

Growing New Zealand

Scales Corporation Limited
Interim Report
30 June 2016



The businesses growing Scales Corporation



National coverage, global presence



Contents

Directors' Report	6
Auditor's Review Report	9
Financial Statements	10
Directory	23

Directors' Report

The board is very pleased to report a net profit after tax of \$33.8 million for the six months ended 30 June 2016. This result represents an increase on the record 30 June 2015 result, and has been driven by continued strong performances across the Group, but particularly in our Horticulture and Food Ingredients divisions.



Highlights

Highlights of the interim result include increases in EBITDA, EBIT and Net profit after tax, with all three measures up 3 per cent on the 2015 first half results. Total revenue, at \$210 million, is a 30 per cent increase on the prior comparative period. This increase is a reflection of trading increases in all divisions, and of the impact of the full consolidation of Fern Ridge Produce Limited in the current period.

Our results have also been affected by recent changes in accounting standards governing the accounting treatment of apple trees. The impact of these changes on the prior and current financial years is outlined in the notes to the accounts.

Other highlights in the interim results are:

- Mr Apple export volumes, from our own orchards, up 12 per cent on the record 2015 volumes, to 3.55 million TCEs, including a 14 per cent increase in volumes of premium apples to 1.66 million TCEs
- Petfood ingredients sales volumes up 24 per cent on the previous corresponding half year.
- Strong performance from new initiatives within the Storage & Logistics division.
- An increase in our stake in Fern Ridge Produce Limited to 72.88 per cent (from 50 per cent).

In addition, we have welcomed China Resources Ng Fung Limited as a long term supportive shareholder. The board looks forward to China Resources' support in the significant Chinese market, and also to the contribution of Weiyong Wang, China Resources' representative, who was appointed to the Scales' board in June 2016.

On the balance sheet our strong financial position continues to improve. Net tangible assets per share as at 30 June 2016 were \$1.28 compared to \$1.07 as at 30 June 2015, and the ratio of net debt to equity has reduced to 27 per cent from 31 per cent as at 30 June 2015. Average net debt (being the average of the 30 June 2016 and 31 December 2015 net debt balances) at \$34.2 million is up slightly on average net debt as at 31 December 2015, but still represents a \$10.3 million improvement over average net debt recorded as at 30 June 2015. The increase over the past six months reflects the additional export volumes and seasonal timing of sales and debtor collections.

Divisions

Horticulture

Total export volumes for the division, including those from Fern Ridge, were a record 5.36 million TCEs. Of this total, Mr Apple produced another record crop which, at 3.55 million TCEs, represents the achievement of a volume target that we had set for 2020. This is another great result from the Mr Apple team who have once again exceeded our expectations. Premium varieties saw an overall increase of 14 per cent on 2015 volumes, with NZ Queen volumes in particular up 60 per cent. These increases are a direct result of the historical investment in orchard plantings and also in reflective cloth. We continue to invest in our brands to consolidate our position as one of the leading Southern Hemisphere premium fresh apple exporters.

The increased investment in Fern Ridge further enhances collaboration in the New Zealand apple industry, improving sales networks and supply relationships.

Storage & Logistics

New divisional initiatives, being the Auckland coldstore, Liqueo expansion and air freight operation Balance Cargo, are performing well and made good contributions to the interim

result. Particularly pleasing is the performance of the Auckland coldstore which, from a standing start, has been integrated seamlessly into the cold storage network and is operating at expected operational and financial levels.

Our core cold storage businesses operated at a lower level of performance than the record prior comparative period. This was a result of a change in service requirements, particularly from the meat industry. However by the end of the year it is expected that the overall EBITDA from this division will be consistent with 2015.

Food Ingredients

Divisional EBITDA increased by \$1.2 million, or 33 per cent, on the prior year as a result of a 24 per cent increase in sales volumes in Meateor Foods. Diversification of both raw material procurement, and our protein range, is continuing to deliver positive outcomes for Meateor. Favourable apple growing conditions, which have seen strong apple export volumes, have reduced supply to Profruit, our juice business. We expect the Food Ingredients division to produce an EBITDA that is in line with 2015.

Outlook

The outlook for Scales' remains positive. We have demonstrated resilience in key divisions with increasing crop sizes and diversity of customers and markets at Mr Apple, predictable results from our Storage & Logistics division, and increased sales volumes at Meateor.

Signals from our Horticulture division remain positive. Investments in premium orchard varieties and crop yields are delivering in the form of larger than expected crop sizes. The wider range of varieties and markets we supply also provides a pathway to improved price resilience.

We've been investing in our Storage & Logistics division and are seeing the investment paying off with strong performances from new initiatives helping to offset industry headwinds in the more traditional aspects to the business. Our Food Ingredients division continues to deliver strong improvements in volumes establishing us as a critical supplier of food ingredients.

The company's balance sheet continues to be strong enabling us to take advantage of organic and inorganic growth opportunities. At the moment, we're finding the best returns from investing in our own businesses. We expect to invest \$16.7 million in capital expenditure during 2016, of which approximately \$10 million are considered growth projects. This follows on from expenditure of \$15.8 million in 2015 of which \$11.3 million was for growth projects. These growth initiatives underpin expectations for improvements in earnings beyond the current financial year.

Lastly, the board would like to acknowledge the contribution of our people to Scales' success. It continues to be the effort, skill and dedication right across the entire team that drives the growth and financial success being achieved.

Jon Mayson
Chairman

Andy Borland
Managing Director

Financial Statements



Deloitte.

TO THE SHAREHOLDERS OF SCALES CORPORATION LIMITED

We have reviewed the condensed consolidated interim financial statements of Scales Corporation Limited and its subsidiaries ("the Group") which comprise the condensed consolidated statement of financial position as at 30 June 2016, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information on pages 10 to 22.

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

Board of Directors' Responsibilities

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

Our Responsibilities

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

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2016 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.



24 August 2016
Chartered Accountants
Christchurch, New Zealand

	NOTE	UNAUDITED		AUDITED
		Six months ended 30 June 2016 \$'000	Six months ended 30 June 2015 \$'000 (Restated)	Year ended 31 December 2015 \$'000 (Restated)
Revenue		209,518	161,186	301,410
Cost of sales		(126,368)	(85,362)	(194,142)
		83,150	75,824	107,268
Share of profits of associate company and joint venture accounted for using the equity method	3	666	651	2,268
Other income		50	-	1,946
Other losses		(342)	(801)	-
Administration and operating expenses		(29,337)	(23,237)	(48,486)
EBITDA		54,187	52,437	62,996
Depreciation and amortisation		(6,013)	(5,503)	(11,331)
EBIT		48,174	46,934	51,665
Finance revenue		41	82	185
Finance cost		(1,454)	(1,651)	(2,801)
PROFIT BEFORE INCOME TAX EXPENSE		46,761	45,365	49,049
Income tax expense		(12,985)	(12,580)	(13,155)
PROFIT FOR THE PERIOD		33,776	32,785	35,894
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on cash flow hedges		13,229	(18,771)	(8)
Income tax relating to cash flow hedges		(3,704)	5,256	(27)
OTHER COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD		9,525	(13,515)	(35)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		43,301	19,270	35,859
Profit for the Period Attributable to:				
Equity holders of the Parent		33,603	32,785	35,894
Non-controlling Interests		173	-	-
		33,776	32,785	35,894
Total Comprehensive Income for the period Attributable to:				
Equity holders of the Parent		42,998	19,270	35,859
Non-controlling Interests		303	-	-
		43,301	19,270	35,859
EARNINGS PER SHARE:				
Basic and diluted earnings per share (cents)		24.0	23.5	25.7

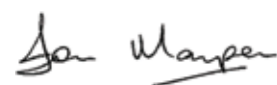
The notes to the financial statements on pages 14 to 22 form part of and should be read in conjunction with this statement.

	NOTE	Share Capital	Properties Revaluation Reserve	Hedging Reserve	Equity-settled Employee Benefits Reserve	Retained Earnings	Attributable to Owners of the Company	Non-controlling Interests	Total
		\$'000	\$'000	\$'000	\$'000	\$'000 (Restated)	\$'000 (Restated)	\$'000	\$'000 (Restated)
Unaudited									
Six months ended 30 June 2016:									
Balance at 1 January 2016		90,755	25,289	2,210	233	39,498	157,985	-	157,985
Profit for the period		-	-	-	-	33,603	33,603	173	33,776
Other comprehensive income for the period		-	-	9,395	-	-	9,395	130	9,525
Total comprehensive income for the period		-	-	9,395	-	33,603	42,998	303	43,301
Recognition of share-based payments		(525)	-	-	113	-	(412)	-	(412)
Dividends declared	5	-	-	-	-	(9,528)	(9,528)	-	(9,528)
Balance at 30 June 2016		90,230	25,289	11,605	346	63,573	191,043	303	191,346
Six months ended 30 June 2015 (Restated):									
Balance at 1 January 2015		90,915	25,289	2,245	65	27,816	146,330	-	146,330
Profit for the period		-	-	-	-	32,785	32,785	-	32,785
Other comprehensive loss for the period		-	-	(13,515)	-	-	(13,515)	-	(13,515)
Total comprehensive income for the period		-	-	(13,515)	-	32,785	19,270	-	19,270
Recognition of share-based payments		-	-	-	78	-	78	-	78
Dividends declared	5	-	-	-	-	(9,874)	(9,874)	-	(9,874)
Balance at 30 June 2015		90,915	25,289	(11,270)	143	50,727	155,804	-	155,804
Audited									
Year ended 31 December 2015 (Restated):									
Balance at 1 January 2015		90,915	25,289	2,245	65	27,816	146,330	-	146,330
Profit for the year		-	-	-	-	35,894	35,894	-	35,894
Other comprehensive loss for the year		-	-	(35)	-	-	(35)	-	(35)
Total comprehensive income for the year		-	-	(35)	-	35,894	35,859	-	35,859
Recognition of share-based payments		(160)	-	-	168	-	8	-	8
Dividends paid	5	-	-	-	-	(9,685)	(9,685)	-	(9,685)
Dividends declared	5	-	-	-	-	(14,527)	(14,527)	-	(14,527)
Balance at 31 December 2015		90,755	25,289	2,210	233	39,498	157,985	-	157,985

The notes to the financial statements on pages 14 to 22 form part of and should be read in conjunction with this statement.

	NOTE	UNAUDITED		AUDITED
		30 June 2016 \$'000	30 June 2015 \$'000 (Restated)	31 December 2015 \$'000 (Restated)
EQUITY				
Share capital		90,230	90,915	90,755
Properties revaluation reserve		25,289	25,289	25,289
Hedging reserve		11,605	(11,270)	2,210
Equity-settled employee benefits reserve		346	143	233
Retained earnings		63,573	50,727	39,498
Equity attributable to Scales Corporation Limited Shareholders		191,043	155,804	157,985
Equity attributable to Non-controlling Interests		303	-	-
TOTAL EQUITY		191,346	155,804	157,985
Represented by:				
CURRENT ASSETS				
Cash and bank balances		6,801	10,575	13,832
Trade and other receivables		53,572	38,931	14,681
Other financial assets	10	8,925	3,270	5,476
Agricultural produce		63,833	56,862	15,493
Inventories		19,521	14,017	14,314
Prepayments		2,367	4,588	2,966
TOTAL CURRENT ASSETS		155,019	128,243	66,762
NON-CURRENT ASSETS				
Property, plant and equipment		167,393	162,369	168,067
Investments accounted for using the equity method		3,685	4,216	4,962
Goodwill		11,021	5,319	5,319
Other financial assets	10	14,170	2,030	6,192
Computer software		1,162	1,283	929
TOTAL NON-CURRENT ASSETS		197,431	175,217	185,469
TOTAL ASSETS		352,450	303,460	252,231
CURRENT LIABILITIES				
Trade and other payables		55,313	36,749	22,276
Dividend declared	5	9,528	9,874	14,527
Borrowings		29,000	29,500	-
Current tax liabilities		14,445	14,292	4,427
Other financial liabilities	10	1,503	8,630	2,229
TOTAL CURRENT LIABILITIES		109,789	99,045	43,459
NON-CURRENT LIABILITIES				
Borrowings		30,000	30,000	30,000
Deferred tax liabilities		16,507	8,414	17,933
Other financial liabilities	10	4,808	10,197	2,854
TOTAL NON-CURRENT LIABILITIES		51,315	48,611	50,787
TOTAL LIABILITIES		161,104	147,656	94,246
NET ASSETS		191,346	155,804	157,985

For and on behalf of the Board, who authorised the issue of these interim financial statements on 24 August 2016.


Jon Mayson
Chairman


Andy Borland
Managing Director

The notes to the financial statements on pages 14 to 22 form part of and should be read in conjunction with this statement.

	NOTE	UNAUDITED		AUDITED
		Six months ended 30 June 2016 \$'000	Six months ended 30 June 2015 \$'000 (Restated)	Year ended 31 December 2015 \$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash was provided from:</i>				
Receipts from customers		171,753	135,554	300,026
Dividends received		-	-	895
Finance revenue		41	82	185
		171,794	135,636	301,106
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		176,063	133,863	238,705
Interest paid		1,454	1,651	2,801
Income tax paid		8,277	4,413	10,616
		185,794	139,927	252,122
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES	7	(14,000)	(4,291)	48,984
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Other advances repaid		856	608	1,624
Sale of property, plant and equipment and computer software		93	61	920
		949	669	2,544
<i>Cash was applied to:</i>				
Advances to employees		-	160	-
Net cash outflow on acquisition of shares in Fern Ridge Produce Limited	14	414	-	-
Purchase of computer software		609	394	620
Purchase of shares in unlisted companies		49	-	9
Purchase of property, plant and equipment		6,856	4,737	17,210
		7,928	5,291	17,839
NET CASH USED IN INVESTING ACTIVITIES		(6,979)	(4,622)	(15,295)
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash was provided from:</i>				
Proceeds from borrowings		29,000	18,500	-
		29,000	18,500	-
<i>Cash was applied to:</i>				
Borrowings repaid		-	-	11,000
Dividends paid		14,527	-	9,685
Shares purchased		525	-	160
		15,052	-	20,845
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		13,948	18,500	(20,845)
NET (DECREASE) INCREASE IN NET CASH		(7,031)	9,587	12,844
Cash and cash equivalents at the beginning of the period		13,832	988	988
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,801	10,575	13,832
Represented by:				
Cash and bank balances		6,801	10,575	13,832
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,801	10,575	13,832

The notes to the financial statements on pages 14 to 22 form part of and should be read in conjunction with this statement.

1. GENERAL INFORMATION

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 venture. The principal activities of the Group are to provide logistics services, grow apples, export products, provide insurance services to companies within the Group and operate storage and processing facilities.

2. FINANCIAL STATEMENTS

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

Significant accounting policies applied by the group during the year have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

Change in accounting policy on adoption of amendments to accounting standards and resulting restatement

The Group has adopted the amendments to NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 41 *Agriculture* which are effective for periods beginning on 1 January 2016. The amendments bring bearer plants, which are used to grow produce, into the scope of NZ IAS 16 and out of the scope of NZ IAS 41 so that they are accounted for in the same way as property, plant and equipment. The produce growing on bearer plants continues to be accounted for as a biological asset under NZ IAS 41. This amendment was applied to the Group's apple trees. These financial statements have been retrospectively restated to reflect this accounting policy change. Note 16 provides further details of the effect of adopting these amendments.

On adoption of the amendment, the Group elected to measure its apple trees using the revaluation model.

3. INVESTMENT IN ASSOCIATE AND JOINT VENTURE

	Country of Incorporation	HOLDING		CONTRIBUTION TO NET PROFIT		
		30 June 2016	Previous reporting dates	Six months ended 30 June 2016 \$'000	Six months ended 30 June 2015 \$'000	Year ended 31 December 2015 \$'000
Associate						
Fern Ridge Produce Limited	New Zealand	0%	50%	-	171	814
Joint Venture						
Profruit (2006) Limited	New Zealand	50%	50%	666	480	1,454
				666	651	2,268

On 11 January 2016 the Group acquired a further 22.88% of the share capital of Fern Ridge Produce Limited and it is now a subsidiary company. Details of this acquisition are included in Note 14.

4. SEGMENT INFORMATION

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

The Group's reportable segments are as follows:

Food Ingredients: processing and marketing of food ingredients such as pet food ingredients and juice. Meateor Foods Limited, Meateor Foods Australia Pty Limited and Profruit (2006) Limited.

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

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

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

	Food Ingredients \$'000	Horticulture \$'000	Storage & Logistics \$'000	Other \$'000	Eliminations \$'000	Total \$'000
Six months ended 30 June 2016						
Total segment revenue	31,064	130,697	65,487	1,648	(19,378)	209,518
Inter-segment revenue	-	-	(18,109)	(1,269)	19,378	-
Revenue from external customers	31,064	130,697	47,378	379	-	209,518
Segment profit (loss) before income tax	4,615	35,997	9,242	(3,093)	-	46,761
Segment assets	27,485	234,460	96,628	(6,123)	-	352,450
Segment liabilities	5,659	80,974	22,992	51,479	-	161,104
Six months ended 30 June 2015 (Restated)						
Total segment revenue	22,627	93,659	60,004	1,488	(16,592)	161,186
Inter-segment revenue	-	-	(15,292)	(1,300)	16,592	-
Revenue from external customers	22,627	93,659	44,712	188	-	161,186
Segment profit (loss) before income tax	3,402	34,447	10,505	(2,989)	-	45,365
Segment assets	25,052	184,348	95,993	(1,933)	-	303,460
Segment liabilities	6,026	58,440	24,152	59,038	-	147,656
Year ended 31 December 2015 (Restated)						
Total segment revenue	48,570	178,126	95,622	3,354	(24,262)	301,410
Inter-segment revenue	-	-	(21,648)	(2,614)	24,262	-
Revenue from external customers	48,570	178,126	73,974	740	-	301,410
Segment profit (loss) before income tax	7,164	35,874	11,316	(5,305)	-	49,049
Segment assets	24,964	120,472	96,013	10,782	-	252,231
Segment liabilities	6,332	32,669	19,189	36,056	-	94,246

5. DIVIDENDS

During the six months ended 30 June 2016 the Directors paid an interim dividend of 6.5 cents per share and a special dividend of 4 cents per share and resolved to pay a final dividend of 6.5 cents per share in respect of the year ended 31 December 2015. This final dividend was paid on 8 July 2016. During the six months ended 30 June 2015 the Directors resolved to pay a dividend of 7 cents per share in respect of the year ended 31 December 2014. This dividend was paid on 10 July 2015. Dividends totalling \$9.685 million were paid during the year ended 31 December 2015 and the Directors resolved to pay an interim dividend of 6.5 cents per share and a special dividend of 4 cents per share. These dividends were paid on 20 January 2016. All dividends were fully imputed.

6. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2016 \$'000	Six months ended 30 June 2015 \$'000 (Restated)	Year ended 31 December 2015 \$'000 (Restated)
Cost of assets acquired	6,856	4,737	17,210
Net carrying value of asset disposals	43	118	757
Profit (loss) on asset disposals	50	(72)	163

7. NET CASH GENERATED BY OPERATING ACTIVITIES

	Six months ended 30 June 2016 \$'000	Six months ended 30 June 2015 \$'000	Year ended 31 December 2015 \$'000
Reconciliation of profit for the period to net cash generated by operating activities:			
Profit for the period	33,776	32,785	35,894
Non-cash items:			
Change in fair value of derivative financial instruments	343	743	(1,759)
Deferred tax	(5,130)	(4,203)	33
Depreciation and amortisation	6,013	5,503	11,331
Share of equity accounted results	(666)	(651)	(2,268)
Share-based payment	113	78	168
Items classified as investing and financing activities:			
Dividends received from equity accounted companies	-	-	870
(Gain) loss on disposal of non-current assets	(50)	72	(163)
Current assets and liabilities acquired with Fern Ridge Produce Limited	(1,517)	-	-
Changes in net assets and liabilities:			
Trade and other receivables	(38,891)	(25,633)	(1,383)
Inventories	(51,645)	(42,255)	(293)
Prepayments	599	(1,910)	(288)
Trade and other payables	33,037	18,809	4,336
Current tax	10,018	12,371	2,506
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES	(14,000)	(4,291)	48,984

8. CAPITAL COMMITMENTS

	30 June 2016 \$'000	30 June 2015 \$'000	31 December 2015 \$'000
Commitments entered into as at reporting date were:			
Biological assets	2,047	1,841	1,420
Plant and equipment	231	2,343	233
	2,278	4,184	1,653

9. CONTINGENT LIABILITIES

	30 June 2016 \$'000	30 June 2015 \$'000	31 December 2015 \$'000
Guarantee of joint venture bank loan facility	294	402	348

10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as cash flow hedges of highly probable forecast transactions.

	30 June 2016 \$'000	30 June 2015 \$'000	31 December 2015 \$'000
Fair value of derivative financial instruments:			
Other financial assets - derivatives:			
Foreign currency forward exchange contracts	22,479	2,723	10,245
Interest rate swaps and forward rate agreements	80	-	-
	22,559	2,723	10,245
Other financial liabilities - derivatives:			
Foreign currency forward exchange contracts	2,600	17,871	3,944
Interest rate swaps and forward rate agreements	1,832	956	1,139
	4,432	18,827	5,083

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

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

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

The carrying amount of financial assets (cash and bank accounts and trade and other receivables) and financial liabilities (trade and other payables and borrowings) at amortised cost in the financial statements approximates their fair value.

11. RELATED PARTY DISCLOSURES

(a) Transactions with Related Parties

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

	30 June 2016 \$'000	30 June 2015 \$'000 (Restated)	31 December 2015 \$'000 (Restated)
(b) Key Management Personnel Remuneration follows:			
The compensation of the directors and executives, being the key management personnel of the Group, is as follows:			
Short-term employee benefits	1,756	1,405	2,557
Post-employment benefits	54	55	99
	1,810	1,460	2,656
(c) Transactions with Equity Accounted Entities			
Revenue from sale of goods	859	3,489	4,683
Revenue from services	-	454	2,277
Dividends received	-	-	871
Materials and consumables purchases	-	-	153
Trade receivables at balance date	-	1,161	531
Advance at balance date	-	-	530

12. EARNINGS PER SHARE

Profit for the period - used in the calculation of total earnings per share	33,603	32,785	35,894
Basic earnings per share:			
Weighted average number of ordinary shares	139,779,006	139,779,006	139,779,006
Basic earnings per share (cents)	24.0	23.5	25.7
Diluted earnings per share:			
Weighted average number of ordinary shares	139,779,006	139,779,006	139,779,006
Diluted earnings per share (cents)	24.0	23.5	25.7

13. SEASONALITY OF BUSINESS

All business segments are subject to seasonal fluctuation. The apple crop has been picked and packed and the export programme is well under way in the first half year. Higher volumes are processed through the food ingredients plants in the first half of the year due to the seasonal nature of the meat industry and there is greater utilisation of storage and logistics services over the first half year as seasonal products are stored and then shipped to export markets.

At 30 June the harvested crop held in inventory is valued at fair value less estimated costs to sell. At 31 December the unharvested crop is at fair value less estimated costs to sell of the unharvested crop on the trees. Both the harvested crop at 30 June and the unharvested crop at 31 December are included in agricultural produce.

14. ACQUISITION OF SUBSIDIARY

On 11 January 2016 the Group acquired a further 25% of the share capital of associate entity, Fern Ridge Produce Limited (Fern Ridge), increasing its shareholding to 75%. In a separate 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 the Fern Ridge profits but with a minimum value equivalent to that paid to the selling shareholders. The obligations to acquire the shares under the Put options are included in other financial liabilities.

Details of the acquisition are as follows:

	Fair Value on Acquisition \$'000 (Unaudited)
Assets and liabilities acquired:	
Current assets	
Cash and bank balances	1,466
Trade and other receivables	1,126
Plant and equipment	52
Liabilities	
Trade and other payables	(2,463)
Current taxation	(180)
Net assets acquired	1
Less fair value of non-controlling interest	(1,880)
Goodwill on acquisition	5,702
Less fair value of existing interest in Fern Ridge	(1,943)
Consideration paid in cash	1,880
Less: Cash and bank balances acquired	(1,466)
Net cash outflow on acquisition	414

Goodwill arising on acquisition

Goodwill arose on the acquisition of Fern Ridge because the cost of acquisition included a control premium paid. In addition, the consideration paid for the benefit of future expected cash flows above the current fair value of the assets acquired and the expected synergies and future market benefits expected to be obtained. These benefits are not recognised separately from goodwill as the expected future economic benefits arising cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

The additional interest in Fern Ridge was acquired as it is a profitable horticultural trading business which the Group believes fits strategically with its Horticulture operations.

Impact of the acquisition on the results of the Group

Fern Ridge contributed \$637,000 to the Group profit after taxation for the interim period. Group revenue for the interim period includes \$27,416,000 in respect of Fern Ridge.

15. ADOPTION OF AMENDED ACCOUNTING STANDARDS AND RESULTING RESTATEMENT

The Group has applied the change in accounting policy, as detailed in note 2, retrospectively and restated the comparative periods to reverse the fair value measurement recognised during 2015 relating to bearer plants, which are now accounted for in accordance with NZ IAS 16.

In accordance with the transitional provisions in the amendments to NZ IAS 16 and NZ IAS 41 the Group elected to use the fair value of the bearer plants on 1 January 2015 as the deemed cost at that date. Depreciation on bearer plants was recognised for the 2015 year using depreciation rates based on an economic life of 30 years.

The following tables summarise the effect of the change in accounting policy on the prior periods presented in the Group's consolidated financial statements. The transitional provisions in the amendments to NZ IAS 16 and NZ IAS 41 do not require separate disclosure showing the effect on the 2016 year.

(a) Consolidated Statement of Financial Position

	Previously reported \$'000	Adjustments \$'000	Restated \$'000
At 1 January 2015			
Equity			
Share capital	90,915	-	90,915
Other reserves	27,599	-	27,599
Retained earnings	27,816	-	27,816
	(146,330)	-	(146,330)
Current assets			
Agricultural produce	-	13,471	13,471
Other	35,763	-	35,763
	35,763	13,471	49,234
Non-current assets			
Biological assets	31,368	(31,368)	-
Property, plant and equipment	145,982	17,897	163,879
Other	13,297	-	13,297
	190,647	(13,471)	177,176
Total Assets	226,410	-	226,410
Current liabilities	31,734	-	31,734
Non-current liabilities			
Deferred tax liabilities	17,873	-	17,873
Other	30,473	-	30,473
	48,346	-	48,346
Total liabilities	80,080	-	80,080
Net assets	146,330	-	146,330

15. ADOPTION OF AMENDED ACCOUNTING STANDARDS (CONTINUED)

	Previously reported \$'000	Adjustments \$'000	Restated \$'000
At 30 June 2015			
Equity			
Share capital	90,915	-	90,915
Other reserves	14,162	-	14,162
Retained earnings	51,157	(430)	50,727
	156,234	(430)	155,804
Current Assets			
Agricultural produce	-	56,862	56,862
Inventories	69,747	(55,730)	14,017
Other	57,364	-	57,364
	127,111	1,132	128,243
Non-current assets			
Biological assets	19,277	(19,277)	-
Property, plant and equipment	144,821	17,548	162,369
Other	12,848	-	12,848
	176,946	(1,729)	175,217
Total Assets	304,057	(597)	303,460
Current liabilities	99,045	-	99,045
Non-current liabilities			
Deferred tax liabilities	8,581	(167)	8,414
Other	40,197	-	40,197
	48,778	(167)	48,611
Total liabilities	147,823	(167)	147,656
Net assets	156,234	(430)	155,804
At 31 December 2015			
Equity			
Share capital	90,755	-	90,755
Other reserves	27,732	-	27,732
Retained earnings	42,539	(3,041)	39,498
	161,026	(3,041)	157,985
Current assets			
Agricultural produce	-	15,493	15,493
Other	51,269	-	51,269
	51,269	15,493	66,762
Non-current assets			
Biological assets	37,034	(37,034)	-
Property, plant and equipment	150,750	17,317	168,067
Other	17,402	-	17,402
	205,186	(19,717)	185,469
Total Assets	256,455	(4,224)	252,231
Current liabilities	43,459	-	43,459
Non-current liabilities			
Deferred tax liabilities	19,116	(1,183)	17,933
Other	32,854	-	32,854
	51,970	(1,183)	50,787
Total liabilities	95,429	(1,183)	94,246
Net assets	161,026	(3,041)	157,985

15. ADOPTION OF AMENDED ACCOUNTING STANDARDS (CONTINUED)

(b) Consolidated Statement of Comprehensive Income

	Previously reported \$'000	Adjustments \$'000	Restated \$'000
For the six months ended 30 June 2015			
Depreciation and amortisation	(4,906)	(597)	(5,503)
Income tax expense	12,747	(167)	12,580
Profit for the period	33,215	(430)	32,785
Total comprehensive income	19,700	(430)	19,270
For the year ended 31 December 2015			
Other income	4,977	(3,031)	1,946
Depreciation and amortisation	(10,138)	(1,193)	(11,331)
Income tax expense	14,338	(1,183)	13,155
Profit for the year	38,935	(3,041)	35,894
Total comprehensive income	38,900	(3,041)	35,859

The Group's basic and diluted earnings per share have changed from 23.8 cents to 23.5 cents for the six months ended 30 June 2015 and from 27.9 cents to 25.7 cents for the year ended 31 December 2015.

16. EVENTS OCCURRING AFTER REPORTING DATE

There have been no significant post reporting date events.

DIRECTORY

Board of Directors

Jon Mayson (Chairman)
Andy Borland (Managing Director)
Tim Goodacre (Deputy Chairman)
Nick Harris
Mark Hutton
Alan Isaac
Weiyong Wang (appointed 23 June 2016)

Audit and Risk Management Committee

Alan Isaac (Chairman)
Nick Harris
Mark Hutton

Nominations and Remuneration Committee

Mark Hutton (Chairman)
Tim Goodacre
Jon Mayson

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Westpac New Zealand Limited

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Solicitor

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