above all, we noted her warm and caring personality. Heather was always happy to help, no matter the time of day or nature of the request. Heather touched all of our hearts and we will miss her dearly. Heather is survived by her husband Chris, and daughter Samantha.

In addition, Shelby's Amarillo plant general manager, Tim Chism, sadly lost his battle with COVID-19 during 2021. Tim had been with Shelby for 13 years and his extensive experience and industry knowledge were invaluable to the business. Tim was also a key member of the Shelby team and he will be greatly missed, not only for his work contribution but also for his sense of humour. Tim is survived by his daughter Jenny, and son Thomas.


Production equipment at Shelby's Dodge City toll processing facility

Group Financials

Summary

In another unique year that saw the entire world impacted, the resilience and diversity of our business was highlighted in our performance. We are very pleased to present record Revenue of $514.6 million and Net Profit Attributable to Shareholders of $26.9 million for the year ended 31 December 2021, increases of 9 per cent and 28 per cent respectively. This was, in no small part, due to remarkable growth from our Food Ingredients division.

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

Income Statement

	2021 $'000	2020 $'000
Revenue	514,551	470,709
Underlying EBITDA	**73,793**	**64,141**
Underlying EBIT	**54,247**	**44,962**
Underlying Net Profit	**39,775**	**33,041**
After tax impact of:		
Non-cash, NZ IFRS and other adjustments	(2,825)	(6,460)
Net Profit	**36,950**	**26,581**
Net Profit Attributable to Shareholders	**26,925**	**21,025**
Capital employed	415,821	370,919
ROCE	13.8%	12.3%

Capital Management

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

The ROCE targets vary by division, given each division's specific asset and risk profiles. Our divisional and Group target ROCE calculations have been updated for the effect of NZ IFRS 16 and, accordingly as a Group, we will target a long-run combined ROCE of 12.5 per cent.

	2021	2020
ROCE		
Horticulture	7.4%	8.9%
Food Ingredients	46.2%	28.9%
Logistics	37.3%	32.0%
Group	**13.8%**	**12.3%**
Target	*12.5%*	*12.5%*

Group capital employed increased by $44.9 million in 2021, primarily as a result of an increase in Mr Apple's capital employed. This related to the completion of its Whakatu coolstore, investment in automation projects and orchard redevelopment expenditure as well as revaluation of its land and buildings.

Scales' basic earnings per share for the year ended 31 December 2021 was 19.1 cents per share (15.0 cents per share in the year ended 31 December 2020).[1]

Financing

Average Net Cash for the year was $60.1 million (2020: $76.2 million), a reduction of $16.1 million. The movement primarily related to the investment in the new Whakatu coolstore.

Hedging Strategy

As an exporter, we continue to have significant exposure to foreign exchange movements. This is most applicable in Mr Apple, but our Food Ingredients and Logistics divisions are also affected. We also have exposure to movements in interest rates, both on borrowings and deposits.

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

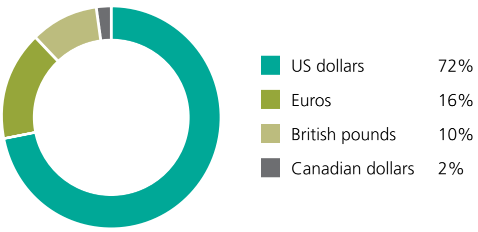
Under this policy we may take foreign exchange cover for Mr Apple for up to 48 months forward, using a variety of foreign exchange instruments (including options and forward contracts). Scales maintains a blend of instruments. In addition, Scales manages the cover levels for seasonal and market variations for future years.

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

In general, Food Ingredients and Logistics cover foreign currency exposures once contracted.

Foreign currency

In 2021, Mr Apple's net foreign currency exposures were as shown below.



The average conversion rate of Mr Apple's main foreign currency exposures since 2018 were as noted below.

	2021	2020	2019	2018
USD	.6697	.6424	.6664	.6790
EUR	.5455	.5671	.5663	.5806
GBP	.5027	.5101	.4658	.4839
CAD	.8651	.8657	.8650	.8582

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

The hedging position for Mr Apple's main foreign currency exposures, as at 22 February 2022, was:

		2022	2023	2024	2025	2026
USD	% cover of expected exposure	99%	77%	54%	51%	26%
	Average rate of cover	.6625	.6546	.6457	.6588	.6448
EUR	% cover of expected exposure	91%	66%	63%	50%	27%
	Average rate of cover	.5354	.5465	.5321	.5388	.5228

Interest rates

In addition, we take out interest rate swaps and forward rate agreements, which provide some certainty on interest costs on Scales' term and short-term borrowings. We funded the US dollar investment in Shelby via a US dollar term loan to provide a hedge on the investment. As at 31 December 2021 our US dollar term debt was 47 per cent hedged by interest rate swaps.

Dividend

A final 2020 fully imputed cash dividend of 9.5 cents per share (a gross amount of 13.2 cents per share) was paid on 9 July 2021. Together with a 2020 interim dividend of 9.5 cents per share (a gross amount of 13.2 cents per share) that was paid on 15 January 2021, this brought the annual cash dividends for 2020 to a total of 19.0 cents per share (a gross amount of 26.4 cents per share).

A fully imputed interim 2021 cash dividend of 9.5 cents per share (a gross amount of 13.2 cents per share) was declared on 8 December 2021 and paid on 14 January 2022. Our expectation is to declare a final fully imputed cash dividend in respect of 2021 in May 2022, for payment in July 2022. 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 but remain committed to the current annual cash dividend level of no less than 19 cents per share whilst the Group holds net cash, although at a level no greater than Underlying Net Profit Attributable to Shareholders for each year.

Capital Expenditure

Capital expenditure in 2021 was $16.5 million, a decrease of $7.9 million on the prior year (2020: $24.4 million). Material expenditure included:

- Approximately 35 hectares of orchard redevelopment at Mr Apple during the 2021 winter ($4.9 million)
- Mr Apple Whakatu coolstore build ($2.6 million)
- Whakatu packhouse automation project ($3.5 million)

	2021 $'000	2020 $'000
Operational capital expenditure		
Horticulture	3,736	4,276
Food Ingredients	542	471
Logistics	58	92
Other	4	6
Total operational capital expenditure	**4,340**	**4,845**
Margin sustainability capital expenditure		
Horticulture	6,050	11,544
Total margin sustainability capital expenditure	**6,050**	**11,544**
Growth capital expenditure		
Horticulture	6,134	7,980
Total growth capital expenditure	**6,134**	**7,980**
Total capital expenditure	**16,524**	**24,369**

It is expected that future capex will be focussed on margin-sustaining automation and efficiencies in the Horticulture division, together with ongoing orchard redevelopment.

Outlook

Despite the challenges presented to the Group, we finished 2021 in a strong financial position and with our businesses ready for growth. The past 12 months have continued to teach us about how to manage uncertainty and, whilst some of that uncertainty will persist in 2022, we have taken steps to plan for the year ahead, giving us as much flexibility as possible to minimise any impact.

Within Horticulture, the 2022 apple harvest has begun with current indications suggesting volumes will be in line with earlier projections. Early demand for our branded varieties such as Dazzle™ and Posy™ has been strong.

This division is particularly reliant on the ability to harvest and process fresh produce at the optimum timing. As such, the Group's ability to manage anticipated disruption concerning our critical employees will rely on their ongoing commitment as well as the support and understanding of appropriate government agencies. Following the harvest, Mr Apple will focus on progressing its Whakatu packhouse automation project, with a key objective of sustaining margins.

The Food Ingredients division expects to continue to take advantage of the growing global petfood market. Our confidence in the opportunities available to the division, particularly in the USA, has led to the Division CEO preparing to relocate there on a permanent basis to further drive growth.

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 and commitment in our 110th year of trading. We look forward to the challenges of 2022.

Tim Goodacre
Chair

Andy Borland
Managing Director

18 March 2022


Processing cherries for export at Scales Logistics Christchurch

Compressors and pumps to aid with freezing operations at Shelby's Dodge City toll processing facility

Delivering long-term value

Sustainability Report

Improvement of soil ecosystems, fertility and soil carbon plays a big part in sustainability at Scales.
Lisa Edgarton, Assistant Manager, Kinross Orchard.

In 2021, Scales continued to navigate its way through the COVID-19 pandemic, responding to new challenges as they presented themselves. The resilience and personal commitment that was evidenced from the start of the pandemic continued in 2021 through all our businesses. Despite the ongoing disruption we pushed on with existing and new sustainability initiatives.

We noted, during the year, the findings of COP26 and continue to be informed and guided by the work on sustainability initiatives by various organisations and bodies, both domestically and around the world.

Sustainability framework – materiality issues

The 2020 review, partnering with thinkstep-anz and involving updated stakeholder engagement, resulted in a refreshed list of materiality issues. These issues are the ones we are currently focussed on and they will continue to be the focus in future periods.

thinkstep anz

Liner-less labellers

Materiality Issues list

	2016	2021
PEOPLE	Employment	Employee Attraction, Development and Retention
	Health and Safety	RSE Scheme
	Workplace Stability	Succession Planning
		Health and Safety
		Labour Practices
		Culture and Values
		Diversity and Inclusion
		Community
ENVIRONMENT	Water Use	Water Management
	Carbon	Carbon and Energy Use
	Water Quality	Weather and Climate
	Energy Use	Biodiversity
	Weather and Climate	Waste
	Biodiversity	Ethical Supply Chain
	Fruit Waste	
	Refrigeration	
	Soil Health	
MARKETPLACE	Supplier Requirements	Spray Use and Residues
	Spray Use and Residues	Food Quality and Safety
	Food Safety	Consumer Preferences
	Consumer Preferences	Market Access and Risk
		Intellectual Property
		Innovation
		Legal Compliance
CORPORATE		Business Continuity
		Corporate Governance
		ESG Strategy and Communication
		Brand Awareness

PEOPLE

Our Team

500+
Permanent staff members

45 years
Longest serving employee

~1,150
RSE workers

38%
Permanent female staff Scales wide

30%
Female senior leadership/ management staff

Our People

Scales' priority is to create and sustain long-term value through focusing on our people, culture and communities.

Health and Safety

"Health and safety are an important and integral part of our everyday practices – safety to the core."

Health & Safety
to the core

Health and safety remains a critical focus of the business. COVID-19 continues to test our policies and practices, with the teams' culture also continuing to respond in an impressive manner.

Key initiatives in 2021 included:

- Targeted injury management focus with specific prevention initiatives developed across the businesses
- Leading engagement with forklift simulator programme, including upskilling and cross-site safety standard auditing
- Adaptable COVID-19 response planning put in place, embracing new contact tracing technology
- Partnership with Mentemia, to provide wellbeing tools and resources for our employees
- Continued growth of our wellbeing strategy

An analysis of injuries continued to show a decline in their severity due to a continued focus on injury prevention and management. Dedicated management of the business' critical risks has seen no notifiable injuries occur. Several injury prevention measures are in place, with dedicated manual handling training and Mr Apple's injury management specialist rolling out fun new initiatives and challenges to increase engagement in our people getting work fit.

The last 2 years have been difficult for many people and, as essential businesses, we understand that some of our team members may have experienced additional mental and emotional pressure. In order to help support our staff we are extremely pleased to have partnered with Mentemia, a mental health and wellbeing platform. Italian for 'my mind', Mentemia was established by Sir John Kirwan and technology entrepreneur Adam Clark to help people with their mental health by providing an evidence-based, self-care product for workplaces, including practical tips and tools to help users take control of their daily mental wellbeing.

An initial launch session with our Mr Apple team was held over Zoom, with Sir John Kirwan sharing his mental health story and health psychology expert Dr Fiona Crichton giving insight into the neurological side of mental health. Tips and tools were shared to help combat stress and mental ill-health and the Mentemia app was introduced. Two follow-up sessions were also held with our people leaders to provide them with information around how to lead and manage teams in terms of wellbeing matters. We are eager to embed the importance of mental health and wellbeing into our teams' daily working lives.

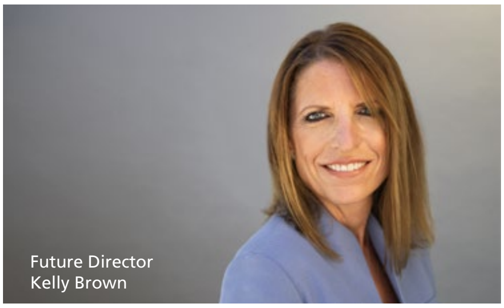
Mentemia

CORPORATE

Governance and Ethics

The Board remains committed to governance best-practice, even with the ongoing COVID-19 disruption.

- Board and committee meetings via Zoom, where in-person meetings are not possible, has become standard practice
- In 2021 we held the Annual Shareholders' Meeting as a hybrid meeting. This involved shareholders attending either in-person in Christchurch, or virtually via Zoom link. All shareholders had the ability to vote on resolutions and to ask the Directors questions, which ensured the widest possible participation. It is the intention to continue to hold shareholder meetings in this manner
- During the year the Directors were pleased to be able to continue their support of the Institute of Directors Future Directors programme, and we welcomed Kelly Brown as our fifth Future Director. Kelly has an international marketing background and both the Board and Kelly have benefitted from her participation at meetings
- Also during the year we upgraded the Company's Ethical Reporting Hotline (Report It Now/EthicsPro)



Future Director
Kelly Brown

MARKETPLACE

Marketplace

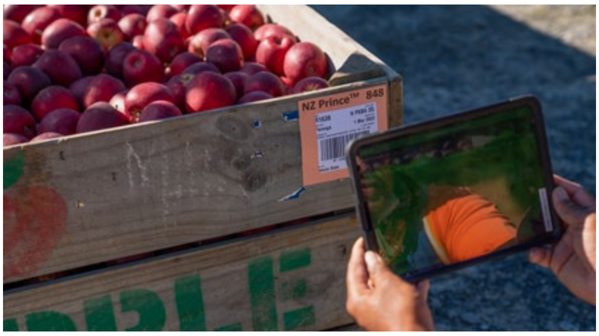
Our marketplaces continue to evolve, as a greater emphasis is placed on the sustainability of products and supply chains. We are continuing to invest across our businesses to make sure we are ahead of these changes, with a particular focus on compliance, traceability and input reduction. Initiatives and achievements during the year included the following.

Certification and auditing

- Improved technology and systems to allow remote auditing by customers, certification bodies and government agencies as part of our regulatory and certification processes
- 2021 saw Mr Apple, as one of three organisations representing the apple industry, take part in an audit of our facilities with China's government. The audit was very successful with no further improvements required

Spray use and residue

In partnership with Plant & Food Research and other industry bodies, considerable focus was put on orchard management practices, spray timing and other control measures. This focus resulted in a substantial decrease in interceptions and will continue to play a big part in maintaining and improving our market access.



Technology

A key goal of Mr Apple is to increase the amount and quality of information exchanged digitally across our supply chain, with the aim to improve decision making and traceability. There have been several areas of improvement:

- Advances in orchard technology have meant that we are now able to generate unique electronic bin cards and consignments on-orchard. The electronic data is transferred direct from the orchards to receival sites enabling planning and critical decisions to be made prior to the fruit arriving at our packhouse facilities
- The fruit is now scanned in the bins on-orchard, adding to the information accompanying the consignment, enabling the right fruit to be targeted for the right markets, and provide product traceability back to the orchard
- Relocating product between sites is now completed electronically through data transferral and has resulted in increased efficiencies and a large decrease in paper use

Our Environment

We are guardians and custodians of the environment we use and impact. Our actions are designed to ensure sustainability of the environment, and our businesses, for future generations.

Through 2021 we continued to improve our data capture relating to our environmental footprint, which streamlined our reporting and created measurement improvements. We also initiated and completed several successful projects listed below.

Highlights from 2021:

- Minimising freight movements was aided by the commissioning of the new Whakatu coolstore, reducing distance travelled between coolstores and the Whakatu packhouse
- The creation of sustainability champions at packhouses to increase communication and feedback between sites and Mr Apple's head office
- A trial LED replacement project was undertaken at one of our accommodation sites on-orchard, with the actual reduction in electricity use to be measured over the coming months
- A project to monitor and improve soil health was set up on one of our Mr Apple orchards, helping to deepen our understanding of our impact on ecosystems
- An initial in-house carbon footprint assessment conducted for Meateor NZ has started the process of understanding its footprint and is the first step on the journey of reducing this
- We participated in the *Sustainable is Attainable* initiative run by the Hawke's Bay Business Hub that aims to find the most cost effective or valuable disposal method for waste streams. Initial results are to be announced in early 2022
- The installation of liner-less labellers for carton end labels at Whakatu packhouse for the 2022 season, with a projected waste reduction of 3-4 tonnes of label backing tape per annum
- An initial report on potential carbon sequestration of apple trees was received from AUT with next steps to be discussed in the coming year

Mr Apple Environmental Plan

We remain aligned to our chosen United Nations Sustainable Development Goals and, this year, have included climate action as our fifth goal.

We continued to experience ongoing disruption due to the effects of COVID-19 during 2021. Whilst this has had an effect on our performance against our goals, we note that we have already exceeded some targets. We remain committed to continuing improvements, while addressing areas of underperformance.

Goal	Initiatives	Change 2018 to 2021
Carbon intensity goal of 1 per cent reduction in GHG emissions per million dollars gross turnover from 2018-2024	See page 21	9 per cent reduction
Reduce paper use by 10 per cent per annum	Further conversion from paper to digital processes Education and communication across teams Moving to a lighter weight paper	69 per cent reduction
Reduce waste to landfill by 30 per cent by 2024	Hand dryers instead of paper towels implemented at Whakatu packhouse Implementation of liner-less labellers A move to compostable cups in the packhouse Education and engagement with sites	64 per cent reduction
Reduce electricity consumption by 3 per cent by 2024	LED replacements across accommodation facilities Using Demand Flex where possible[1] Continued following of EECA report advice where applicable	2 per cent increase
Reduce overall fuel use by 5 per cent by 2024	Continued monitoring using EROAD Continued proactive maintenance Replacing petrol orchard equipment with electric where applicable Continued focus on replacing old machinery with more efficient, new machinery Reduced trucking movements	1 per cent reduction

[1] Demand Flex moves electricity consumption from times when it is typically more expensive and carbon-intensive to times when it is cheaper and when there is more renewable energy in the system.

ENVIRONMENT

In 2022 the focus will be to broaden the scope of internal reporting and setting targets across water use and biodiversity. Opportunities to engage with suppliers (such as electricity and packaging suppliers as well as freight and shipping companies) to look for opportunities and synergies will also be a key focus.

Toitū Envirocare carbonreduce Certification

TOITŪ CARBON REDUCE ISO 14064-1 ORGANISATION

Mr Apple completed its fourth year of carbon footprint initiatives as part of the Toitū carbon reduce program.

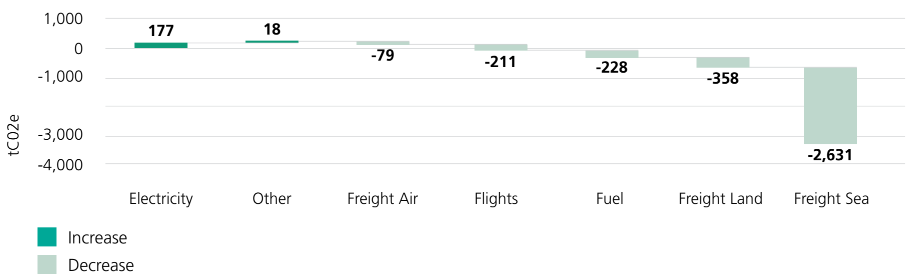
Our energy consumption increased due to an extended packing season and coolstorage requirements (due to labour shortages and shipping disruptions respectively), which contributed to increased emissions from energy in 2021 compared to 2020.

However, due to less fruit being harvested, reduced shifts at the Waipawa packhouse and the commissioning of our new Whakatu coolstore (providing greater centralisation of operations) there was a reduction of almost 220 tonnes of CO2 equivalent (tCO2e) compared to 2020 from external freight providers. This is a 35 per cent reduction of total (non-refrigerated) freight. In addition, due to a lower volume of fruit being exported, our shipping related carbon emissions fell by more than 2,600 tCO2e, or just over 11 per cent compared to 2020.

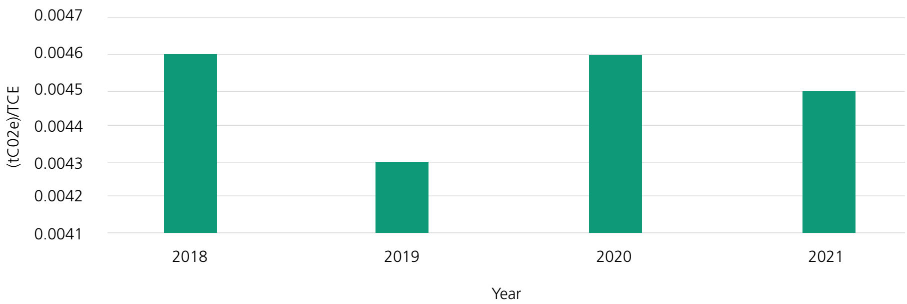
In summary:

- Compared to 2020, carbon emissions have reduced by 14 per cent on an absolute level from 23,535 to 20,222 tCO2e and 2 per cent on a per TCE basis (see below)
- Direct emissions from owned or controlled sources have decreased by 8 per cent to 2,967 tCO2e
- Indirect emissions from the generation of purchased energy have increased by 8 per cent to 2,015 tCO2e. All other indirect emissions that occur in Mr Apple's value chain have decreased by 17 per cent to 15,236 tCO2e

Mr Apple Carbon Emissions Change - 2020 to 2021



Mr Apple Carbon Emissions per TCE



Our TCFD Report

THEME 1

Governance

Disclose the organisation's governance around climate-related risks and opportunities

Climate change impacts are a key consideration for our management teams when reviewing long term strategy, assessing enterprise risk and when evaluating annual performance against plans for their respective businesses. These are also included as a key output in any due diligence when looking at new acquisitions.

Sources of information for strategy, Enterprise Risk Management (ERM) and Key Performance Indicator (KPI) setting comes from scenario modelling, materiality assessments, baseline analysis and industry consultation. The performance against KPI is measured via internal reporting and third-party assurance or certification programmes where applicable (e.g. Toitū).

These documents are escalated and reviewed by Scales' management, Health & Safety and Sustainability Committee, Audit and Risk Management Committee and presented to the Board where appropriate, with a specific focus on the key opportunities and material risks across our business units.

THEME 2

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

Scales' risks and opportunities have been prioritised based on:

- short, medium and long-term timelines and
- the impact on our businesses, environment, people and communities (low, medium and high)

Risk strategies range from contingency plans (risk acceptance), elimination, risk transfer and/or mitigation, while we look to leverage our competitive advantages to capitalise on climate change opportunities.

Most of the strategies outlined below focus on the elimination or mitigation of the physical impacts caused by climate change (under 2 degrees scenario[1]) and are viewed as medium or high risk. As in 2020, water availability and accessibility has been identified as a priority in the long term and, while we have good supply across our orchards, we are actively looking at initiatives to improve our water use efficiency and security.

In 2022 we intend to engage external consultants to deliver more granular spatial information over a range of climate change scenarios. This will then feed into our re-assessment of opportunities and risks across our businesses.

At this stage our focus remains on water security, energy management, increased use of technology and digitisation to improve efficiencies and traceability, selection of growing areas, soil management and improving our partnerships across the value chain. We will also undertake more analysis to better understand some of the transitional risks our businesses may face in the future, including increased regulation, policy changes and consumer preferences because of climate change.

[1] As outlined by NIWA at https://niwa.co.nz/our-science/climate/information-and-resources/clivar/scenarios#regional

THEME 3

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks

Identification of risks is completed via internal stakeholder input (staff and management), industry consultation and third-party analysis. These are imbedded within our existing ERM framework, which assesses risk at an operational and critical level.

The assessment looks at the effectiveness and strength of underlying controls and mitigations against the impact and likelihood of occurrence. The evaluation allows key risks to be prioritised through the ERM process, which allocates resources to deliver appropriate risk strategies and treatments.

Monitoring and reporting is done monthly via the ERM framework. However, the progress and outcomes of specific sustainability projects are reported to both the Health & Safety and Sustainability Committee and the Board.

THEME 4

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

As previously mentioned, our primary focus has been on Mr Apple and the organisational control we have over the growing, packing and exporting environment. Our focus in the future will be extended to the remaining Scales businesses. We now have baseline carbon emissions for Meateor NZ and this will allow us to set appropriate targets and metrics for this business in 2022.

The key metrics and timelines for Mr Apple across carbon emissions, waste, energy and fuel usage are outlined above.

Our key risks, opportunities and anticipated impacts can be summarised as follows.

	Risks	Current Strategies	Future Strategies	Opportunities
Water	• Reduced access to sufficient, quality, water	• Continued focus on water management, including maintenance of existing water rights • Continued focus on our effect on water sources • Active participation in water right negotiations and farm environmental plan development	• Investigation of water storage possibilities • Continued investment into more Sensortech and improved irrigation systems	
Increased frequency and severity of weather events	• Damage to crop and/or trees • Disruption to logistics chain	• Geographical spread of orchards • Investment in frost protection machines and optical grading technology • Crop insurance providing cover for severe crop losses • Use of canopy cover and planted shelter belts	• Analysis of canopy covers • Increased wind protection • Canopy structure review	
Rising average temperatures	• Change in growing/ ripening profile and orchard yields • Reduced crop quality due to sunburn and tree stress • Potential pest and disease profile change • Increased management costs e.g., additional sprays	• Continued management focus on minimising sunburn and tree stress • Continued targeted programme for pests and diseases • Active membership on industry bodies	• To understand extent of temperature change • Review new growing regions for ideal climatic conditions	• Reduced frosts • Increased dry days improving pollination and potentially reducing pest and disease risk
Reduced minimum / maximum temperature differences	• Availability of overseas workers if climate-changes in their homelands impact their ability to travel • Less fruit colour if nights are warmer	• Continued engagement with the Government regarding the RSE scheme, and other work schemes • Use of reflective cloth to increase fruit colour	• To understand the extent of temperature differences and the impact on the crop	

Structure builds confidence

Divisional Overview

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

Horticulture

Overview

Our Horticulture division continues to represent a significant percentage of the capital employed within the Scales Group and comprises:

- Mr Apple, New Zealand's largest fully vertically integrated apple business, based in Hawke's Bay
- A 73 per cent stake in Fern Ridge, a fresh produce exporter in Hawke's Bay

During 2021, we operated 3 packhouses. Each of our packhouses are equipped with high-speed optical grading machines. Our Whakatu packhouse is currently undergoing a major automation project.

Mr Apple also operates 6 coolstores.

Markets

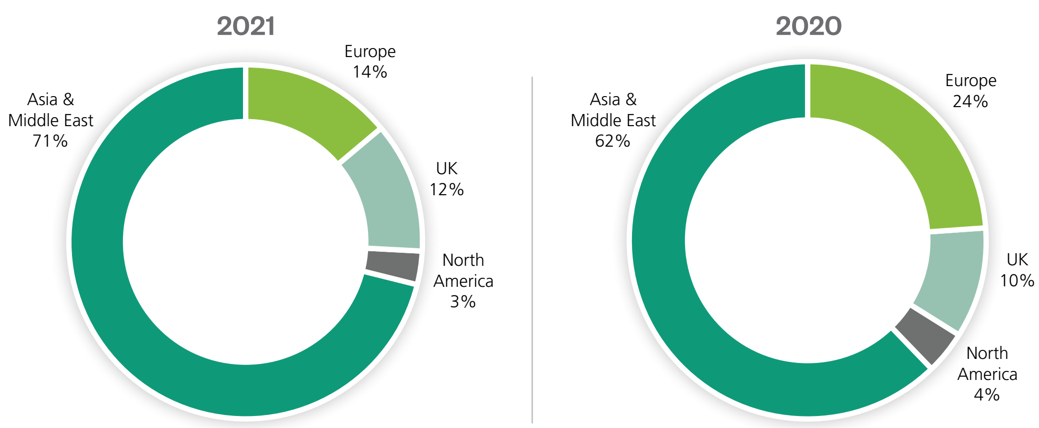
New Zealand's climate, resources, skills and trusted reputation makes it an excellent location in which to grow apples. Our apples are sought after around the world and we sell apples to approximately 150 customers in over 30 countries.

The division continued to benefit from its strategy of diversified channels, markets and varieties during 2021 particularly given the global market uncertainty and supply chain challenges.

Asia and the Middle East experienced another year of pleasing growth, accounting for approximately 71 per cent of export sales volumes (2020: 62 per cent). Of this, China (including Hong Kong) represented approximately 20 per cent (2020: 17 per cent). We continue to benefit from the in-market presence of Shanghai-based services company PCNZ.

Sales volumes into Europe were affected by a lower available volume of traditional variety fruit, primarily due to the effects of weather and the orchard redevelopment programme, which has reduced the planted hectares of traditional varieties.

Mr Apple - Sales by Region (TCEs)



Marketing Developments

Our marketing strategy is to integrate branding and digital advertising with consumer activity, both on and offline. Our focus is to target key customers in key Asia and Middle East markets to generate impact and deliver value, as well as consolidating the early strong and growing presence of new, premium varieties such as Dazzle™ in these markets. A 5-year sales and marketing strategy has been implemented for Dazzle™ to support its production growth.

During the year, to provide us with information around changing international markets, we undertook market research with consumers in China, Vietnam and Thailand. This provided us with a baseline of consumer brand awareness, affinity and conversion and identified that the Mr Apple brand is seen as meaningful. It also ascertained that we had opportunities to differentiate the brand and make it more salient to consumers.

New simplified branding is being designed for Mr Apple, which incorporates new brand design, logo, packaging and direction, providing consistency and linking the Mr Apple story to our 5-point promise. Of note, is that COVID-19 has increased the preference for packaged product in markets such as China, thus our new packaging innovations are well-timed.

There is a continued increase in the volume of e-commerce trade in Asia markets, including online-to-offline trade, i.e., drawing potential customers from online channels to make purchases in physical stores. This combined 'modern trade' now represents around 60 per cent of our sales in China, so we are pleased to note the addition of resource in Asia through the appointment of a senior retail category advisor to support this growth. Our flagship store on TMALL, which became operational in 2021, will also be a focus for 2022 to drive and increase traffic.

We are also using digital tools such as digital marketing and social media to actively build our brand awareness and conversion with consumers throughout Asia. Mr Apple has a presence on social media channels across South East Asia and is active on a number of social media applications in China. Some examples of the activities include:

- Facebook and Instagram campaigns held during the year in countries such as Vietnam, Indonesia and Japan
- Online game developed, with around 270,000 QR code scans and interactions throughout Asia
- Participation in New Zealand Trade and Enterprise's *Made with Care* campaign, promoting New Zealand food and beverage to the world, in Thailand, Vietnam, India and Bahrain
- Targeting festivals and gifting opportunities, in particular China's Mid-Autumn Festival, which coincides with the timing of our season
- Production of a video telling the story of the Mr Apple character during the Mid-Autumn festival – we expect this character to feature in more stories in forthcoming seasons

As part of this, we are developing infrastructure that enables re-targeting and segmentation, as well as compliance with data privacy and have invested in additional marketing resource in New Zealand to help increase and drive brand awareness within these Asia markets.

Examples of the new simplified branding for Mr Apple

Mid-Autumn Festival video used on all social media platforms in China

NZTE campaign in Thailand to highlight QR code game

Financial Performance and Key Operating Statistics

Summary Performance

The table below shows the financial performance of the Horticulture division for 2021 and 2020.

Horticulture Financial Performance

	2021 $'000	2020 $'000
Horticulture revenue	243,422	245,984
Underlying EBITDA		
Mr Apple	37,941	38,714
Fern Ridge	1,131	2,075
Underlying Horticulture EBITDA	**39,072**	**40,789**
Depreciation and amortisation	(9,820)	(9,524)
Depreciation of right-of-use assets	(8,047)	(7,586)
Underlying Horticulture EBIT	**21,205**	**23,678**
Horticulture EBITDA	**41,239**	**35,781**
Horticulture EBIT	**23,372**	**18,670**
Capital employed	304,028	272,417
ROCE	7.4%	8.9%

NB: The table above includes 100 per cent of the EBITDA contribution from Fern Ridge. Approximately 27 per cent of Fern Ridge is owned by non-controlling interests. We recorded a non-controlling interest of $0.2 million (2020: $0.4 million) in our Group results reflecting their share of tax paid profit from Fern Ridge. A reconciliation of Underlying to Reported profit measures follows this Divisional Overview section.

The Horticulture division generated a very strong result given significant market uncertainty, supply chain challenges and lower volumes of fruit. Revenue of $243.4 million was down only 1 per cent on 2020 ($246.0 million). Whilst volumes and yields were affected by weather and orchard redevelopment, the division's diversified markets and varieties continued to be advantageous.

Strong in-market pricing partially offset reduced volumes together with labour and shipping cost pressures, with Underlying EBITDA down 4 per cent to $39.1 million (2020: $40.8 million). Underlying EBIT was down 10 per cent to $21.2 million (2020: $23.7 million).

Horticulture's ROCE decreased this year due to lower earnings and higher capital employed. However, returns for this division are expected to increase once redeveloped orchards reach maturity and the impact of margin initiatives take effect.

Orchard Statistics

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

		2021	2020	2019	2018	2017
Orchard						
Total planted orchard (at time of harvest)[1]	Ha.	1,201	1,186	1,158	1,149	1,142
Fully mature equivalent planted orchard	Ha.	1,050	1,028	1,023	1,057	1,043
Apples picked (Mr Apple orchards)	TCE 000s	4,757	5,119	4,841	5,090	4,434
Apples packed (Mr Apple + external growers (Hawke's Bay))	TCE 000s	4,430	4,858	4,747	4,739	4,354
Exported volume						
Mr Apple	TCE 000s	3,651	3,915	3,822	3,867	3,545
External growers	TCE 000s	1,332	1,824	2,132	1,964	2,078
Total	**TCE 000s**	**4,983**	**5,739**	**5,953**	**5,831**	**5,622**
Mr Apple packout %	%	77%	76%	79%	76%	80%
Total NZ production	TCE 000s	19,666	22,199	21,755	20,687	18,956
Mr Apple own grown volume share of NZ production	%	18.6%	17.6%	17.6%	18.7%	18.7%

Weather and orchard redevelopment, which reduced planted hectares of lower returning traditional varieties, impacted volumes of traditional varieties this year, with the export of 3.65 million TCEs of own-grown volumes in 2021 (2020: 3.92 million TCEs).

- Assuming an average TCE holds 116 apples, around 550 million apples were picked from Mr Apple's planted apple orchards
- Gross production was 4.76 million TCEs from which 3.65 million TCEs were exported. This was a 7 per cent decrease in export TCEs compared to 2020
- Together with our external grower volumes, the division sold 4.98 million TCEs. This was 13 per cent down on 2020, with reduced external grower volumes largely due to a challenging season for Nelson growers
- We provide an ongoing significant contribution to the national apple crop, with production from our owned and leased orchards accounting for 18.6 per cent of New Zealand's apple exports (2020: 17.6 per cent)

[1] Planted orchard at the end of the year was 1,167 hectares.

Volumes and Prices

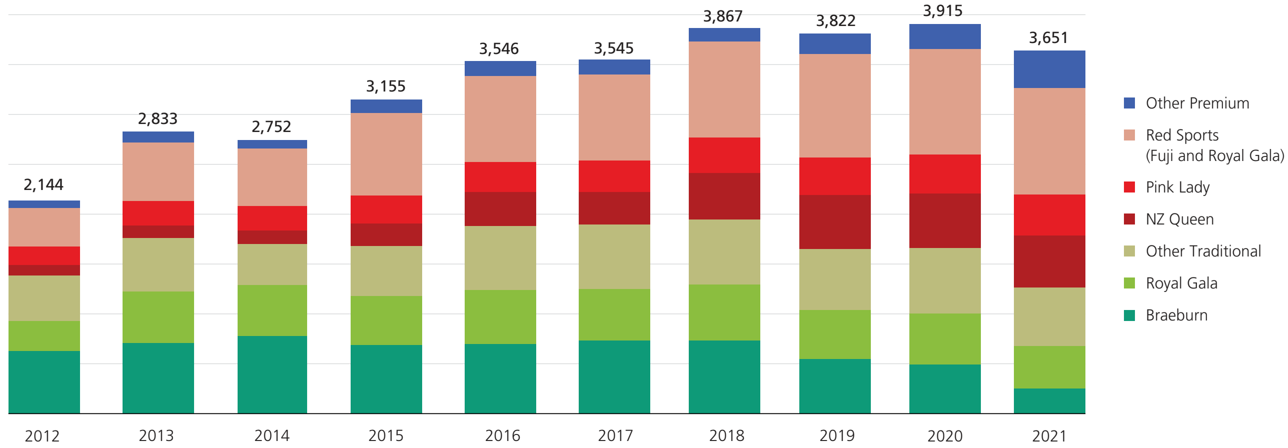
Volumes and prices (on a NZD FOB basis) for 2021 and 2020 are noted below.

Volumes by Variety (TCE 000s)		2021	2020
Premium Varieties			
NZ Queen	TCE 000s	510	534
Pink Lady	TCE 000s	426	401
Red Sports (Fuji and Royal Gala)	TCE 000s	1,061	1,049
Other	TCE 000s	370	253
Total	**TCE 000s**	**2,366**	**2,238**
Growth	%	6%	4%
% premium		65%	57%
Traditional Varieties			
Braeburn	TCE 000s	271	506
Royal Gala	TCE 000s	412	503
Other	TCE 000s	602	669
Total	**TCE 000s**	**1,285**	**1,678**
Growth	%	(23%)	1%
Total Mr Apple owned and leased orchards	**TCE 000s**	**3,651**	**3,915**
Growth	%	(7%)	2%
Prices by Variety (NZD / TCE (FOB))			
Weighted average price for premium varieties	NZD / TCE	39.8	36.9
Weighted average price for traditional varieties	NZD / TCE	33.3	30.1
Total weighted average price	NZD / TCE	37.5	34.0

Premium varieties increased 6 per cent compared to 2020, equating to a Compound Annual Growth Rate (CAGR) of premium volumes of 14 per cent since 2012. As previously mentioned, volumes of traditional varieties were affected by inclement weather and the orchard redevelopment programme, which reduced planted hectares of traditional varieties.

In-market pricing was strong and above prior year levels for most varieties, reflecting reduced overall market volumes, larger fruit for certain varieties and strong market demand for varieties such as Dazzle™. The division benefitted from exporting a diversified range of varieties to diversified geographical markets.

Volumes by Variety (TCE 000s)



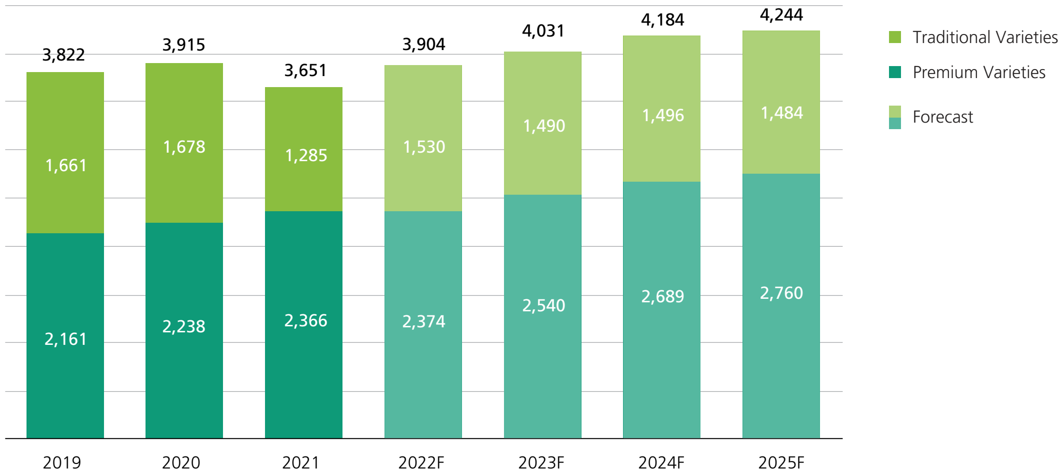
Premium volumes accounted for around 65 per cent of all exports in 2021, up from 57 per cent in 2020. This represented a 6 per cent growth in premium varieties and included significant growth in sales of Dazzle™ and Posy™.

Orchard Redevelopment

Mr Apple continued the redevelopment of its orchards during winter 2021. It planted and / or redeveloped around 35 hectares of orchard, primarily into Dazzle™ and NZ Prince™, two of our premium varieties.

There was also ongoing implementation of our 'intensive planting' techniques, which will enable efficiencies in pruning, thinning and picking. As these orchards reach both maturity and commercial scale, we anticipate higher average prices and yields will be achieved.

Mr Apple Own Export Volumes - Actual/Forecast (TCE 000s)



Margin Sustainability

Last year we identified a number of initiatives to maintain margins within the Horticulture division. During the year, we commenced our multi-year investment and automation plan to increase productivity and sustain margins with the installation of tray de-nesting machines at the Whakatu packhouse. This complements the commissioning of the Whakatu coolstore in February 2021, which has already provided financial and operating efficiencies.

We believe that, when finished, the automation project will result in the Whakatu packhouse being one of the world's most automated apple packhouses and will significantly enhance labour productivity.

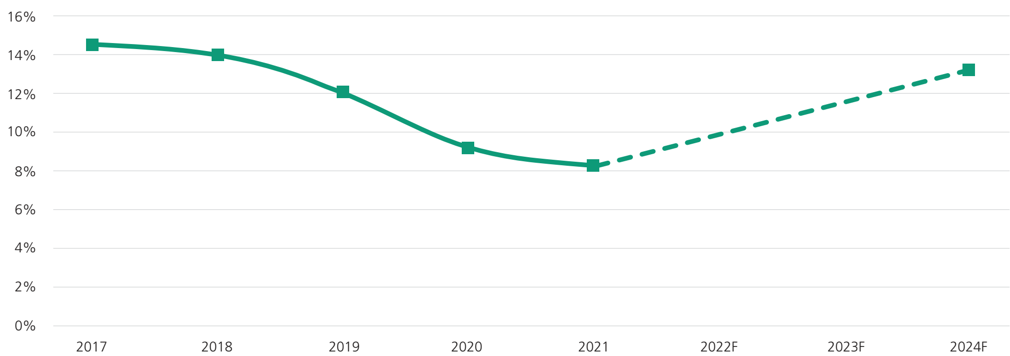
Our orchard redevelopment and 'intensive planting' techniques are also expected to help increase prices and yields as the orchards reach commercial scale.

We believe the outcomes from these ventures will help to sustain our margins and we will continue to investigate and evaluate other potentially margin-enhancing projects as appropriate.


Tray de-nesting machines, part of the Whakatu packhouse automation project


New intensive planting techniques

Mr Apple EBIT Margins[1] Through Time



Labour Availability

As in previous years, we have observed the importance of our critical RSE workers within our team and, during 2021, we were impacted by the availability of the skilled RSE workforce. Compared to 2020, the RSE workforce was approximately 14 per cent lower over the key harvest period, with the team supplemented by New Zealand and Working Holiday Scheme workers. As a result, it was an extraordinary effort by the entire Mr Apple team to pick, pack and export the harvest.

This situation confirmed the vital role that RSE workers play. Not only do these workers show remarkable skills and commitment, but they play a vital part in enabling overall company growth – a 37 per cent increase in RSE workers over the period 2012 to 2020 coincided with Mr Apple increasing its permanent staff numbers by 111 per cent. We are also aware that the skills acquired, and wages earned, by these workers are highly beneficial to not only themselves, but also to their whānau and their Pacific communities.

2022 Outlook

As previously mentioned, our ability to harvest and process the entire crop is dependent on the availability of seasonal labour at the optimum time. Unavailability of this resource may impact on volumes and quality, as well as our ability to market our fresh produce globally.

Picking and packing has commenced for the 2022 season and current indications are positive with volumes in line with earlier projections. Early demand for our branded varieties, including Posy™ and Dazzle™, has been strong.

For the forthcoming season we anticipate a significant increase in shipping costs and capacity constraints. We also expect to make significant progress on the Whakatu packhouse automation project at the completion of the current season. This project is likely to continue into 2023.

[1] EBIT Margins are calculated on an Underlying basis and prior to the impact of NZ IFRS 16.

Food Ingredients

Overview

Our Food Ingredients division converts agricultural by-products into valuable food commodities. The division comprises 4 businesses:

- Meateor NZ – 50 per cent ownership of a processor and marketer of petfood ingredients for the global petfood industry with processing plants in Whakatu and Dunedin
- Meateor International – 100 per cent ownership of a supplier and marketer of petfood ingredients from Australia and other markets
- Shelby – 60 per cent ownership of a US procurer, processor and marketer of ingredients for the petfood industry
- Profruit – 50 per cent ownership of a manufacturer of high quality apple, kiwifruit and pear juice concentrates, located in Hawke's Bay

Food Ingredients Structure

Meateor Group

Meateor NZ*
Petfood ingredient processor and marketer, New Zealand (50%)

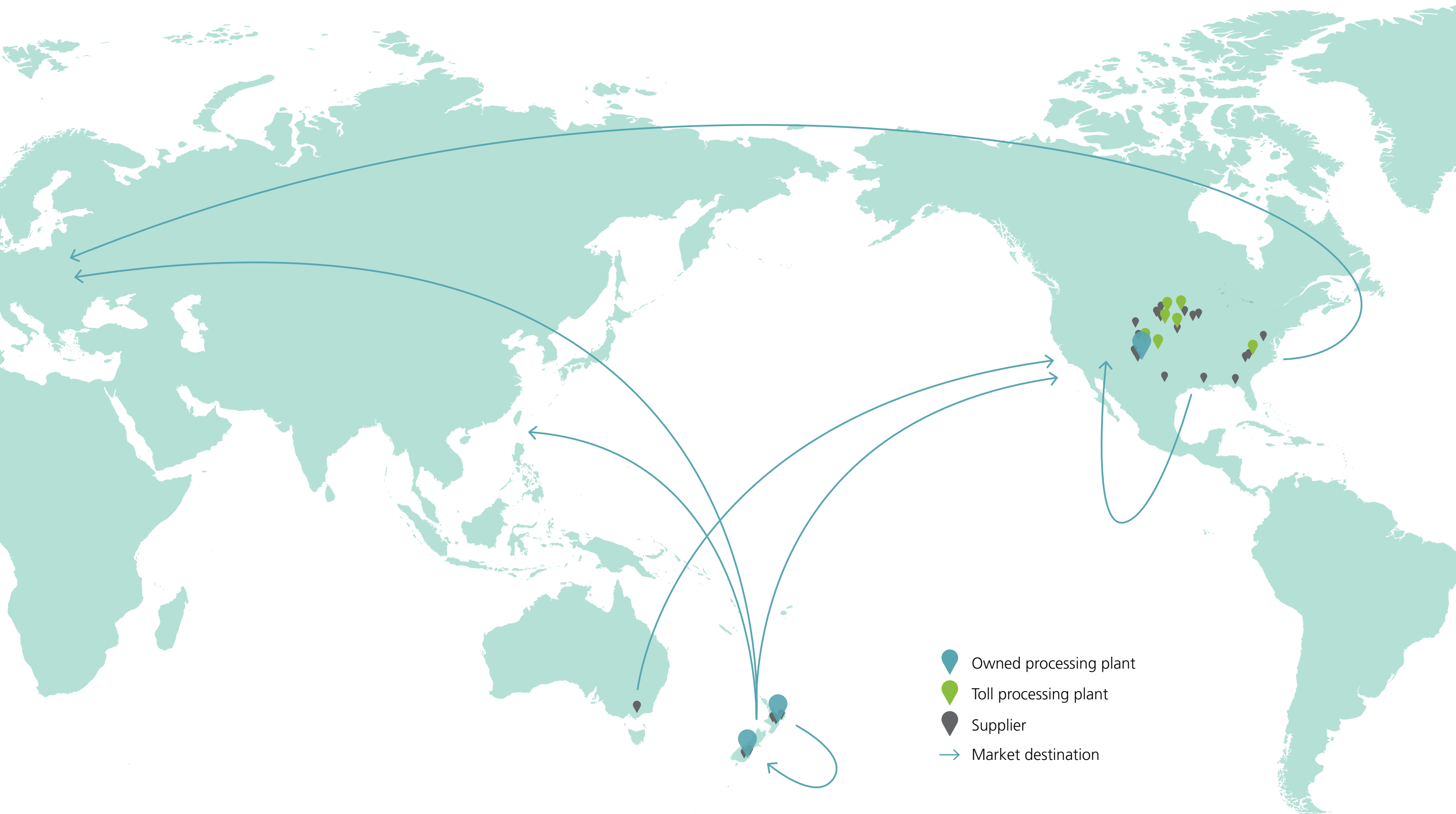
Meateor International**
Petfood ingredient supplier, Australia & other markets (100%)

Shelby**
Petfood ingredient procurer, processor and marketer, USA (60%)

Profruit*
Juice concentrate processor, New Zealand (50%)

* Equity accounted.
** Fully consolidated into Scales' financial results, with Shelby non-controlling interest of $9.8 million deducted from NPAT (2020: $5.2 million).

Meateor Group Product Flows



Operational and Financial Performance

The table below outlines key operational metrics and the summarised financial performance for the Food Ingredients division for 2021 and 2020.

Food Ingredients

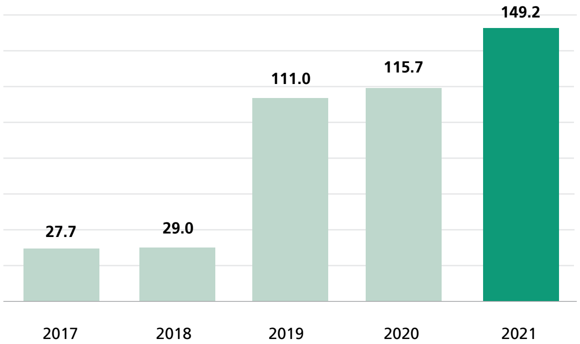
		2021	2020
Key Operational Metrics			
Food Ingredients volume sold	MT	149,207	115,739
Juice concentrate sold	litres 000s	6,497	6,544
Financial Performance		**$'000**	**$'000**
Food Ingredients revenue		218,852	173,694
Underlying Food Ingredients EBITDA		**35,102**	**23,125**
Depreciation and amortisation		(733)	(1,045)
Depreciation of right-of-use assets		(58)	(63)
Underlying Food Ingredients EBIT		**34,311**	**22,017**
Food Ingredients EBITDA		**32,933**	**21,872**
Food Ingredients EBIT		**32,142**	**20,764**
Capital employed		76,210	72,460
ROCE		46.2%	28.9%

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

Operational Summary

Food Ingredients produced an outstanding performance for the year. Volumes of petfood ingredients sold increased by 29 per cent to 149,207 MT (2020: 115,739 MT), reflecting a global increase in demand for petfood. This growth has been attributed to higher levels of pet ownership due to COVID-19 as well as a focus on pets' health and wellbeing.

Petfood Ingredients Sold (MT 000s)



Whilst supply chains continued to be impacted by strong global shipping demand as well as port and logistics constraints, the impact on Meateor NZ and Shelby was lessened due their respective domestic customer bases.

Shelby in particular has continued to grow strongly, and this was assisted by increased volumes being available through the commissioning of a new plate freezing facility in the toll processing facility in Dodge City, Kansas.

Profruit volumes were down only slightly on the record volumes in 2020. This decrease was due to a lower availability of product and yield. Again, strong domestic markets helped negate some of the difficulties in export.

Financial Summary

The Food Ingredients division delivered an exceptional result in 2021 with significant increases in both revenue and profitability. Revenue was $218.9 million, a 26 per cent increase on prior year (2020: $173.7 million), reflecting the benefit of the division's geographical and protein diversification strategies.

Underlying EBITDA was $35.1 million, an increase of 52 per cent (2020: $23.1 million), exceeding the division's long-run EBITDA target of $25 million, which was only set at the end of 2018. The increase in profitability reflects movements in product origin, mix and margin together with the changing contribution of operations within the division. Shelby also received a one-off US wage subsidy scheme payment of NZ$0.9 million during the year.

Profruit also delivered a strong result given the market conditions, with our share of earnings being $1.7 million (2020: $2.0 million).

Industry and Strategy Update

The continued growth in the petfood market reinforces Food Ingredients' strategy. The industry reported that global petfood production increased by over 8 per cent in 2021[1], led by a 17 per cent increase in the Asia Pacific region. North American markets rose at the second highest rate of almost 13 per cent.

In addition, there have been reported increases in global petfood sales[2], including an increase of almost 10 per cent in the USA in 2020, whilst a 5 per cent increase was projected for 2021. Strong growth was also registered for other worldwide markets[3].

This growth has reinforced our strategy of exploring both internal and external growth opportunities, a number of which have been hampered by the inability to travel. As mentioned earlier, our confidence in the market, and particularly in the USA, has led to our divisional CEO relocating to the USA on a permanent basis in 2022. We believe this will further support our ability to develop and invest in new supply and investment opportunities.

2022 Outlook

The outlook for Food Ingredients continues to be positive. Meateor NZ, our JV with Alliance, has performed well and is focused on supporting both the domestic petfood industry and its export markets. Value add opportunities are actively being pursued.

In Australia, our exports have outperformed expectations. As of 31 December 2023 our supply arrangements will no longer be on an exclusive basis. Shelby continues to grow strongly and we look forward to progressing opportunities that are identified in the USA market.

Overall, we look forward to the next stage in the journey for Food Ingredients.

Meateor production facility at Whakatu

[1] https://www.petfoodindustry.com/articles/10971-global-pet-food-production-up-82-in-2021-asia-led

[2] https://www.petfoodindustry.com/articles/10128-us-pet-food-sales-rose-10-in-2020-5-projected-for-2021

[3] https://www.petfoodindustry.com/blogs/7-adventures-in-pet-food/post/10737-us-pet-food-spending-worldwide-pet-food-sales-up-in-2020?utm_source=Omeda&utm_medium=Email&utm_content=NL-Petfood+Industry+News&utm_campaign=NL-Petfood+Industry+News_20211025_0200&oly_enc_id=3803J1451478D1W

Logistics

Overview and Divisional Developments

The services of Scales Logistics include:

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

Operational and Financial Performance

The key operational metrics and the summarised financial performance for the Logistics division for 2021 and 2020 are shown below.

Logistics

		2021	2020
Key Operational Metrics			
Ocean freight volume	TEUs	30,313	35,502
Airfreight volume	MT	3,645	5,656
Financial Performance		**$'000**	**$'000**
Logistics revenue		81,878	77,917
Underlying Logistics EBITDA		**4,942**	**4,215**
Depreciation and amortisation		(209)	(230)
Depreciation of right-of-use assets		(596)	(594)
Underlying Logistics EBIT		**4,137**	**3,392**
Logistics EBITDA		**4,942**	**4,215**
Logistics EBIT		**4,137**	**3,392**
Capital employed		11,534	10,624
ROCE		37.3%	32.0%

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

Logistics produced a strong full year performance where activity was impacted by global supply chain disruptions. The challenges faced by the logistics industry are well documented and are, unfortunately, showing no sign of abating.

However, the invaluable expertise and experience of the Scales Logistics team proved strategically important for our other Scales divisions as well as for external customers in 2021. The team's resilience, and ability to innovate and adapt, ensured all produce was shipped and airfreighted for its customers as required.

An exceptional effort by the team provided an excellent result with a 17 per cent increase in Underlying EBITDA to $4.9 million (2020: $4.2 million). This was despite a decrease in volumes freighted due primarily to lower apple volumes and reduced sailings.

2022 Outlook

Pressures for the division and industry are expected to continue throughout 2022 with scarcity in the availability of containers and ships, labour shortages, increased shipping, airfreight and fuel costs and also high demand and port congestion.

However, Scales Logistics is expected to continue to play a key strategic role in supporting its customers' supply chain requirements for the coming year, including those for Mr Apple and Meateor. We believe its strategic value far exceeds its strong stand-alone financial contribution.

Reconciliation of Underlying to Reported Profit Measures

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

	Group		Horticulture	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Underlying EBITDA (excluding NZ IFRS 16)	62,989	53,862	29,181	31,423
NZ IFRS 16 *Leases*	10,804	10,279	9,891	9,366
Underlying EBITDA (including NZ IFRS 16)	**73,793**	**64,141**	**39,072**	**40,789**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	1,650	(4,311)	1,650	(4,311)
Gain on sale of property, plant and equipment	1,132	-	1,132	-
Equity settled employee benefits	(726)	(698)	-	-
Meateor NZ disposal - working capital adjustment	-	(500)	-	-
Change in fair value gain on apple inventory	(932)	(802)	(932)	(802)
Change in gross liability for non-controlling interests	(1,852)	(647)	318	106
Transaction costs	(1,446)	(443)	-	-
Reported EBITDA	**71,619**	**56,740**	**41,239**	**35,781**
Underlying EBIT (excluding NZ IFRS 16)	52,203	42,984	19,361	21,899
NZ IFRS 16 *Leases*	2,044	1,978	1,844	1,779
Underlying EBIT (including NZ IFRS 16)	**54,247**	**44,962**	**21,205**	**23,678**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	1,650	(4,311)	1,650	(4,311)
Gain on sale of property, plant and equipment	1,132	-	1,132	-
Equity settled employee benefits	(726)	(698)	-	-
Meateor NZ disposal - working capital adjustment	-	(500)	-	-
Change in fair value gain on apple inventory	(932)	(802)	(932)	(802)
Change in gross liability for non-controlling interests	(1,852)	(647)	318	106
Transaction costs	(1,446)	(443)	-	-
Reported EBIT	**52,074**	**37,561**	**23,372**	**18,670**
Underlying NPAT (excluding NZ IFRS 16)	40,438	33,764	13,845	15,431
NZ IFRS 16 *Leases*, net of tax	(663)	(722)	(592)	(634)
Underlying NPAT (including NZ IFRS 16)	**39,775**	**33,041**	**13,252**	**14,797**
Other adjustments:				
(Impairment)/reversal of impairment of non-current assets	1,650	(4,311)	1,650	(4,311)
Gain on sale of property, plant and equipment	1,132	-	1,132	-
Equity settled employee benefits	(726)	(698)	-	-
Meateor NZ disposal - working capital adjustment	-	(500)	-	-
Change in fair value gain on apple inventory	(932)	(802)	(932)	(802)
Change in gross liability for non-controlling interests	(1,852)	(647)	318	106
Transaction costs	(1,446)	(443)	-	-
Taxation effect	(653)	941	(201)	1,432
Reported Net Profit	**36,950**	**26,581**	**15,219**	**11,221**

Food Ingredients		Logistics		Corporate and eliminations	
2021	**2020**	**2021**	**2020**	**2021**	**2020**
$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
35,034	23,051	4,166	3,443	(5,393)	(4,056)
68	74	776	772	70	67
35,102	**23,125**	**4,942**	**4,215**	**(5,323)**	**(3,988)**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(726)	(698)
-	(500)	-	-	-	-
-	-	-	-	-	-
(2,169)	(753)	-	-	-	-
-	-	-	-	(1,446)	(443)
32,933	**21,872**	**4,942**	**4,215**	**(7,495)**	**(5,129)**
34,301	22,006	3,957	3,214	(5,417)	(4,135)
10	11	180	178	10	10
34,311	**22,017**	**4,137**	**3,392**	**(5,406)**	**(4,125)**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(726)	(698)
-	(500)	-	-	-	-
-	-	-	-	-	-
(2,169)	(753)	-	-	-	-
-	-	-	-	(1,446)	(443)
32,142	**20,764**	**4,137**	**3,392**	**(7,578)**	**(5,265)**
28,242	18,471	2,802	2,284	(4,450)	(2,422)
(3)	(5)	(65)	(80)	(2)	(3)
28,239	**18,466**	**2,736**	**2,204**	**(4,452)**	**(2,426)**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(726)	(698)
-	(500)	-	-	-	-
-	-	-	-	-	-
(2,169)	(753)	-	-	-	-
-	-	-	-	(1,446)	(443)
(452)	(491)	-	-	-	-
25,618	**16,722**	**2,736**	**2,204**	**(6,624)**	**(3,566)**

Our leadership team

Leadership Profiles

Board of Directors (as at 18 March 2022)

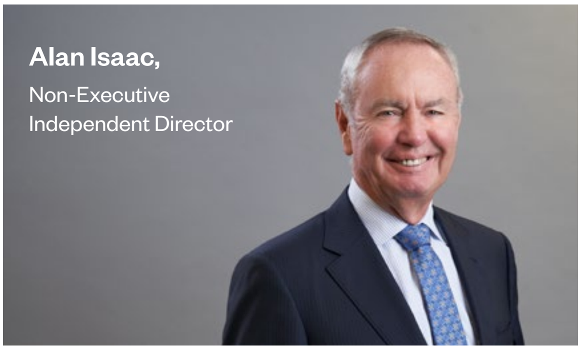
Tim was elected to the Board in 2014, having been appointed Chair of Scales' Horticulture division in 2012. He has been involved in agribusiness for over 40 years and was CEO of Zespri International from 2003 to 2007. Tim is currently: Chair of The Nutritious Kiwifruit Company Limited, which is a consortium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

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, and Rabobank New Zealand Limited. Andy is a member of Scales' Finance and Treasury Committee and Scales' Health & Safety and Sustainability Committee.

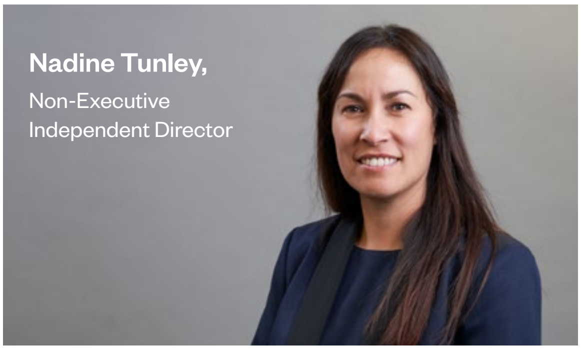
Nick was elected to the Board in 2014, having been appointed a Director of both Scales' Storage & Logistics division and Meateor in 2012. Nick was previously the Managing Director and was one of the founding shareholders of Hellers Limited, New Zealand's largest bacon, ham and small goods company. Nick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

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

Board of Directors (continued)



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



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

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

Management Profiles

Andy Borland,
Managing Director

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

Brett Frankel,
President Shelby Foods

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

Tim Harty,
General Manager Meateor Pet Foods

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

Steve Kennelly,
Chief Financial Officer

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

Chantelle Ramage,
General Manager Profruit

Chantelle has been with Profruit for 15 years, including 13 as General Manager. Prior to that Chantelle held Production Manager and Technical Manager roles with the company. Chantelle graduated from Lincoln University with a Bachelor of Science, majoring in Food.

Kent Ritchie,
CEO Scales Logistics

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

John Sainsbury,
CEO Meateor Group

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

Geoff Smith,
Chief Operations and Sustainability Officer

Geoff joined Scales in January 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.

Sonya White,
CEO Fern Ridge Fresh

Sonya was appointed CEO of Fern Ridge Fresh in December 2021, having been with the company for 14 years, including 9 years as Global Sales Manager. Sonya has a strong logistics and orcharding background from prior roles.

Andrew van Workum,
CEO Mr Apple

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

Financial Statements

Contents

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	NOTE	2021 $'000	2020 $'000
Revenue	B1	514,551	470,709
Cost of sales	B2	(400,663)	(366,800)
		113,888	**103,909**
Administration and operating expenses	B2	(47,241)	(44,382)
Reversal of impairment (impairment) on revaluation	C1	1,650	(4,311)
Share of profit of entities accounted for using the equity method	C3	3,162	2,224
Other income	B3	6,022	1,645
Other losses	B3	(5,862)	(2,345)
EBITDA		**71,619**	**56,740**
Amortisation		(342)	(584)
Depreciation	C1	(10,443)	(10,294)
Depreciation of right-of-use asset	G2	(8,760)	(8,301)
EBIT		**52,074**	**37,561**
Finance revenue		1,203	2,584
Finance cost	B4	(1,786)	(1,915)
Finance cost of lease liability	G2	(2,964)	(2,981)
PROFIT BEFORE INCOME TAX EXPENSE		**48,527**	**35,249**
Income tax expense	B5	(11,577)	(8,668)
PROFIT FOR THE YEAR		**36,950**	**26,581**
Profit for the year is attributable to:			
Equity holders of the Company		26,925	21,025
Non-controlling interests		10,025	5,556
		36,950	**26,581**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share (cents)	D5	19.1	15.0
Diluted earnings per share (cents)	D5	19.1	14.9

The notes to the financial statements on pages 50 to 80 form part of and should be read in conjunction with this statement.

Consolidated Statement of Comprehensive Income (continued)

for the year ended 31 December 2021

	NOTE	2021 $'000	2020 $'000
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
(Loss) gain on cash flow hedges		(20,730)	20,861
Income tax relating to cash flow hedges		5,804	(5,841)
Share of other comprehensive income of joint ventures	C3	(1,015)	708
Income tax relating to share of other comprehensive income of joint ventures		284	(198)
Foreign exchange gain (loss) on translating foreign operations		692	(784)
		(14,965)	**14,746**
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings		22,362	9,133
Income tax relating to buildings		(1,647)	(448)
Revaluation of apple trees		3,048	(31)
Income tax relating to apple trees		(854)	9
Remeasurement of net defined benefit liability		318	(440)
Income tax relating to remeasurement of net defined benefit liability		-	67
		23,227	**8,290**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**8,262**	**23,036**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**45,212**	**49,617**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		35,060	44,374
Non-controlling interests		10,152	5,243
		45,212	**49,617**

The notes to the financial statements on pages 50 to 80 form part of and should be read in conjunction with this statement.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	NOTE	Share capital $'000	Reserves $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2020		**95,273**	**62,511**	**197,230**	**355,014**	**3,989**	**359,003**
Profit for the year		-	-	21,025	21,025	5,556	26,581
Other comprehensive income for the year		-	23,349	-	23,349	(313)	23,036
Total comprehensive income for the year		-	23,349	21,025	44,374	5,243	49,617
Reclassification of revaluation reserve	D2	-	1,093	(1,093)	-	-	-
Reclassification of pension reserve	D2	-	(341)	341	-	-	-
Recognition of share-based payments	D2	-	698	-	698	-	698
Shares fully vested	D1, D2	1,098	(536)	(165)	397	-	397
Dividends	D3	-	-	(26,716)	(26,716)	(4,594)	(31,310)
Balance at 31 December 2020		**96,371**	**86,774**	**190,622**	**373,767**	**4,638**	**378,405**
Profit for the year		-	-	26,925	26,925	10,025	36,950
Other comprehensive income for the year		-	8,135	-	8,135	127	8,262
Total comprehensive income for the year		-	8,135	26,925	35,060	10,152	45,212
Reclassification of revaluation reserve	D2	-	(2,224)	2,224	-	-	-
Recognition of share-based payments	D2	-	726	-	726	-	726
Shares sold	D1	347	-	-	347	-	347
Shares fully vested	D1, D2	2,870	(1,251)	(295)	1,324	-	1,324
Dividends	D3	-	-	(26,832)	(26,832)	(8,868)	(35,700)
Balance at 31 December 2021		**99,588**	**92,160**	**192,644**	**384,392**	**5,922**	**390,314**

The notes to the financial statements on pages 50 to 80 form part of and should be read in conjunction with this statement.

Consolidated Statement of Financial Position

as at 31 December 2021

	NOTE	2021 $'000	2020 $'000
EQUITY			
Share capital	D1	99,588	96,371
Reserves	D2	92,160	86,774
Retained earnings		192,644	190,622
Equity attributable to Scales Corporation Limited shareholders		**384,392**	**373,767**
Equity attributable to non-controlling interests		5,922	4,638
TOTAL EQUITY		**390,314**	**378,405**
CURRENT ASSETS			
Cash and bank balances		35,398	47,418
Term deposits		85,000	104,632
Trade and other receivables	E1	28,658	19,452
Other financial assets	E2	5,923	12,688
Unharvested agricultural produce	C2	24,561	24,022
Inventories	C5	29,641	25,805
Prepayments		4,056	3,899
		213,237	**237,916**
Assets held for sale		-	2,550
TOTAL CURRENT ASSETS		**213,237**	**240,466**
NON-CURRENT ASSETS			
Property, plant and equipment	C1	213,869	181,311
Investments accounted for using the equity method	C3	26,051	26,154
Goodwill	C4	43,392	41,905
Other financial assets	E2	11,074	18,143
Computer software		717	354
Right-of-use asset	G2	76,431	77,877
TOTAL NON-CURRENT ASSETS		**371,534**	**345,744**
TOTAL ASSETS		**584,771**	**586,210**
CURRENT LIABILITIES			
Bank overdrafts		2,196	1,384
Trade and other payables	E3	23,466	25,117
Dividend declared	D3	13,419	13,359
Borrowings	E4	-	860
Current tax liabilities		479	1,593
Other financial liabilities	E5	7,410	4,300
Lease liability	G2	10,237	10,053
TOTAL CURRENT LIABILITIES		**57,207**	**56,666**
NON-CURRENT LIABILITIES			
Borrowings	E4	36,060	52,199
Deferred tax liabilities	B5	22,944	25,596
Defined benefit plan net liability		427	632
Other financial liabilities	E5	8,338	2,522
Lease liability	G2	69,481	70,190
TOTAL NON-CURRENT LIABILITIES		**137,250**	**151,139**
TOTAL LIABILITIES		**194,457**	**207,805**
NET ASSETS		**390,314**	**378,405**

The notes to the financial statements on pages 50 to 80 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	NOTE	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		505,854	469,559
Dividends received		2,251	1,509
Interest received		1,416	4,042
		509,521	**475,110**
Cash was disbursed to:			
Payments to suppliers and employees		(453,109)	(407,074)
Interest paid		(4,750)	(4,896)
Income tax paid		(11,823)	(9,916)
		(469,682)	**(421,886)**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**39,839**	**53,224**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from maturing term deposits		19,632	37,368
Advances repaid		1,231	382
Sale of property, plant and equipment and computer software		3,773	298
		24,636	**38,048**
Cash was applied to:			
Purchase of property, plant and equipment		(15,822)	(24,237)
Purchase of computer software		(705)	(131)
Purchase of financial instruments		(325)	-
		(16,852)	**(24,368)**
NET CASH PROVIDED BY INVESTING ACTIVITIES		**7,784**	**13,680**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from seasonal and other facility borrowings	E4	-	3,955
Treasury stock sold		347	-
		347	**3,955**
Cash was applied to:			
Dividends paid		(26,772)	(26,685)
Dividends paid to non-controlling interests		(8,868)	(4,594)
Repayments of lease liabilities		(7,839)	(7,300)
Repayments of seasonal facility borrowings	E4	-	(3,000)
Repayments of term facility borrowings	E4	(18,000)	-
		(61,479)	**(41,579)**
NET CASH USED IN FINANCING ACTIVITIES		**(61,132)**	**(37,624)**
NET (DECREASE) INCREASE IN NET CASH		**(13,509)**	**29,280**
Net foreign exchange difference		677	(690)
Cash and cash equivalents at the beginning of the year		46,034	17,444
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**33,202**	**46,034**
Represented by:			
Cash and bank balances		35,398	47,418
Bank overdrafts		(2,196)	(1,384)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**33,202**	**46,034**

The notes to the financial statements on pages 50 to 80 form part of and should be read in conjunction with this statement.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2021

	NOTE	2021 $'000	2020 $'000
NET CASH GENERATED BY OPERATING ACTIVITIES			
Reconciliation of profit for the year to net cash generated by operating activities:			
Profit for the year		36,950	26,581
Non-cash items:			
Depreciation (including on right-of-use asset)		19,203	18,595
Reversal of impairment (impairment) on revaluation		(1,650)	4,311
Amortisation		342	584
Share of equity accounted results		(3,162)	(2,224)
Hedging instruments		358	(205)
Government grant		(879)	-
(Gain) loss on disposal of property, plant and equipment		(1,132)	62
Share-based payments		726	698
Change in gross liability on put options		1,852	647
Deferred tax		871	(203)
Operating cash receipts not included in profit for the year:			
Dividends received from equity accounted entities		2,250	1,500
Changes in net assets and liabilities:			
Trade and other receivables		(8,828)	764
Unharvested agricultural produce		(539)	(2,403)
Inventories		(3,498)	28
Prepayments		(148)	(426)
Trade and other payables		(1,760)	5,960
Current tax assets and liabilities		(1,117)	(1,045)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**39,839**	**53,224**

Statement of Cash Flows

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

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

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

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

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

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

Tim Goodacre, Chair

Andy Borland, Managing Director

The notes to the financial statements on pages 50 to 80 form part of and should be read in conjunction with this statement.

Notes to the Financial Statements
for the year ended 31 December 2021

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

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

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

The financial statements have been prepared:

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

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

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

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

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

Key judgements and estimates

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

Actual results may differ from these estimates.

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

- Apple trees in note C1;
- Unharvested agricultural produce in note C2;
- Assessment of Group investment in Meateor Pet Foods Limited Partnership for impairment in note C3.

Basis of consolidation

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

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

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

Other accounting policies

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

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

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

The Group has reviewed all Standards, Interpretations and Amendments to existing Standards in issue not yet effective and does not expect these to have a material effect on the financial statements of the Group.

A. Segment Information

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

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

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, being the Managing Director. The Managing Director monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction. Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

No single external customer's revenue accounts for 10% or more of the Group's revenue.

The Group comprises the following operating segments:

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

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

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

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

	Horticulture $'000	Food Ingredients $'000	Logistics $'000	Other $'000	Eliminations $'000	Total $'000
2021						
Total segment revenue	243,422	218,852	81,878	3,453	(33,054)	514,551
Inter-segment revenue	-	-	(30,166)	(2,888)	33,054	-
Revenue from external customers	**243,422**	**218,852**	**51,712**	**565**	**-**	**514,551**
Gain on sale of non-current assets	1,132	-	-	-	-	1,132
Share of profit of entities accounted for using the equity method	-	3,162	-	-	-	3,162
Reversal of impairment (impairment) on revaluation	1,650	-	-	-	-	1,650
EBITDA	**41,239**	**32,933**	**4,942**	**(7,495)**	**-**	**71,619**
Amortisation expense	(298)	-	(33)	(11)	-	(342)
Depreciation expense	(9,522)	(733)	(177)	(11)	-	(10,443)
Depreciation of right-of-use asset	(8,047)	(58)	(596)	(59)	-	(8,760)
Finance revenue	-	-	-	1,203	-	1,203
Finance costs	(18)	(24)	(31)	(1,713)	-	(1,786)
Finance cost of lease liability	(2,666)	(14)	(271)	(13)	-	(2,964)
Segment profit (loss) before income tax	**20,688**	**32,104**	**3,834**	**(8,099)**	**-**	**48,527**

Segment Reporting (continued)

	Horticulture $'000	Food Ingredients $'000	Logistics $'000	Other $'000	Eliminations $'000	Total $'000
Segment assets	347,376	112,530	22,382	102,483	-	584,771
Segment liabilities	126,005	27,064	12,961	28,427	-	194,457
Segment carrying value of investment accounted for using the equity method	-	26,051	-	-	-	26,051
Segment acquisition of property, plant and equipment and computer software	15,921	542	58	4	-	16,525
2020						
Total segment revenue	245,984	173,694	77,917	3,784	(30,670)	470,709
Inter-segment revenue	-	-	(28,082)	(2,588)	30,670	-
Revenue from external customers	**245,984**	**173,694**	**49,835**	**1,196**	**-**	**470,709**
Gain (loss) on sale of non-current assets	46	-	(108)	-	-	(62)
Share of profit of entity accounted for using the equity method	-	2,224	-	-	-	2,224
Reversal of impairment (impairment) on revaluation	(4,311)	-	-	-		(4,311)
EBITDA	**35,781**	**21,872**	**4,215**	**(5,128)**	**-**	**56,740**
Amortisation expense	(475)	-	(43)	(66)	-	(584)
Depreciation expense	(9,049)	(1,045)	(187)	(13)	-	(10,294)
Depreciation of right-of-use asset	(7,586)	(63)	(594)	(58)	-	(8,301)
Finance revenue	1	1	-	2,582	-	2,584
Finance costs	(36)	(32)	(28)	(1,819)	-	(1,915)
Finance cost of lease liability	(2,660)	(18)	(289)	(14)	-	(2,981)
Segment profit (loss) before income tax	**15,976**	**20,715**	**3,074**	**(4,516)**	**-**	**35,249**
Segment assets	329,055	103,793	17,867	135,495	-	586,210
Segment liabilities	122,838	19,082	11,870	54,015	-	207,805
Segment carrying value of investment accounted for using the equity method	-	26,154	-	-	-	26,154
Segment acquisition of property, plant and equipment and computer software	23,800	471	92	6	-	24,369

Non-current assets other than financial instruments by geographical location

	New Zealand		Australia		USA		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Property, plant and equipment	210,074	177,517	34	40	3,761	3,754	213,869	181,311
Investments accounted for using the equity method	26,051	26,154	-	-	-	-	26,051	26,154
Goodwill	16,188	16,188	-	-	27,204	25,717	43,392	41,905
Computer software	717	354	-	-	-	-	717	354
Right-of-use asset	75,897	77,294	180	192	354	391	76,431	77,877

B. Financial Performance

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

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

B1. Revenue

	2021 $'000	**2020 $'000**
By nature:		
Revenue from the sale of goods	428,738	402,194
Revenue from the rendering of services	69,082	64,357
Fees and commission	13	59
Net foreign exchange gain (loss)	12,268	(730)
Rental revenue	4,450	4,829
	514,551	**470,709**
By market:		
New Zealand	96,972	81,549
Asia	140,261	128,582
Europe	45,668	75,041
North America	224,301	184,894
Other	7,349	643
	514,551	**470,709**
By segment and type:		
Horticulture - sale of agricultural produce	226,606	229,033
Horticulture - agricultural produce related services	12,375	12,133
Horticulture - other	4,441	4,818
Food ingredients - sale of pet food ingredients	213,416	171,144
Food ingredients - other	5,436	2,550
Logistics services	51,712	49,835
Other	565	1,196
	514,551	**470,709**

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

B1. Revenue (continued)

Sale of agricultural produce

The Group sells apples to more than 150 customers in 30 countries. Sales-related quality claim provisions are recorded in accordance with NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer ("outright sales") or when the goods have been sold by the customer ("consignment sales"). In addition, the apple season finishes before the end of the calendar year, with performance obligations under both sales types satisfied for all sales made during that season.

Outright sales

Following shipment, revenue is recognised when the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control, which is when the goods are delivered on the ship at the port of shipment as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are up to 45 days on arrival.

Consignment sales

Revenue is recognised by the Group when it loses control, which is when the goods are confirmed to be on-sold to the ultimate customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are immediate upon on-sale.

Sale of petfood ingredients

The Group sells petfood ingredients to a number of international and domestic customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer ("delivered to destination sales") or when shipped to the customer ("outright sales"). Terms of payment are up to 120 days.

Delivered to destination sales

Following delivery, revenue is recognised when the customer obtains control as it has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Group when it loses control, which is when the goods are delivered to the destination named by the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due.

Outright sales

Same as above under "Sale of agricultural produce - outright sales".

Agricultural produce related services

The Group provides a number of agricultural produce related services to external apple growers, including packaging, cartage, export documentation and export services. Each of those services is considered to be a distinct service as it is both regularly supplied by the Group to customers on a stand-alone basis and is available for customers from other providers in the market.

A receivable is recognised by the Group when the service performance has been completed, and the performance obligation is satisfied as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are up to 45 days.

Logistics services

The Group provides marine and air logistics services to domestic customers. Revenue is recognised by the Group at a point in time, which is when the shipment is organised and the goods are on the ship or the aeroplane. The performance obligation is satisfied at the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before the payment is due. Terms of payment are up to 60 days.

B2. Cost of Sales, Administration and Operating Expenses

	2021 $'000	2020 $'000
Auditor's remuneration:		
Deloitte Limited (New Zealand):		
Audit of the financial statements:		
Audit of the annual financial statements	232	175
Review of interim financial statements	48	48
Other assurance services:		
Audit of solvency certificate for Selacs Insurance Limited	7	6
Sheehan & Company CPA, PC (United States):		
Group reporting audit	88	92
Review of subsidiary financial statements	28	31
Bad debts incurred	14	251
Change in fair value adjustment to unharvested agricultural produce	932	802
Change in inventories	(3,743)	252
Direct expenses	71,145	58,852
Directors' fees	596	596
Donations	2	45
Electricity	2,899	2,778
Employee benefits expense:		
Post employment benefits - defined contribution plans	1,339	1,254
Post employment benefits - defined benefit plans	438	508
Salaries, wages and related benefits	83,363	79,809
Other employee benefits	726	698
Grower payments	47,803	49,017
Insurance	3,946	3,609
Management fees	48	48
Materials and consumables	136,854	112,758
Ocean and air freight	76,414	72,056
Operating lease expenses	2,319	2,960
Packaging	16,487	19,225
Provision for write-down of inventories	405	377
Repairs and maintenance	5,514	4,935
	447,904	**411,182**
Disclosed as:		
Cost of sales	400,663	366,800
Administration and operating expenses	47,241	44,382
	447,904	**411,182**

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

	2021 $'000	2020 $'000
Dividends	1	9
Gain (loss) on disposal of property, plant and equipment	1,132	(62)
Government grants	879	-
Insurance claims expense paid (Note G4)	(4,010)	(1,636)
Reinsurance income (Note G4)	4,010	1,636
Remeasurement of gross liability to non-controlling interest	(1,852)	(647)
	160	**(700)**
Disclosed as:		
Other income	6,022	1,645
Other losses	(5,862)	(2,345)
	160	**(700)**

B4. Finance Cost

	2021 $'000	2020 $'000
Interest on loans	1,281	1,867
Other interest	443	12
Bank facility fees	62	36
	1,786	**1,915**

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

B5. Taxation

Income tax recognised in profit or loss

Income tax expense comprises:		
Current tax expense	10,353	8,827
Adjustments recognised in the current year in relation to the current tax of prior years	369	-
Deferred tax expense relating to the origination and reversal of temporary differences	855	(159)
Total income tax expense recognised in profit or loss	**11,577**	**8,668**

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

Total profit before tax	**48,527**	**35,249**
Income tax expense calculated at applicable corporate tax rates	13,065	9,590
Non-assessable income	(3,092)	(1,698)
Non-deductible expenses	1,235	472
Under provision of income tax in previous year - current tax	369	-
Under provision of income tax in previous year - deferred tax	-	304
	11,577	**8,668**

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

B5. Taxation (continued)

	Opening balance $'000	Charged to profit or loss $'000	Charged to other comprehensive income $'000	Foreign exchange movements $'000	Closing balance $'000
Deferred tax liability					
Taxable and deductible temporary differences arise from the following:					
31 December 2021					
Deferred tax liabilities (assets):					
Trade and other receivables	(164)	175	-	-	11
Unharvested agricultural produce	6,719	158	-	-	6,877
Property, plant and equipment and computer software	12,514	887	2,501	83	15,985
Trade and other payables	(748)	(102)	-	-	(850)
Lease liability and right-of-use asset (NZ IFRS 16)	(676)	(263)	-	-	(939)
Other financial assets and liabilities, joint ventures and pension plan	7,951	-	(6,088)	(3)	1,860
Net deferred tax liability	**25,596**	**855**	**(3,587)**	**80**	**22,944**
31 December 2020					
Deferred tax liabilities (assets):					
Trade and other receivables	(23)	(141)	-	-	(164)
Unharvested agricultural produce	6,048	671	-	-	6,719
Property, plant and equipment and computer software	12,820	(745)	439	-	12,514
Trade and other payables	(703)	(45)	-	-	(748)
Lease liability and right-of-use asset (NZ IFRS 16)	(381)	(295)	-	-	(676)
Other financial assets and liabilities, joint ventures and pension plan	1,681	298	5,972	-	7,951
Net deferred tax liability	**19,442**	**(257)**	**6,411**	**-**	**25,596**

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

Income tax

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

B6. Foreign Currency Transactions

In preparing the financial statements of the individual entities, the transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period financial assets and liabilities denominated in foreign currencies are retranslated into New Zealand dollars at the rates prevailing at the end of the reporting period.

Exchange differences from these transactions are recognised in profit or loss in the period in which they arise.

Income and expenses for each subsidiary whose functional currency is not New Zealand dollars are translated at exchange rates that approximate the rates at the actual dates of the transactions. Assets and liabilities of each subsidiary are translated at exchange rates at balance date.

All resulting exchange differences are recognised in the foreign exchange translation reserve, which is a separate component of equity.

The effective portion of exchange differences on foreign currency borrowings designated as hedges of net investments in foreign operations is also recognised in the foreign exchange translation reserve.

C. Key Assets

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

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

C1. Property, Plant and Equipment

	Land and buildings at fair value $'000	Apple trees at fair value $'000	Plant and equipment at cost $'000	Office equipment & motor vehicles at cost $'000	Capital work in progress at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 January 2020	**96,779**	**33,914**	**61,152**	**12,102**	**7,513**	**211,460**
Additions	6,712	1,970	3,771	1,569	10,215	24,237
Reclassified as held for sale	(3,148)	-	-	-	-	(3,148)
Disposals	-	-	(671)	(660)	-	(1,331)
Revaluation	7,693	(3,080)	-	-	-	4,613
Effect of foreign currency translation	(137)	-	(270)	(2)	10	(399)
Balance at 31 December 2020	**107,899**	**32,804**	**63,982**	**13,009**	**17,738**	**235,432**
Additions	14,825	2,568	7,428	684	(9,683)	15,822
Disposals	-	-	(304)	(1,293)	-	(1,597)
Revaluation	20,618	22	-	-	-	20,640
Effect of foreign currency translation	109	-	202	1	10	322
Balance at 31 December 2021	**143,451**	**35,394**	**71,308**	**12,401**	**8,065**	**270,619**
Accumulated depreciation, and impairment						
Balance at 1 January 2020	**-**	**-**	**36,526**	**9,193**	**-**	**45,719**
Depreciation expense	1,440	3,049	4,585	1,220	-	10,294
Reclassified as held for sale	(598)	-	-	-	-	(598)
Disposals	-	-	(347)	(626)	-	(973)
Revaluation	(1,440)	(3,049)	-	-	-	(4,489)
Impairment on revaluation	2,471	1,840	-	-	-	4,311
Effect of foreign currency translation	-	-	(143)	-	-	(143)
Balance at 31 December 2020	**1,873**	**1,840**	**40,621**	**9,787**	**-**	**54,121**
Depreciation expense	1,745	3,026	4,512	1,160	-	10,443
Disposals	-	-	(259)	(1,247)	-	(1,506)
Revaluation	(1,744)	(3,026)	-	-	-	(4,770)
Reversal of impairment on revaluation	(610)	(1,040)	-	-	-	(1,650)
Effect of foreign currency translation	-	-	112	-	-	112
Balance at 31 December 2021	**1,264**	**800**	**44,986**	**9,700**	**-**	**56,750**
Net book value						
As at 31 December 2020	106,026	30,964	23,361	3,222	17,738	181,311
As at 31 December 2021	**142,187**	**34,594**	**26,322**	**2,701**	**8,065**	**213,869**

C1. Property, Plant and Equipment (continued)

Accounting policy

Land, buildings and apple trees are included in the statement of financial position at their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Valuations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

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

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

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

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

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

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

Land and buildings carried at fair value

Land and buildings shown at valuation were valued at fair value as at 31 December 2021 by independent registered valuers Added Valuation Limited and Logan Stone Limited. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

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

The significant unobservable inputs, based on regional averages, for the land and buildings (mainly coolstores and packhouses) are potential market comparative rentals $5 - $250 per square metre (2020: $5 - $283) and the capitalisation rates of 5.3% - 10% (2020: 7.6% - 11%).

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 $31,600 to $176,800 per hectare (2020: $28,300 to $135,000).

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 $64,114,000 (31 December 2020: $50,794,000).

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 2021.

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

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

	2021	2020
Production levels (gross tray carton equivalent (tce)) per hectare	3,262 - 7,599	2,277 - 7,105
Orchard gate returns per tce	$25.00 - $40.00	$24.75 - $37.62
Orchard costs per tce	$13.63 to $31.14	$12.95 to $41.83
Discount rate	15.5% - 16.5%	14.84% - 17.84%

C1. Property, Plant and Equipment (continued)

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 $15,421,000 (31 December 2020: $16,673,024).

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

	Total Hectares Planted	
	2021	**2020**
Premium varieties:		
NZ Queen	207	210
Pink Lady	118	121
Red sports (Fuji and Royal Gala)	264	265
Other premium	173	169
Traditional varieties:		
Braeburn	89	101
Royal Gala	160	177
Other traditional	150	158
	1,161	**1,201**

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, obtaining hail insurance cover, utilising foreign currency derivative instruments and building close working relationships with key customers.

C2. Unharvested Agricultural Produce

	2021	**2020**
	$'000	**$'000**
Balance at beginning of the year	24,022	21,619
Decrease due to harvest	(24,022)	(21,619)
Development expenditure	25,931	24,460
Fair value adjustment	(1,370)	(438)
Balance at end of the year	**24,561**	**24,022**

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 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:

	2021	**2020**
Production levels (tonnes per hectare per annum)	27 - 131	37 - 159
Orchard gate returns per tce	$24 to $57	$22 to $48
Risk adjusting discount rates	46% to 64%	43% to 61%

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 2021	Holding 2020	Balance date
Profruit (2006) Limited	Trading company	New Zealand	50%	50%	31 December
Meateor Pet Foods Limited Partnership	Trading company	New Zealand	50%	50%	31 December

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

	2021 $'000	2020 $'000
Current assets	31,656	35,738
Non-current assets	35,461	36,430
Current liabilities	(9,559)	(13,616)
Non-current liabilities	(5,457)	(6,245)
Net assets	**52,101**	**52,307**
Group's share in the net assets of equity accounted entities (50%)	26,051	26,154
Carrying amount of investment in equity accounted entities	**26,051**	**26,154**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	545	1,627
Current financial liabilities (excluding trade and other payables and provisions)	(1,425)	(2,441)
Non-current financial liabilities (excluding trade and other payables and provisions)	(2,466)	(2,790)
Revenue	71,223	61,541
Profit for the year after tax	6,325	4,446
Other comprehensive income attributable to the owners of the company	2,030	1,416
Total comprehensive income	**8,355**	**5,862**
The above profit for the year includes the following:		
Depreciation and amortisation	1,793	1,576
Interest expense	400	295
Income tax expense	1,352	1,559
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	3,829	3,003
Share of income tax	(667)	(780)
Share of other comprehensive income (net of tax)	(1,015)	708
Share of net profit for the year and total comprehensive income	**2,147**	**2,931**
Carrying value at beginning of the year	26,154	24,973
Interest retained (foregone) in Meateor Pet Foods Limited Partnership	-	(250)
Dividends and distributions paid by equity accounted entities	(2,250)	(1,500)
Investment in equity accounted entities	**26,051**	**26,154**

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

The Group share of the guarantee of the Profruit (2006) Limited bank loan facilities is $1,464,676 (2020: $1,096,301).

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.

The Directors have assessed the investment in Meateor Pet Foods Limited Partnership ("LP") for impairment, considering the LP budget for 2022 adopted by Group Board of Directors, as well as the growth assumptions for the following years, including the terminal growth rate, when considering the carrying value of the investment in the LP.

The Directors determined the recoverable amount of the investment in the LP based on the value in use of the business which uses future cash flows covering a minimum 5 year period based on the LP budget for 2022 adopted by Group Board of Directors and growth assumptions for following years, as well as the terminal growth rate.

The directors concluded that there is no impairment of the investment in the LP as the recoverable amount exceeded the $19.4 million carrying value of the investment in the LP.

Key assumptions:	
Pre-tax discount rate	11.45%
Sales and cost of sales growth rate in years 1-5	4.50%
Overhead cost growth rate in years 1-5	3.10%
Terminal growth rate beyond year 5	2.20%

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

C4. Goodwill

	2021 $'000	2020 $'000
Gross carrying amount		
Balance at beginning of the year	41,905	43,784
Effect of foreign currency exchange differences	1,487	(1,879)
Balance at end of the year	**43,392**	**41,905**

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.

	2021 $'000	2020 $'000
Horticulture - Fern Ridge	5,702	5,702
Horticulture - Mr Apple	8,531	8,531
Food Ingredients - Shelby	27,204	25,717
Logistics	1,955	1,955
	43,392	**41,905**

As at 31 December 2021, the Directors have determined, based on discounted cash flow and value in use calculations, that there is no impairment of goodwill associated with any of the above CGUs.

C4. Goodwill (continued)

The discounted cash flow and value in use calculation uses future cash flows covering a five year period based on a Board approved budget. The model was based on the following key assumptions:

	2021	2020
Pre-tax discount rates	10-13%	10-13%
Annual growth rates	3%	2%

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

	2021 $'000	2020 $'000
Finished goods	25,041	20,871
Other	4,600	4,934
	29,641	**25,805**

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

C6. Impairment of Assets

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

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

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

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

D. Capital Funding

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

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

Capital management

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

D1. Share Capital

Issued and paid up capital consists of 142,394,837 fully paid ordinary shares (2020: 142,090,521) less treasury stock of 1,230,166 shares (2020: 1,580,229 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	
	2021	**2020**
Fully paid ordinary shares		
Opening balance	142,090,521	141,579,238
Share Scheme - shares issued	304,316	511,283
Closing balance	**142,394,837**	**142,090,521**
Treasury stock		
Opening balance	1,580,229	1,383,659
Share Scheme - shares issued	304,316	511,283
Share Scheme - shares forfeited and sold	(61,074)	-
Share Scheme - shares fully vested	(593,305)	(314,713)
Closing balance	**1,230,166**	**1,580,229**

The available subscribed capital of $47,456,844 (2020: $46,072,206) 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.

	2021	**2020**
	$'000	**$'000**
Movement in share capital related to share-based payments:		
Equity-settled employee benefit share scheme vested		
Interest-free loan became full recourse	1,324	397
Accumulated share option value reclassified from reserve into share capital	1,251	536
Accumulated dividends reclassified from retained earnings into share capital	295	165
	2,870	**1,098**

D2. Reserves

	Revaluation	Cash flow hedge	Share of joint ventures	Equity-settled employee benefits	Foreign exchange translation	Pension plan reserve	Total reserves
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2020	**55,869**	**4,927**	**151**	**1,640**	**(76)**	**-**	**62,511**
Other comprehensive income (loss)	8,663	15,020	510	-	(784)	(60)	23,349
Transfer to retained earnings	1,093	-	-	-	-	(341)	752
Recognition of share-based payments	-	-	-	698	-	-	698
Shares fully vested	-	-	-	(536)	-	-	(536)
Balance at 31 December 2020	**65,625**	**19,947**	**661**	**1,802**	**(860)**	**(401)**	**86,774**
Other comprehensive income (loss)	22,909	(14,926)	(731)	-	692	191	8,135
Transfer to retained earnings	(2,224)	-	-	-	-	-	(2,224)
Recognition of share-based payments	-	-	-	726	-	-	726
Shares fully vested	-	-	-	(1,251)	-	-	(1,251)
Balance at 31 December 2021	**86,310**	**5,021**	**(70)**	**1,277**	**(168)**	**(210)**	**92,160**

Revaluation reserve

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

Cash flow hedge reserve

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

Equity-settled employee benefits reserve

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

Grant date	**Vesting date**	**Exercise price, $**	**Number of shares**				
			Opening balance	**Granted**	**Forfeited**	**Vested and exercised**	**Closing balance**
20 April 2018 - FY17A	20 April 2021	1.70	309,698	-	-	(309,698)	-
20 April 2018 - FY17B	20 April 2021	2.51	36,007	-	-	(36,007)	-
20 April 2018 - FY17C	20 April 2021	3.62	40,577	-	-	(40,577)	-
28 June 2018 - FY17R	28 June 2021	4.13	207,023	-	-	(207,023)	-
30 April 2019 - FY18	30 April 2022	2.71	261,356	-	(12,177)	-	249,179
28 June 2019 - FY18R	28 June 2022	4.06	214,285	-	(13,547)	-	200,738
30 April 2020 - FY19	30 April 2023	3.20	301,657	-	(10,313)	-	291,344
28 June 2020 - FY19R	28 June 2023	4.19	209,626	-	(15,115)	-	194,511
30 April 2021 - FY20	30 April 2024	3.20	-	304,316	(9,922)	-	294,394
Total			**1,580,229**	**304,316**	**(61,074)**	**(593,305)**	**1,230,166**

D2. Reserves (continued)

The weighted average share price for shares that vested during 2021 was $4.76.

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.

The inputs into the "option pricing calculator" are:

	2021	2020	
	FY20	**FY19**	**FY19R**
Issue date share price, $	4.55	4.90	4.96
Expected share price volatility, %	23	21	21
Option life, years	3	3	3
Risk-free interest rate, %	0.41	0.51	0.14
Exercise price, $	3.20	3.20	4.19
Fair value, at the grant date, $	**1.54**	**1.83**	**1.12**

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

	2021 $'000	2020 $'000
Final dividend paid - 9.50 (2020: 9.50) cents per share	13,413	13,357
Interim dividend declared - 9.50 (2020: 9.50) cents per share	13,419	13,359
	26,832	**26,716**

All above dividends were fully imputed.

The 2021 interim dividend was declared on 8 December 2021 and paid on 14 January 2022.

D4. Imputation Credit Account

	2021 $'000	2020 $'000
Balance at end of the year	**20,895**	**20,773**

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

The Scales Corporation Limited consolidated tax group for income tax includes Scales Corporation Limited and all New Zealand registered subsidiary companies other than Scales Employees Limited.

D5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the company by the weighted average number of ordinary shares on issue during the year, excluding shares held as treasury stock. Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the denominator.

	2021	2020
Profit attributable to equity holders of the Company ($000s):	26,925	21,025

Weighted average number of shares:		
Ordinary shares	140,900,047	140,402,514
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	351,554	467,735
Weighted average number of Ordinary Shares for diluted earnings per share	**141,251,601**	**140,870,249**

Earnings per share (cents):		
Basic	19.1	15.0
Diluted	19.1	14.9

E. Financial Assets and Liabilities

This section explains the financial assets and liabilities of Scales, the related risks and how Scales manages these risks. In this section of the notes there is information on:

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

Accounting Policies

Financial assets

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at 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 ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 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 ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Financial liabilities measured at amortised cost

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value with reference to observable market data at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as cash flow hedges. A derivative is presented as a non-current asset or a non-current liability where the cash flow will occur after 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.

Accounting Policies (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in 'other income' or 'other losses'.

Amounts recognised in the hedging reserve are reclassified from equity to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in the hedging reserve is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign exchange translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign exchange translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

E1. Trade and Other Receivables

	2021 $'000	2020 $'000
Trade receivables	23,945	14,151
Interest receivable	372	585
Other receivables	1,224	1,091
Owing by entity accounted for using the equity method	-	157
Goods and services tax	3,117	3,468
	28,658	**19,452**

Credit risk management

The Group activities expose it to credit risk which refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents, trade and other receivables and advances.

The Group performs credit evaluations on trade customers, obtains trade credit insurance as appropriate but generally does not require collateral. The Group continuously monitors the credit quality of its major receivables and does not anticipate non-performance of those customers. Cash and cash equivalents are placed with high credit quality financial institutions.

There is a significant concentration of credit risk with 5 customers who represent 36.87% (2020: 5 customers who represented 38.07%) 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 ECL was not material as there has not been a significant change in credit quality and the amounts are still considered recoverable. No collateral is held over these balances although trade credit insurance cover is obtained in respect of some specific receivables. Interest is not charged on overdue debtors. The ageing of these past due trade receivables is:

1 month	5,740	2,316
2 months	1,508	616
More than 2 months	2,260	2,169
	9,508	**5,101**

There was no material ECL based on Group assessment as at 31 December 2021 (2020: nil).

E2. Other Financial Assets

Current:

	2021 $'000	2020 $'000
At fair value:		
Foreign currency derivative instruments	5,923	12,688
	5,923	**12,688**

Non-current:

	2021 $'000	2020 $'000
At fair value:		
Foreign currency derivative instruments	10,185	17,572
Interest rate swap contracts and forward rate agreements	198	-
Shares in unlisted companies	184	184
At amortised cost:		
Employee loans	507	387
	11,074	**18,143**

E3. Trade and Other Payables

	2021 $'000	2020 $'000
Trade payables	11,551	13,707
Accruals	6,858	6,494
Employee entitlements	5,057	4,916
	23,466	**25,117**

E4. Borrowings

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

The Group replaced existing Multi-Option Facility Agreements with Coöperatieve Rabobank U.A., New Zealand Branch ("Rabobank") and Westpac New Zealand Limited ("Westpac") with new agreements on 11 November 2021. The existing facility agreement with ANZ bank New Zealand Limited ("ANZ") was also replaced with a new agreement on 11 November 2021. The USD denominated loans are designated as a hedge of net investment in foreign operations.

	Facility limit		**Undrawn facility**	
Facility	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Rabobank term facility, NZD	1,000	10,000	-	-
Rabobank term facility, USD	11,635	11,635	-	-
Rabobank seasonal facility, NZD	1,000	1,000	1,000	1,000
Westpac term facility, NZD	1,000	10,000	-	-
Westpac term facility, USD	11,635	11,635	-	-
Westpac seasonal facility, NZD	1,000	1,000	1,000	1,000
ANZ overdraft, NZD	1,000	1,000	1,000	1,000

The floating interest rate is 1.22% to 2.17% (2020: 1.25% to 2.44%) and the term borrowing facility expiry date is 1 July 2024. Seasonal facility presented as current borrowings is 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 2021 are Scales Corporation Limited, Scales Holdings Limited, Mr Apple New Zealand Limited, New Zealand Apple Limited, Geo.H.Scales Limited, Meateor Foods Limited, Scales Logistics Limited and Meateor Group Limited.

E4. Borrowings (continued)

	Seasonal facility		Other current borrowings		Term borrowings	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Seasonal (current) and term (non-current) borrowings:						
Opening balance	-	-	860	-	52,199	54,551
Drawdowns	-	3,000	-	955	-	-
Repayments	-	(3,000)	-	-	(18,000)	-
Loans forgiven	-	-	(860)	-	-	-
Effect of foreign currency translation	-	-	-	(95)	1,861	(2,352)
	-	**-**	**-**	**860**	**36,060**	**52,199**

E5. Other Financial Liabilities

Current financial liabilities at fair value:	2021 $'000	2020 $'000
Foreign currency derivative instruments	1,822	35
Interest rate swap contracts and forward rate agreements	173	618
Put option	5,415	3,647
	7,410	**4,300**

Non-current financial liabilities at fair value:		
Foreign currency derivative instruments	6,387	366
Interest rate swap contracts and forward rate agreements	-	554
Put option	1,951	1,602
	8,338	**2,522**

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

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

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

E6. Interest Rate Risk

Interest rate risk management

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

Interest rate swap contracts and forward rate agreements

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

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

E6. Interest Rate Risk (continued)

Details of interest rate swap contracts and forward rate agreements for the Group are:

	Fixed Interest Rate		Notional Principal Amount		Fair Value	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	%	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Maturity date - Interest rate swap contracts:						
Within 1 year	-	4.62	-	10,000	-	(323)
2-5 years	1.20	3.25	16,101	10,000	25	(849)
After 5 years	-	-	-	-	-	-
			16,101	**20,000**	**25**	**(1,172)**

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.

	2021		2020	
	+1%	**-1%**	**+1%**	**-1%**
	$'000	**$'000**	**$'000**	**$'000**
Impact on net profit after tax	(14)	14	192	(192)
Impact on cash flow hedge reserve net of tax	460	(485)	238	(247)

E7. Foreign Currency Risk

Foreign currency risk management

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

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

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

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

	2021		2020	
	Contract Value	**Fair Value**	**Contract Value**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Sale commitments forward foreign exchange contracts	315,284	1,754	217,512	14,979
Sale commitments foreign exchange options	171,680	6,145	106,640	14,880

E7. Foreign Currency Risk (continued)

These foreign currency instruments are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from movements in foreign currency exchange rates on anticipated future transactions. It is anticipated that the sales will take place during the 2022 to 2026 financial years at which stage the amount deferred in equity will be released into profit or loss.

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

This is a simplified approach because the currency of the exposure and hedging instruments perfectly match and the Group excludes from the designation the foreign currency basis spread.

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

	2021		2020	
	+5%	**-5%**	**+5%**	**-5%**
	$'000	**$'000**	**$'000**	**$'000**
Impact on net profit after tax	(494)	546	(273)	302
Impact on cash flow hedge reserve net of tax	(16,811)	15,552	(11,694)	10,811

E8. Categories of Financial Instruments

	2021	**2020**
	$'000	**$'000**
Financial assets:		
Amortised cost	61,446	63,789
Derivative instruments in designated hedge accounting relationships	16,108	30,260
Fair value through profit or loss	184	184
	77,738	**94,233**
Financial liabilities:		
Amortised cost	75,141	92,919
Derivative instruments in designated hedge accounting relationships	8,382	1,573
Fair value through profit or loss	7,366	5,249
	90,889	**99,741**

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

E9. Maturity Profile of Financial Liabilities

Liquidity risk management

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

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within 3 months	4 months to 1 year	1–5 years	Total
	$'000	$'000	$'000	$'000
2021				
Trade and other payables	23,466	-	-	23,466
Dividend declared	13,419	-	-	13,419
Put options	5,415	-	1,951	7,366
Borrowings	165	500	37,055	37,720
Interest rate swaps and forward rate agreements	96	292	1,293	1,681
	42,561	**792**	**40,299**	**83,652**
2020				
Trade and other payables	25,117	-	-	25,117
Dividend declared	13,359	-	-	13,359
Put options	3,647	-	1,602	5,249
Borrowings	208	630	52,616	53,454
Interest rate swaps and forward rate agreements	196	437	614	1,247
	42,527	**1,067**	**54,832**	**98,426**

F. Group Structure

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

F1. Subsidiary Companies

Subsidiary Companies:	Principal Activity	Country of Incorporation	Holding 2021	Holding 2020	Balance Date
Fern Ridge Produce Limited	Trading company	New Zealand	72.88%	72.88%	31 December
Geo. H. Scales Limited	Non trading company	New Zealand	100%	100%	31 December
Longview Group Holdings Limited	Non trading company	New Zealand	100%	100%	31 December
Meateor Foods Australia Pty Limited	Trading company	Australia	100%	100%	31 December
Meateor Foods Limited	Trading company	New Zealand	100%	100%	31 December
Meateor Group Limited	Holding company	New Zealand	100%	100%	31 December
Meateor US LLC	Holding company	United States	100%	100%	31 December
Mr Apple New Zealand Limited	Trading company	New Zealand	100%	100%	31 December
New Zealand Apple Limited	Trading company	New Zealand	100%	100%	31 December
Scales Employees Limited	Custodial company	New Zealand	100%	100%	31 December
Scales 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.

G. Other

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

G1. Capital Commitments

	2021 $'000	2020 $'000
Commitments entered into in respect of apple trees purchases as at balance date	1,264	289

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 cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

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

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

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

G2. Leases (continued)

Right-of-use assets

	Land and buildings $'000	Plant and equipment $'000	Office equipment motor and vehicles $'000	Total $'000
Carrying Amount				
Balance at 1 January 2020	74,078	214	4,483	**78,775**
Additions	4,831	-	2,572	**7,403**
Depreciation expense	(6,082)	(185)	(2,034)	**(8,301)**
Balance at 31 December 2020	**72,827**	**29**	**5,021**	**77,877**
Additions	5,212	451	1,651	**7,314**
Depreciation expense	(6,372)	(180)	(2,208)	**(8,760)**
Balance at 31 December 2021	**71,667**	**300**	**4,464**	**76,431**

	2021 $'000	2020 $'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	8,760	8,301
Interest expense on lease liabilities	2,964	2,981
Expense relating to short-term leases and low-value assets	2,319	2,960
Lease liabilities		
Current	10,237	10,053
Non-current	69,481	70,190
Maturity analysis (undiscounted cash flows)		
Year 1	10,244	10,053
Year 2	9,205	9,003
Year 3	8,613	8,089
Year 4	8,083	7,535
Year 5	7,451	7,146
Onwards	59,860	61,983
	103,456	**103,809**
Cash outflows for leases		
Interest on lease liabilities	2,964	2,981
Repayments of lease liabilities	7,839	7,300
Short-term leases and low-value asset leases	2,319	2,960
	13,122	**13,241**

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:

	2021 $'000	**2020 $'000**
Short-term employee benefits	2,986	2,784
Share-based payments	416	367
Post-employment benefits	99	95
	3,501	**3,246**

During 2021, 1,201,923 (2020: 1,062,451) shares were on issue to key management personnel in accordance with the Share Scheme described in note D2.

Transactions with equity accounted entities		
Revenue from sale of goods	1,623	1,189
Revenue from services	4,547	3,910
Dividends and distributions received	2,250	1,500
Trade receivables at balance date	479	257

G4. Contingent Liability

In December 2018 an insurance claim was notified to Selacs Insurance Limited, a wholly owned subsidiary of Scales Holdings Limited, which in turn is a wholly owned subsidiary of Scales Corporation Limited.

The claim arose in consequence of the collapse of the roof of a leased coldstore located in Hastings, Hawke's Bay.

The material damage component of the claim was settled during the current year. The business interruption component of the claim was also agreed and partially settled during the current year.

The risk was fully reinsured, and there was no impact on net income or net assets of the Group.

Claim expense and reinsurance revenue recorded during the year are disclosed in Note B3. Preliminary payments from reinsurers paid to the insured party were recorded as claim expense and reinsurance revenue in previous years.

G5. Events Occurring After Balance Date

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

G6. COVID-19

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

As at the date of authorisation of these financial statements, the Group was operating at the Red Level of the COVID-19 Protection Framework in New Zealand with strict border restrictions remaining in place and contact tracing encouraged.

The Group operations outside of New Zealand continue to be also impacted by the COVID-19 pandemic.

(a) Uncertainties, estimates and judgements

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

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

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

(b) Government grants

Government support was received in the United States of America by way of government loans during 2020. These loans may be forgiven if the eligibility criteria are met. These criteria were met during 2021 and therefore the Group recognised $866,000 as other income in the consolidated statement of comprehensive income.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Employee temperature checking at Meateor

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 2021, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 44 to 80, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

Other than in our capacity as auditor and the provision of other assurance services, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

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

We determined materiality for the Group financial statements as a whole to be $2.0 million.

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of Unharvested Agricultural Produce</td></tr>
<tr><td>
Unharvested agricultural produce growing on bearer plants (apples) is measured at fair value less costs to sell in accordance with NZ IAS 41 Agriculture.
The Group's unharvested agriculture produce was valued at $24.6 million at balance date as described in note C2. A revaluation loss of $1.4 million is recorded in profit or loss.
Fair value less costs to sell is calculated by the Group using a discounted cash flow model. The model includes significant unobservable inputs and assumptions including, for each variety, the forecast production per hectare per annum by weight, expected sales prices, and risk-adjusting discount rates, as well as costs to harvest and sell.
The risk-adjusting discount rates take into account the risk of unknown adverse events that may affect crop, harvest and/or market conditions.
The valuation of unharvested agricultural produce is considered to be a key audit matter due to the level of judgement required to determine the fair value less costs to sell.
</td><td>
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, including consideration of the impact of COVID-19;
Assessing and challenging the reasonableness of the risk-adjusting discount rates;
Engaging a Deloitte valuation specialist to consider whether the valuation method applied was appropriate and whether the risk-adjusting discount rates were reasonable based on risks relating to the unharvested agricultural produce;
Challenging the reasonableness of the key assumptions by comparing the forecast production, prices, and costs to harvest and sell for the current growing season, to the approved budgets for each orchard;
Assessing the historical accuracy of the Group's budget forecasts by comparing to the actual results for production per hectare and sales prices; and
Checking the mechanical accuracy of the discounted cash flow model.

</td></tr>
<tr><td colspan="2">Valuation of Apple Trees</td></tr>
<tr><td>
As disclosed in note C1 the Group has apple trees valued at $34.6 million. A revaluation gain of $3 million has been recorded in other comprehensive income, with an impairment reversal of $1 million noted on revaluation.
The Group has a policy of recording apple trees at fair value with valuations performed with sufficient regularity that the carrying amount at the end of a reporting period does not differ materially from their fair value.
The fair value of the apple trees is determined by an independent registered valuer on the basis of a discounted cash flow analysis of forecast income streams and costs from each orchard less the fair value of orchard land and buildings. The model uses a number of significant unobservable inputs, in particular: production levels per hectare, orchard gate returns (market prices), orchard costs, and discount rates.
Valuation of apple trees is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and the level of judgement involved in valuing the apple trees.
</td><td>
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. We specifically discussed the impact of COVID-19 with the valuer;
Assessing the valuation methodology for consistency with the the most recent valuation ("2020 valuation") and determining whether any changes to the methodology were appropriate;
Checking the mechanical accuracy of the discounted cash flow models on a sample basis;
Challenging the reasonableness of the key assumptions by comparing them to the 2020 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, including consideration of the impact of COVID-19;

We tested estimated production levels per hectare by comparing orchard hectares in production with the 2020 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 2020-year valuation and actual costs incurred.
We challenged the discount rates by comparing them with 2020 valuation discount rates and considering the risks associated with the orchards.

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</table>

Key audit matter	How our audit addressed the key audit matter
Impairment Assessment of the Investment in Meateor Pet Foods Limited Partnership ("LP") As disclosed in note C3 the Group holds a 50% investment in Meateor Pet Foods Limited Partnership, a joint venture. The entity is an equity accounted investment with a carrying value of $19.4 million at 31 December 2021. The Group has assessed the investment in the LP for impairment in the current year. A value in use discounted cash flow methodology was used to determine the recoverable amount of the investment in the LP at 31 December 2021. The key assumptions applied in the model are: • Forecast earnings; • Pre-tax discount rates; • Sales and cost of sales growth rate; • Overhead cost growth rate; and • Terminal growth rate. The Group has concluded that there is no impairment of the investment in the LP as the recoverable amount exceeded the carrying value of the LP. We have included the impairment assessment of the Group's investment in Meateor Pet Foods Limited Partnership as a key audit matter due to the prior year performance of the LP being below expectations and the significance of the balance to the financial statements.	Our procedures included: • Obtaining an understanding of both the LP and the Group impairment models, including key assumptions and how they have changed from the prior year. • Challenging the reliability of the growth rates by comparing the forecasts underlying the growth rates to historical forecasts and actual results of the underlying businesses (where applicable). This also included consideration of the impact of COVID-19 on both forecast revenue and profitability of the LP; • Considering the sensitivity analysis for key assumptions in the models; • Agreeing a sample of future cash flows to LP Board approved forecasts; • Testing the mathematical integrity of the model; and • Assessing the independence and expertise of the expert that reviewed the LP impairment model. We used our internal valuation specialists to assist with evaluating the LP model and challenging the key assumptions. The procedures of the specialist included: • Evaluating the appropriateness of the valuation methodology; • Evaluating the determination of the pre-tax discount rates used in the model through consideration of the relevant risk factors for the LP, the cost of capital for the LP, and market data on comparable businesses; and • Comparing the terminal growth rates to market data for the industry sectors.

Other information

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

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

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

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

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Nicole Dring, Partner
for Deloitte Limited
Christchurch, New Zealand
23 February 2022

Corporate Governance Statement

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

The Board's view is that Scales complies with the corporate governance principles and recommendations set out in the NZX Code, with the exception noted below. The Board believes our governance structures, in particular our approach to remuneration, meets 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 Board notes that in 2021 it did not comply with recommendation 8.5, regarding posting the Annual Shareholders' Meeting notice on its website at least 20 working days prior to the meeting. This was due to an administrative oversight, which the Company will ensure is not repeated.

The Company also complies with the corporate governance requirements of the NZX Main Board Listing Rules (NZX Listing Rules).

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

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

Scales' Corporate Governance Code (the Scales Code) was reviewed and updated in December 2021 and is reviewed annually. This Corporate Governance Statement was approved by the Board on 18 March 2022.

Principle 1 – Code of Ethical Behaviour

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

RECOMMENDATION 1.1

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

Code of Ethics

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

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

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

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

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

During 2021 the Company's Ethical Reporting Hotline (Report It Now/EthicsPro) was upgraded. Following the Anti-Bribery and Corruption training undertaken in 2020, further training is planned for 2022.

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

RECOMMENDATION 1.2

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

Share trading by Company Directors and Employees

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

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

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

Principle 2 – Board Composition & Performance

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

RECOMMENDATION 2.1

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

Responsibilities of the Board

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

The main functions of the Board include to:

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

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

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

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

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

RECOMMENDATION 2.2

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

Director nomination and appointment

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

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

Using the Board skills matrix, the Board has determined that to operate effectively and to meet its responsibilities it requires competencies in disciplines including executive leadership and strategy, governance, agriculture, logistics, finance and capital markets, risk and compliance, legal and regulatory, people, digital and technology, export, retail and doing business in China.

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Scales. The Board looks to strengthen its oversight of issues in all disciplines, as required, via expert advice.

As at 31 December 2021 the Board had a majority of Independent Directors. Director independence is considered on a case-by-case basis and is monitored on an ongoing basis.

RECOMMENDATION 2.3

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

Letter of appointment

All new Directors will enter into a written agreement with Scales setting out the terms of their appointment.

RECOMMENDATIONS 2.4, 2.8 AND 2.9

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

Board of Directors

A profile of each of the Directors is on pages 39 – 40 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

A majority of the Board are Independent Directors. Tim Goodacre is the Independent Chair of Scales. Nick Harris, Mark Hutton, Alan Isaac and Nadine Tunley are Independent Directors. Qi Xin is a senior Director of a department within China Resources Enterprise, Limited, the parent company of China Resources Ng Fung Limited, holder of a 15.1% shareholding in the Company. Mr Qi is a non-executive Director.

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

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

The Board determines annually on a case-by-case basis on the advice of the Nominations and Remuneration Committee who, in its view, are Independent Directors. The guidelines set out in the NZX Code are used for this purpose, which for 2021 included specific consideration of the tenure of any non-executive director serving longer than 9 years.

Ownership of Scales shares by Directors is encouraged rather than being a requirement. Directors' ownership interests are disclosed at page 102.

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. As noted at the 2021 Annual Shareholders' Meeting, shareholders can expect to see a planned and orderly succession of the existing Board over time. New Directors will be required to have appropriate experience and qualifications, and an increase in Board diversity is also desirable. In 2021, the Board commenced a succession process and engaged an external advisor, Boardworks, to assist with this. The aims of the process 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
- To ensure a smooth transition of new Directors

Progress on this succession process will be reported to shareholders during 2022, including at the 2022 Annual Shareholders' Meeting.

	Director period of appointment		
	0-3 years	**3 – 9 years**	**9 years +**
Number of Directors	2	1	4

Interests Register

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

Particulars of entries made in the Interests Register for the year ended 31 December 2021 are included in the Director Disclosure section on page 102.

RECOMMENDATION 2.5

An issuer should have a written diversity policy which includes requirements for the Board or a relevant Committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them.

Diversity

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

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

Scales participates in the Institute of Directors' Future Directors programme as part of our commitment to further develop the skillsets available within the agriculture sector. The programme is designed to give talented young aspiring Directors exposure to a company Board, whilst also giving the host company a fresh perspective. Our fifth Future Director, Kelly Brown, commenced a 12-month term on 9 June 2021.

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

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

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

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

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

	As at 31 December 2021		As at 31 December 2020	
Position	**Female**	**Male**	**Female**	**Male**
Director	1 (14%)	6 (86%)	1 (14%)	6 (86%)
Senior Managers	0 (0%)	4 (100%)	1 (20%)	4 (80%)
Management Team (excluding Senior Managers)	6 (33%)	12 (67%)	6 (40%)	9 (60%)

RECOMMENDATION 2.6

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

DIRECTOR TRAINING

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

The Board also ensures that new Directors are appropriately introduced to Management and the businesses.

RECOMMENDATION 2.7

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

Board Performance Evaluation

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

Principle 3 – Board Committees

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

Board Committees

The Board has 4 formally constituted committees – the Audit and Risk Management Committee, the Nominations and Remuneration Committee, the Health & Safety and Sustainability Committee and the Finance and Treasury Committee. Each Committee focuses on specific areas of governance and together they strengthen the Board's oversight of Scales. Committee membership is reviewed annually.

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

Annually, each Committee agrees a programme of matters to be addressed over the following 12-month period. The Committees each annually review their performance against the Committee charter and objectives for the year and report their findings to the Board.

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 31 December 2021.

	Board		Audit and Risk Management Committee		Nominations and Remuneration Committee		Finance and Treasury Committee		Health & Safety and Sustainability Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Andrew Borland	10	10	-	-	-	-	5	4	8	8
Tim Goodacre	10	10	-	-	6	6	-	-	-	-
Nick Harris	10	10	5	5	-	-	-	-	8	8
Mark Hutton	10	10	5	5	6	6	5	5	-	-
Alan Isaac	10	10	5	5	-	-	-	-	-	-
Sun Qiang	2	2	-	-	-	-	-	-	-	-
Lai Po Sing, Tomakin	8	8	-	-	-	-	-	-	-	-
Nadine Tunley	10	10	-	-	-	-	-	-	8	8
Qi Xin	-	-	-	-	-	-	-	-	-	-

RECOMMENDATION 3.1

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

Audit and Risk Management Committee

The primary functions of the Audit and Risk Management Committee are:

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

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

The Committee met on 5 occasions during the year. The agenda items for each meeting generally relate to financial governance, external financial reporting, external audit, internal audit, risk management, compliance and insurance.

RECOMMENDATION 3.2

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

Meeting Attendance

The Managing Director and Chief Financial Officer are regularly invited to attend Audit and Risk Management Committee meetings.

RECOMMENDATION 3.3 AND 3.4

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

Nominations and Remuneration Committee

The primary functions of the Nominations and Remuneration Committee are:

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

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

Management attends Nomination and Remuneration Committee meetings if invited by the Committee.

The Committee met on 6 occasions during the year.

RECOMMENDATION 3.5

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

Health & Safety and Sustainability Committee

The Board's commitment to ensuring a safe and healthy workplace for staff, contractors and visitors led to it establishing a Health and Safety Committee. The Committee is also responsible for sustainability issues.

The primary functions of the Committee are:

- To assist the Board to provide leadership and policy for health & safety and sustainability
- To assist the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Company as those activities affect employees and contractors
- To support the ongoing improvement of health and safety in the workplace
- To support sustainability initiatives across the Company

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

The Committee met on 8 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 both with the size of Scales' existing activities and the strategic focus to seek organic and acquisitive growth opportunities, it is appropriate to have a Board Committee to further focus on this part of the business.

The primary functions of the Committee are to:

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

Members of the Committee are appointed by the Board. The Committee must be chaired by an Independent Director. The current members of the Committee are Mark Hutton (Chair) and Andy Borland. The committee also obtains ongoing advice from external advisors.

The Committee met on 5 occasions during the year.

RECOMMENDATION 3.6

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

Takeover Protocols

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

Principle 4 – Reporting and Disclosure

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

RECOMMENDATION 4.1

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

Shareholder Communications and Market Disclosure

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

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

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

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

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

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

RECOMMENDATION 4.2

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

Governance Policies and Charters

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

RECOMMENDATION 4.3

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

Financial and Non-Financial Reporting

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

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

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

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

Both financial and non-financial disclosures are made at least annually, including reporting of material exposure to environmental, economic and social sustainability risks and other key risks. Scales has a strategic target to develop best-in-class sustainability reporting and to measure and report on key sustainability aspects affecting its businesses.

Scales' Sustainability Report is included at pages 16 – 23 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. The report includes commentary on the work that has commenced around climate risk reporting.

Principle 5 - Remuneration

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

Remuneration Report

Introduction

This Remuneration Report outlines the Company's overall reward strategy for the year ended 31 December 2021 and provides detailed information on the remuneration arrangements in this period for the Directors of the Company, the CEO and other nominated executives.

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

Remuneration Philosophy

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

The Nominations and Remuneration Committee reviews market data on remuneration structure and quantum. The remuneration packages of the CEO and nominated executives are structured to include a Short Term Incentive Scheme (STI Scheme) that is directly linked to the overall financial and operational performance of the Company. The CEO and nominated executives may also be invited to participate in the Company's Long Term Incentive Scheme (LTI Scheme). The long term benefits of the LTI Scheme are solely conditional upon the Company's share price meeting certain performance criteria, details of which are outlined below.

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

Remuneration Structure

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

Components of Compensation – Non-executive Directors

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

No remuneration is payable to Directors unless it is approved by the Company's shareholders. The NZX Listing Rules specify that shareholders can approve a per-Director remuneration amount or an aggregate Directors' fee pool. Scales' shareholders approve a Directors' fee pool, which is currently set at $600,000 per annum.

The Board reviews its fees annually to ensure the Company's non-executive Directors are fairly remunerated for their services and recognising the level of skill and experience required to fulfil the role. The process involves benchmarking against a group of peer agribusiness companies. In addition, the Board reviews the Committee structure and appropriate level of resourcing required to make an on-going 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 also paid for being a member of the Board Committees. The payment of an additional fee recognises the additional time commitment and specific skills required by each Director who serves on those Committees. All Directors are also entitled to be reimbursed for costs associated with carrying out their duties, including a training allowance.

Fees payable to the non-executive Directors of the Company for the period 1 January 2021 to 31 December 2021 were as follows:

Director	Base fee	Fees for serving on Nominations and Remuneration Committee	Fees for serving on Audit and Risk Management Committee	Fees for serving on the Board of Selacs Insurance Limited	Fees for serving on Health & Safety and Sustainability Committee	Fees for serving on Finance and Treasury Committee
Tim Goodacre	$148,000 (Chair)	-	-	-	-	-
Nick Harris	$74,000	-	$6,000	-	$9,000 (Chair)	-
Mark Hutton	$74,000	$12,000 (Chair)	$6,000	-	-	$9,000 (Chair)
Alan Isaac	$74,000	-	$18,000 (Chair)	$12,000	-	-
Sun Qiang	$18,855	-	-	-	-	-
Lai Po Sing, Tomakin	$51,700	-	-	-	-	-
Nadine Tunley	$74,000	-	-	-	$6,000	-
Qi Xin	$3,445	-	-	-	-	-

(a) Remuneration of the CEO and Employees

The number of employees of the Company (including former employees), not being a Director mentioned above, who received remuneration and other benefits in excess of $100,000 in the period 1 January 2021 to 31 December 2021 is set out in the remuneration bands detailed below:

Amount of Remuneration	Employees
$100,000-$110,000	10
$110,001-$120,000	7
$120,001-$130,000	4
$130,001-$140,000	6
$140,001-$150,000	9
$150,001-$160,000	6
$160,001-$170,000	10
$170,001-$180,000	4
$180,001-$190,000	2
$190,001-$200,000	3
$200,001-$210,000	3
$210,001-$220,000	2
$220,001-$230,000	2
$240,001-$250,000	1
$270,001-$280,000	1
$280,001-$290,000	1
$290,001-$300,000	1
$320,001-$330,000	2
$330,001-$340,000	1
$370,001-$380,000	1
$420,001-$430,000	1
$550,001-$560,000	1
$620,001-$630,000	1
$700,001-$710,000	1
$900,000-$910,000	1

As set out in further detail below, the total remuneration and value of other benefits paid to the CEO (including under the STI Scheme and LTI Scheme detailed below) for the year ended 31 December 2021 was $908,161 (2020: $775,440).

(b) Components of Compensation – CEO and Nominated Executives

(i) Structure

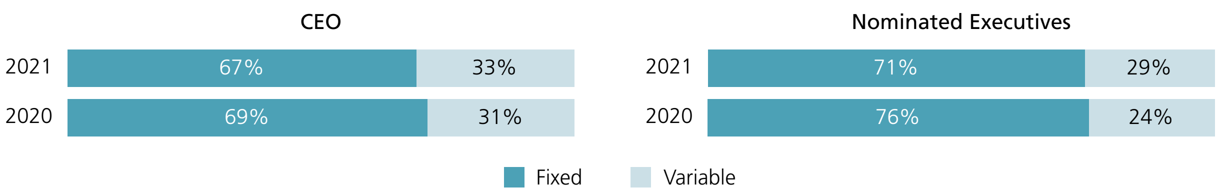
The Company aims to reward the CEO and nominated executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

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

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

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

The mix of fixed and variable 'at risk' remuneration payable in respect of 2021 and 2020 was as follows:



(ii) Fixed annual remuneration

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

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

For the financial year ended 31 December 2021, the CEO received $612,338 (2020: $537,693) in fixed annual remuneration. The change includes an increase of 'total fixed remuneration' approved by Directors, in line with the findings of an external benchmarking review.

(iii) Variable remuneration – STI Scheme

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

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

- At least 40% for meeting budget or target Underlying Net Profit after Tax for the Group, within issued Guidance
- At least 40% for meeting budget or target Underlying Net Profit after Tax and/or target Return on Capital Employed for the Group or business unit, as detailed in the Annual Report
- Any balance for strategic objectives and other contributions

STI Scheme payments relating to the financial year ended 31 December 2021 are delivered as a taxable cash bonus and are payable on completion of the annual audited financial statements. It should be noted that the level of remuneration detailed in this report for the CEO includes the bonus paid in early 2021 relating to the 2020 financial year. The actual amount paid for all nominated executives in the STI Scheme for the 2020 year was $588,351 and the total liability for 2021 is $645,407, being 75% of the total pool for the year.

The STI Scheme payment for the CEO relating directly to the financial year ended 31 December 2021 has been approved for payment, with the CEO receiving $195,866 (2020: $144,000) being 100% of his maximum available bonus. The CEO's financial targets were 60% for meeting the target Underlying Net Profit after Tax for the Group and 40% for meeting the Group ROCE target of 12.5%.

STI Scheme payment values are now set as a percentage of 'total fixed remuneration', being 30% for the CEO and between 10% and 30% for other nominated executives for the financial year ended 31 December 2021. For the financial year ended 31 December 2021 there were 27 nominated executives in the STI Scheme.

In addition to the STI Scheme the Board reserves the ability to pay ad hoc bonus payments to any employee where certain outcomes are considered by the Board to positively impact on long-term success. For the 2021 year, ad hoc bonuses for nominated executives, of $216,887, have been accrued for payment in 2022. The criteria for ad hoc bonus payments for 2020 and 2021 were i) total STI payments were capped to the total bonus pool for the year and ii) Total Shareholder Return (TSR) to shareholders, including dividends, exceeded 15%.

(iv) Variable remuneration – LTI Scheme

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

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

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

Under the LTI Scheme, the CEO and nominated executives are offered an interest free loan which is to be applied to acquire shares in the Company. Shares acquired under the LTI Scheme are held by a custodian and will only vest in the employee if he or she is still employed by the Company after 3 years from the date of issue. Once the shares vest, the employee still remains obligated to repay the outstanding balance of the loan. Often, to fund the repayment of the outstanding loans, executives may, subject to the approved procedures, sell on-market their LTI vested shares. Over the next 12 months a total of 449,917 shares vest, on 30 April 2022 and 28 June 2022 (as detailed in the table on page 96). Alternatively, if an employee leaves employment before the expiry of the 3-year period, the Company is authorised to sell that employee's shares with the proceeds applied to repay the balance of the loan, with any deficit covered by the Company and any surplus retained by the Company.

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

Each employee's loan amount (which determines how many shares will be acquired) is now set as a percentage of their 'total fixed remuneration' and selected employees will be offered a loan for this amount if the criteria set by the Board are met. The criteria for share allocation under the Scheme for the 2021 year is the achievement of a gross TSR of 15.0% over the reference share price of either i) the IPO price (equivalent to $3.20 for 2021) or ii) for all new participants is set at the time of joining the scheme (see table on page 96).

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

LTI Scheme loan amounts are set as a percentage of total fixed remuneration, being 30% for the CEO and between 10% and 20% for other nominated executives in respect of the financial year ended 31 December 2021. For the financial year ended 31 December 2021, there were 46 nominated executives in the LTI Scheme, a decrease of 4 from the 2020 year.

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

During the financial year ended 31 December 2021, 304,316 shares were allocated under the LTI Scheme relating to the 2020 financial year, with matching interest free loans of $971,788, an average of $3.20 per share. The CEO will receive 51,608 shares in the Company under the LTI Scheme relating to the financial year ended 31 December 2021, compared to 46,875 shares relating to the previous year. As at the end of the financial year ended 31 December 2021, the total balance owing under the loans advanced to the CEO under the LTI Scheme was $997,062, with $1,860,309 to senior management and $1,303,443 to other nominated executives. Note that under current accounting treatment, loans relating to unvested shares are not recorded on the Company balance sheet.

In total, the CEO at year end held 300,202 shares under the LTI Scheme which are subject to vesting constraints.

As at year end, total loans for vested shares, which are now full recourse, of $506,515 remain outstanding and are recorded on the Company balance sheet. The executives are obligated to repay the outstanding loan balance on the sale of the shares or on termination of employment.

Total shares allocated under the scheme as at the end of the financial year ended 31 December 2021 are as follows:

			Number of shares				
Grant date	**Vesting date**	**Exercise price ($)**	**Opening balance**	**Granted**	**Forfeited**	**Vested and exercised**	**Closing balance**
20 April 2018 - FY17A	20 April 2021	1.70	309,698	-	-	(309,698)	-
20 April 2018 - FY17B	20 April 2021	2.51	36,007	-	-	(36,007)	-
20 April 2018 - FY17C	20 April 2021	3.62	40,577	-	-	(40,577)	-
28 June 2018 - FY17R	28 June 2021	4.13	207,023	-	-	(207,023)	-
30 April 2019 - FY18	30 April 2022	2.71	261,356	-	(12,177)	-	249,179
28 June 2019 - FY18R	28 June 2022	4.06	214,285	-	(13,547)	-	200,738
30 April 2020 - FY19	30 April 2023	3.20	301,657	-	(10,313)	-	291,344
28 June 2020 - FY19R	28 June 2023	4.19	209,626	-	(15,115)	-	194,511
30 April 2021 - FY20	30 April 2024	3.20	-	304,316	(9,922)	-	294,394
Total			**1,580,229**	**304,316**	**(61,074)**	**(593,305)**	**1,230,166**

The total cost of the LTI Scheme relating to share allocations made during 2021 was $467,125. Under accounting standard IFRS 2 *Share Based Payments*, the total option value of each annual allocation is spread across the 3 years of the vesting period from the date of issue. As a result, the total expense recorded in the Statement of Comprehensive Income for the financial year ended 31 December 2021 is $726,769. The total cost relating to each annual share allocation will be cumulative.

The total annual cost of the LTI Scheme relating to shares issued from 2014 to 2021 is detailed below. In addition, the annual allocation spread across the 3 years of the vesting period is as follows:

Financial Year	**LTI Scheme Year**	**Allocation Cost at Grant Date**	**Amortisation Expense***
2014	IPO	$469,985	$65,000
2015	2014	$31,465	$167,850
2016	2015	$517,879	$269,719
2017	2016	$572,866	$388,732
2018	2017	$1,251,325	$846,796
2019	2018	$869,951	$865,695
2020	2019	$785,682	$697,679
2021	2020	$701,981	$726,769
2022*			$495,638
2023*			$231,771
2024*			$27,160

*The forecast years assume no further allocations.

(v) Non-Statutory remuneration

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

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

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

Financial Year	LTI Scheme Year	Value at Vesting Date	Share Price at Vesting Date
2017	IPO	$3,245,760	$3.45
2018	2014	$352,066	$4.75
2019	2015	$1,110,314	$5.01
2020	2016	$1,126,548	$4.80
2021	2017	$1,270,022	$4.70
2021	2018 Refresh	$253,603	$4.88

(vi) Employee share ownership scheme

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

Principle 6 – Risk Management

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

RECOMMENDATION 6.1

An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports.

Risk Management Framework

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

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

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

The objectives of the framework are to:

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

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

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

Insurance

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

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

RECOMMENDATION 6.2

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

Health and Safety

The Health & Safety and Sustainability Committee was initially established to assist the Board to meet its responsibilities under the Health & Safety at Work Act 2015. In particular, the Committee is responsible for ensuring that health and safety is given an appropriate level of focus across the Scales Group by regularly reviewing the assurance processes around risk assessment and mitigation, safety systems, staff capability, staff competency, safety leadership and safety culture. Detailed reporting is provided to the Committee on lead and lag indicators including health and safety incidents, injury rates by severity, local site health and safety committee meetings, and sick leave. The findings of independent audit reports are provided to the Committee. Further information is included in the Sustainability Report on pages 16 – 23 of this report.

Principle 7 – Auditors

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

RECOMMENDATION 7.1 AND 7.2

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

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

External Auditor

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

The policy covers the following areas:

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

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

The External Auditor Independence Policy is available in the Governance section of the Company's website. Deloitte Limited is the Company's external auditor. Nicole Dring was appointed as the audit engagement partner for the 2021 audit, following the retirement from Deloitte of Paul Bryden. Paul was the audit engagement partner for the 2019 and 2020 audits.

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

Fees paid to the external auditors are included in note B2 of the notes to the financial statements. A total of $402,849 was paid for assurance-related services (including $115,243 paid to Sheehan & Company for the audit of Meateor US LLC and its subsidiaries). There was no non-assurance work carried out by the external auditors during the year. All non-assurance services provided must have the prior approval of the Audit and Risk Management Committee.

The effectiveness, performance and independence of the external auditors is reviewed by the Audit and Risk Management Committee on an ongoing basis. During 2021, and coinciding with the retirement of the then current audit engagement partner, a formal review of the external auditor was undertaken by the Audit and Risk Management Committee. This review included an assessment of the auditors' independence, expertise and partner rotation frequency.

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

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

RECOMMENDATION 7.3

Internal audit functions should be disclosed.

Internal Audit

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

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

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

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

The Company continues to co-source engagements in the internal audit programme with KPMG, as required. A number of such engagements are being planned for 2022.

Principle 8 – Shareholder Relations

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

RECOMMENDATION 8.1

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

Shareholder Relations

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

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

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

Shareholder meetings will be held at a time and location to encourage participation in person by shareholders. Annual Shareholders' Meetings historically have been held in Christchurch, reflecting the head office location for the Company, and the historical shareholder base. Following a request from the Board that Annual Shareholders' Meetings be periodically held outside of Christchurch to ensure the increasingly diverse investor base has an opportunity to participate in meetings, the 2019 meeting was held in Napier. The 2020 and 2021 meetings were disrupted by COVID-19. Despite this disruption, the 2021 meeting was successfully held as a hybrid meeting, with shareholders having the ability to either attend in person or to view the meeting, and to also vote and ask questions, virtually. It is the intention to continue this practice, to enable the widest possible shareholder participation.

RECOMMENDATION 8.2

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

Electronic Communications

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

RECOMMENDATION 8.3

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

Major Decisions

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

RECOMMENDATION 8.4

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

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

RECOMMENDATION 8.5

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

Notice of Meeting

Scales' Notice of Meeting will be available at least 20 working days prior to the meeting on the Shareholder Meetings page in the Investors section of the website. Unfortunately, the Notice of Meeting for the 2021 Annual Shareholders' Meeting was circulated to shareholders late, and consequently did not meet the recommended 20 working day period. The Company will ensure that this oversight does not happen again.

Director Disclosures

Directors

The following persons were Directors of Scales and its subsidiaries during the year ended 31 December 2021:

Scales Corporation Limited

Andrew Borland	Executive Director
Tim Goodacre	Independent Chair
Nick Harris	Independent Director
Mark Hutton	Independent Director
Alan Isaac	Independent Director
Lai Po Sing, Tomakin (resigned 13 September 2021)	Director
Sun Qiang (Appointed 13 September 2021, resigned 14 December 2021)	Director
Nadine Tunley	Independent Director
Qi Xin (Appointed 15 December 2021)	Director

Fern Ridge Produce Limited

Russell Black
Andrew Borland
Hamish Davis
Andrew van Workum

Geo.H.Scales Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Longview Group Holdings Limited

Andrew Borland
Andrew van Workum

Meateor Foods Limited

Andrew Borland
Nick Harris

Meateor Foods Australia Pty Limited

Andrew Borland
Tim Goodacre

Meateor Group Limited

Andrew Borland
Nick Harris

Meateor US LLC

Andrew Borland
John Sainsbury

Mr Apple New Zealand Limited

Andrew Borland
Tim Goodacre
Mark Hutton

New Zealand Apple Limited

Andrew Borland
Tim Goodacre

Scales Logistics Australia Pty Limited

Andrew Borland
Tim Goodacre

Scales Employees Limited

Andrew Borland
Mark Hutton

Scales Holdings Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Scales Logistics Limited

Andrew Borland
Steve Kennelly
Kent Ritchie

Selacs Insurance Limited

Andrew Borland
Alan Isaac
Steve Kennelly

Shelby Exports, Inc.

Brett Frankel
Bruce Curtis

Shelby JV LLC

Andrew Borland
John Sainsbury
Brett Frankel
Bruce Curtis

Interests Register

The following entries were made in the interests register of Scales and its subsidiaries during the period 1 January 2021 to 31 December 2021:

Indemnification and Insurance of Directors

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

Share Dealings by Directors

Dealings by Directors in relevant interests in Scales' ordinary shares during the year ended 31 December 2021 as entered in the Interests Register of Scales are as follows:

Name of Director	No. of Shares	Nature of Relevant Interest	Acquisition/ Disposal	Consideration	Date of Acquisition / Disposal
Andrew Borland	46,875	Beneficial owner	Acquisition	$3.20 per share	7 April 2021
Andrew Borland	233,659	Beneficial owner	Disposal	$4.64 per share	1-7 July 2021

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 2021 to 31 December 2021 are as follows:

Scales Corporation Limited	
Andrew Borland	
Akaroa Salmon Limited	Ceased as Chair and as a Director
Mark Hutton	
New Zealand Rugby Union Incorporated	Appointed as a Board Member
Nadine Tunley	
Central Plateau Honey GP Limited	Ceased as a Director
Oha Honey North America Limited	Ceased as a Director
Oha Owhaoko Honey GP Limited	Ceased as a Director
Primary Industry Training Organisation	Ceased as Chair and as a Director of the selection panel
Te Pitau Limited	Ceased as a Director
Tunley Enterprises Limited	Ceased as a Director and as a Shareholder
The Strong Wall Action Group Limited	Ceased as a Director
Plant & Food Research	Appointed as a Director
Ngā Pouwhiro Taimatua	Appointed as a Member

Relevant Interests

The table below records the Scales ordinary shares in which each Director had a relevant interest as at 31 December 2021.

Director	Number of Ordinary Shares – Beneficial	Number of Ordinary Shares – Non-Beneficial
Andrew Borland	300,202	500,000
Tim Goodacre	15,625	Nil
Nick Harris	100,000	Nil
Mark Hutton	Nil	604,961
Alan Isaac	25,000	3,000
Nadine Tunley	Nil	Nil
Qi Xin	Nil	Nil

Use of Company Information by Directors

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

Auditor's Fees

Deloitte Limited has continued to act as the auditor of Scales and its subsidiaries. The amount payable by Scales and its subsidiaries to Deloitte Limited as audit fees during the year ended 31 December 2021 was $287,106. There were no fees paid to Deloitte Limited for non-assurance work during the year. In addition, audit fees of $115,743 were payable to Sheehan & Company during the year ended 31 December 2021, for their audit of Meateor US LLC and its subsidiaries.

Shareholder Information

Spread of Shares

Set out below are details of the spread of shareholders of Scales as at 31 January 2022:

	Number of Shareholders	Number of Shares Held	% of Shares Held
Under 2,000	1,396	1,354,756	0.95
2,000 to 4,999	1,537	4,659,317	3.27
5,000 to 9,999	950	6,218,975	4.37
10,000 to 49,999	841	15,211,885	10.68
50,000 to 99,999	73	4,827,701	3.39
100,000 and over	63	110,122,203	77.34

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of Scales as at 31 January 2022:

Shareholder	Number of Shares	% of Shares
New Zealand Central Securities Depository Limited	30,812,848	21.63
Custodial Services Limited	25,633,152	18.00
China Resources Ng Fung Limited	21,500,000	15.09
FNZ Custodians Limited	10,192,790	7.15
New Zealand Depository Nominee Limited	2,321,887	1.63
John Grant Sinclair & Camille Elizabeth Sinclair	2,241,000	1.57
JB Were (NZ) Nominees Limited	1,881,562	1.32
FNZ Custodians Limited	1,511,649	1.06
Scales Employees Limited	1,226,651	0.86
PT (Booster Investments) Nominees Limited	1,051,615	0.73
John Grant Sinclair	1,038,410	0.72
Forsyth Barr Custodians Limited	1,009,257	0.70
Sirius Capital Limited	604,961	0.42
Hobson Wealth Custodian Limited	579,458	0.40
Andrew James Borland & Gina Dellabarca & Mark Andrew Bolton	500,000	0.35
FNZ Custodians Limited	396,451	0.27
Forsyth Barr Custodians Limited	382,634	0.26
Woolf Fisher Trust Incorporated	340,000	0.23
Paul Hewitson & Christopher John Stark	330,000	0.23
MA Capital Limited	328,772	0.23

Substantial Product Holders

Set out below are details of the substantial product holders of Scales as advised by notice to Scales at 31 December 2021.

The number of shares shown below is as advised in the most recent substantial product holder notices given to Scales and may not be their holding as at 31 December 2021.

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

The total number of Scales Corporation Limited ordinary shares on issue as at 31 December 2021 was 142,394,837.

Other Information

NZX Waivers

Scales did not rely upon any waivers granted by NZX Limited during the year ended 31 December 2021.

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 2021.

Donations

Donations of $2,060 were made by Scales during the year ended 31 December 2021.


MrAPPLE
2021
MrAPPLE
2021
MrAPPLE
2014
MrAPPLE
2021
MrAPPLE
2021
MrAPPLE
2016
MrAPPLE
2021
2016
LONGVIEW

Glossary

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
CAGR	Compound Annual Growth Rate
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)
COP26	26th UN Climate Change Conference of the Parties
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EECA	Energy Efficiency & Conservation Authority
EPS	Earnings Per Share
ERM	Enterprise Risk Management
Fern Ridge	Fern Ridge Produce Limited (72.88% held by Scales, consolidated with a non-controlling interest presented)
FOB	Free On Board, a term which means that the price for goods includes delivery at the seller's expense on to a vessel at a named port and no further. The buyer bears all costs thereafter (including costs of sea freight)
FY	Financial Year
GAAP	Generally Accepted Accounting Practice
GAP	Good Agricultural Practices
GHG	Greenhouse Gas
GRASP	GLOBAL GAP Risk Assessment on Social Practice
Group	Scales Corporation Limited, its subsidiaries and joint ventures
Ha	Hectare, a metric unit of measurement equal to 10,000 square metres
IPO	Initial Public Offering
KPIs	Key Performance Indicators
Meateor International	Meateor Foods Limited and Meateor Foods Australia Pty Limited (100% held by Scales, consolidated)
Meateor NZ	Meateor Pet Foods Limited Partnership (50% held by Scales, equity accounted as a joint venture)
MT	Metric Tonnes
Net profit	Net profit after tax
NIWA	National Institute of Water and Atmospheric Research
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
Profruit	Profruit (2006) Limited (50% held by Scales, equity accounted as a joint venture)
PVR	Plant Variety Rights
ROCE	Return on Capital Employed, calculated as EBIT divided by Capital Employed
Shelby	Shelby JV LLC group of companies (60% held by Scales, consolidated)
TCE	Tray Carton Equivalent, a measure of apple and pear weight, equal to 18.6kg packed weight which equates to 18.0kg sale weight
TCFD	Task Force on Climate-related Financial Disclosures
tCO2e	Tonnes of CO2 equivalent
TEU	A Twenty-foot Equivalent Unit is a unit of cargo capacity to describe container volumes
Underlying profit measures (EBIT, EBITDA, NPAT)	Non-GAAP profit measures which Directors and management use when discussing financial performance. See page 7 for definition and pages 36-37 for reconciliation to GAAP (NZ IFRS) profit measures.

Directory

Board of Directors

Tim Goodacre (Chair)
Andrew Borland (Managing Director)
Nick Harris
Mark Hutton
Alan Isaac
Lai Po Sing, Tomakin (Resigned on 13 September 2021)
Sun Qiang (Appointed 13 September 2021, resigned 14 December 2021)
Nadine Tunley
Qi Xin (Appointed 15 December 2021)

Audit and Risk Management Committee

Alan Isaac (Chair)
Nick Harris
Mark Hutton

Nominations and Remuneration Committee

Mark Hutton (Chair)
Tim Goodacre

Finance and Treasury Committee

Mark Hutton (Chair)
Andrew Borland

Health & Safety and Sustainability Committee

Nick Harris (Chair)
Andrew Borland
Nadine Tunley

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Christchurch 8011

Coöperatieve Rabobank U.A., New Zealand Branch

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Westpac New Zealand Limited

Level 4
The Terrace
83 Cashel Street
Christchurch 8011

Solicitors

Anthony Harper

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Christchurch 8013

Chapman Tripp

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Corporate Advisor

Maher & Associates

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Auckland 1010

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