Scales Corporation Limited

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2020

Scales Corporation Limited
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Scales Corporation Limited
Directory

Board of Directors
Tim Goodacre (Chair)
Andrew Borland (Managing Director)
Nick Harris
Mark Hutton
Alan Isaac
Lai Po Sing, Tomakin
Nadine Tunley

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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Scales Corporation Limited

Consolidated statement of comprehensive income for the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June 2020 $000's	Unaudited Six months ended 30 June 2019 $000's	Audited Year ended 31 December 2019 $000's
Continuing operations				
Revenue	6	253,292	277,965	484,609
Cost of sales		(184,305)	(206,413)	(383,126)
		68,987	**71,552**	**101,483**
Administration and operating expenses		(21,552)	(21,946)	(43,965)
Fair value gain on recognition of investment in joint venture		-	10,102	9,782
Gain on disposal of Meateor New Zealand business		-	10,102	9,782
Other income		373	-	421
Other losses		(520)	(7)	(647)
Share of profit of entities accounted for using the equity method		1,107	1,273	2,997
EBITDA		**48,395**	**71,076**	**79,853**
Amortisation		(333)	(291)	(592)
Depreciation		(5,141)	(4,784)	(9,654)
Depreciation of right of use asset		(3,909)	(3,921)	(7,824)
EBIT		**39,012**	**62,080**	**61,783**
Finance revenue		1,478	493	2,834
Finance cost		(1,088)	(2,029)	(3,549)
Finance cost of lease liability		(1,517)	(1,531)	(3,075)
PROFIT BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS		**37,885**	**59,013**	**57,993**
Income tax expense		(10,112)	(10,255)	(9,418)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**27,773**	**48,758**	**48,575**
Profit from discontinued operations (net of tax)		-	73,002	73,002
PROFIT FOR THE PERIOD		**27,773**	**121,760**	**121,577**
Profit for the period from continuing operations is attributable to:				
Equity holders of the Company		25,349	47,029	45,000
Non-controlling Interests		2,424	1,729	3,575
		27,773	**48,758**	**48,575**

Profit for the period from discontinued operations is fully attributable to equity holders of the Company.

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:

Basic earnings per share (cents):				
Continuing operations	9	18.1	33.6	32.1
Discontinued operations	9	-	52.2	52.1
Total	9	18.1	85.8	84.2
Diluted earnings per share (cents):				
Continuing operations	9	18.0	33.5	32.0
Discontinued operations	9	-	52.1	51.9
Total	9	18.0	85.6	83.9

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

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Scales Corporation Limited

Consolidated statement of comprehensive income for the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	$000's	$000's	$000's
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Gain on cash flow hedges	3,390	2,637	6,496
Income tax relating to cash flow hedges	(949)	(738)	(1,819)
Share of other comprehensive income of joint ventures	(136)	-	209
Income tax relating to share of other comprehensive income of joint ventures	38	-	(58)
Foreign exchange gain (loss) on translating foreign operations	207	54	(125)
	2,550	**1,953**	**4,703**
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	-	-	11,117
Income tax relating to buildings	-	-	(818)
Revaluation of apple trees	-	-	1,431
Income tax relating to apple trees	-	-	(401)
	-	**-**	**11,329**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**2,550**	**1,953**	**16,032**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**30,323**	**123,713**	**137,609**
Total comprehensive income for the period attributable to:			
Equity holders of the Company	27,836	121,963	134,034
Non-controlling Interests	2,487	1,750	3,575
	30,323	**123,713**	**137,609**

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

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Scales Corporation Limited

Consolidated statement of changes in equity for the six months ended 30 June 2020

Unaudited	Note	Share capital $000's	Reserves $000's	Retained earnings $000's	Attributable to owners of the Company $000's	Non-controlling interests $000's	Total $000's
Six months ended 30 June 2020							
At 1 January 2020		95,273	62,511	197,230	355,014	3,989	359,003
Profit for the year		-	-	25,349	25,349	2,424	27,773
Other comprehensive income for the period		-	2,487	-	2,487	63	2,550
Total comprehensive income for the period		-	2,487	25,349	27,836	2,487	30,323
Reclassification of revaluation reserve		-	-	-	-	-	-
Recognition of share-based payments		-	268	-	268	-	268
Shares fully vested		1,098	(536)	(165)	397	-	397
Dividends	7	-	-	(13,358)	(13,358)	(443)	(13,801)
Balance at 30 June 2020		**96,371**	**64,730**	**209,056**	**370,157**	**6,033**	**376,190**
Six months ended 30 June 2019							
At 1 January 2019		94,184	71,999	80,109	246,292	3,581	249,873
Profit for the year		-	-	120,031	120,031	1,729	121,760
Other comprehensive income for the period		-	1,932	-	1,932	21	1,953
Total comprehensive income for the period		-	1,932	120,031	121,963	1,750	123,713
Reclassification of revaluation reserve		-	(25,912)	25,912	-	-	-
Recognition of share-based payments		-	433	-	433	-	433
Shares fully vested		955	(474)	(139)	342	-	342
Dividends	7	-	-	(13,326)	(13,326)	(962)	(14,288)
Balance at 30 June 2019		**95,139**	**47,978**	**212,587**	**355,704**	**4,369**	**360,073**
Audited							
Year ended 31 December 2019							
At 1 January 2019		94,184	71,999	80,109	246,292	3,581	249,873
Profit for the year		-	-	118,002	118,002	3,575	121,577
Other comprehensive income for the period		-	16,032	-	16,032	-	16,032
Total comprehensive income for the period		-	16,032	118,002	134,034	3,575	137,609
Reclassification of revaluation reserve		-	(25,912)	25,912	-	-	-
Recognition of share-based payments		-	866	-	866	-	866
Shares fully vested		1,089	(474)	(139)	476	-	476
Dividends		-	-	(26,654)	(26,654)	(3,167)	(29,821)
Balance at 31 December 2019		**95,273**	**62,511**	**197,230**	**355,014**	**3,989**	**359,003**

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

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Scales Corporation Limited

Consolidated statement of financial position as at 30 June 2020

	Note	Unaudited Six months ended 30 June 2020 $000's	Unaudited Six months ended 30 June 2019 $000's	Audited Year ended 31 December 2019 $000's
EQUITY				
Share capital		96,371	95,139	95,273
Reserves	8	64,730	47,978	62,511
Retained earnings		209,056	212,587	197,230
Equity attributable to Scales Corporation Limited shareholders		**370,157**	**355,704**	**355,014**
Equity attributable to Non-controlling Interests		6,033	4,369	3,989
TOTAL EQUITY		**376,190**	**360,073**	**359,003**
CURRENT ASSETS				
Cash and bank balances		31,985	13,780	18,632
Term deposits		80,000	110,000	142,000
Trade and other receivables		86,589	94,929	20,593
Current tax assets		-	545	164
Other financial assets	10	7,102	3,932	4,571
Agricultural produce		75,845	59,118	21,619
Inventories		26,416	33,993	26,422
Prepayments		2,351	3,805	3,482
TOTAL CURRENT ASSETS		**310,288**	**320,102**	**237,483**
NON-CURRENT ASSETS				
Property, plant and equipment		167,406	146,665	165,741
Investments accounted for using the equity method		24,944	24,360	24,973
Goodwill		45,111	43,953	43,784
Other financial assets	10	12,342	5,809	7,117
Computer software		575	870	807
Right of use asset		77,506	80,470	78,775
TOTAL NON-CURRENT ASSETS		**327,884**	**302,127**	**321,197**
TOTAL ASSETS		**638,172**	**622,229**	**558,680**
CURRENT LIABILITIES				
Bank overdrafts		-	-	1,188
Trade and other payables		72,491	63,414	19,843
Dividend declared	7	13,358	13,326	13,328
Borrowings		967	-	-
Current tax liabilities		12,656	18,862	2,842
Other financial liabilities	10	7,494	4,772	4,377
Lease liability		9,527	9,237	9,427
TOTAL CURRENT LIABILITIES		**116,493**	**109,611**	**51,005**
NON-CURRENT LIABILITIES				
Borrowings		56,212	64,762	54,551
Deferred tax liabilities		14,413	10,531	19,442
Other financial liabilities	10	5,101	5,522	3,966
Lease liability		69,763	71,730	70,713
TOTAL NON-CURRENT LIABILITIES		**145,489**	**152,545**	**148,672**
TOTAL LIABILITIES		**261,982**	**262,156**	**199,677**
NET ASSETS		**376,190**	**360,073**	**359,003**

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

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Scales Corporation Limited

Consolidated statement of cash flows for the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020 $000's	Unaudited Six months ended 30 June 2019 $000's	Audited Year ended 31 December 2019 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	186,555	232,999	511,371
Dividends received	1,000	516	1,517
Interest received	2,254	493	791
	189,809	**234,008**	**513,679**
Cash was disbursed to:			
Payments to suppliers and employees	(206,018)	(245,776)	(442,424)
Interest paid	(2,605)	(3,560)	(6,624)
Income tax paid	(6,074)	(5,011)	(8,532)
	(214,697)	**(254,347)**	**(457,580)**
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(24,888)**	**(20,339)**	**56,099**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of storage businesses net of cash	-	148,882	148,882
Proceeds from sale of Meateor New Zealand business to JV	-	15,000	15,000
Proceeds from matured term deposits	62,000	-	-
Advances repaid	243	599	722
Sale of property, plant and equipment and computer software	-	4	57
	62,243	**164,485**	**164,661**
Cash was applied to:			
Investment in term deposits	-	(110,000)	(142,000)
Purchase of computer software	(101)	(257)	(495)
Purchase of financial instruments	-	-	(497)
Purchase of property, plant and equipment	(6,596)	(4,915)	(16,313)
	(6,697)	**(115,172)**	**(159,305)**
NET CASH PROVIDED BY INVESTING ACTIVITIES	**55,546**	**49,313**	**5,356**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from seasonal facility borrowings	2,967	69,000	79,000
	2,967	**69,000**	**79,000**
Cash was applied to:			
Repayments of term facility borrowings	-	-	(10,000)
Repayments of seasonal facility borrowings	(2,000)	(71,000)	(81,000)
Repayments of related party borrowings	-	(1,329)	(1,329)
Repayments of lease liabilities	(3,490)	(3,424)	(6,459)
Dividends paid	(13,328)	(13,299)	(26,625)
Dividends paid to non-controlling interests	(443)	(962)	(3,167)
	(19,261)	**(90,014)**	**(128,580)**
NET CASH USED IN FINANCING ACTIVITIES	**(16,294)**	**(21,014)**	**(49,580)**
NET INCREASE IN NET CASH	**14,364**	**7,960**	**11,875**
Net foreign exchange difference	177	50	(201)
Cash and cash equivalents at the beginning of the year	17,444	5,770	5,770
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**31,985**	**13,780**	**17,444**
Represented by:			
Cash and bank balances	31,985	13,780	18,632
Bank overdrafts	-	-	(1,188)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**31,985**	**13,780**	**17,444**

The notes to the financial statements on pages 10 to 17 form part of and should be read in conjunction with this statement.

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Scales Corporation Limited

Consolidated statement of cash flows for the six months ended 30 June 2020 (continued)

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	$000's	$000's	$000's
NET CASH GENERATED BY OPERATING ACTIVITIES			
Reconciliation of profit for the year to net cash generated by operating activities:			
Profit for the year	27,773	121,760	121,577
Non-cash items:			
Gain on disposal of storage businesses	-	(68,131)	(68,131)
Gain on disposal of Meateor New Zealand business	-	(10,102)	(9,782)
Fair value gain on recognition of investment in joint venture	-	(10,102)	(9,782)
Loss (gain) on disposal of property, plant and equipment	2	(4)	(57)
Amortisation	333	291	592
Depreciation	9,050	8,705	17,478
Share of equity accounted results	(1,107)	(1,273)	(2,997)
FX option premiums	47	547	639
Deferred tax	(5,940)	(5,612)	941
Share-based payments	268	433	1,000
Change in gross liability on put options	145	-	273
Items classified as investing and financing activities:			
Dividends received from equity accounted company	1,000	500	1,500
Changes in net assets and liabilities:			
Trade and other receivables	(65,996)	(74,915)	(579)
Agricultural produce	(54,226)	(38,571)	(1,072)
Inventories	6	(4,031)	3,540
Prepayments	1,131	(1,298)	(975)
Trade and other payables	52,648	43,656	(235)
Current tax	9,978	17,808	2,169
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(24,888)**	**(20,339)**	**56,099**

For and on behalf of the Board of Directors who authorised the issue of these interim financial statements on 25 August 2020.

Tim Goodacre, Chair

Andy Borland, Managing Director

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Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

1. 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.

Scales Corporation Limited (the "Company") Group business units have been classified as "essential services" and complied with the respective health requirements within each jurisdiction they operate.

As at the date of authorisation of these financial statements, the Group was operating in Alert Level 3 in Auckland and Alert Level 2 elsewhere in New Zealand with strict border restrictions remaining in place and contact tracing encouraged. The Group operations outside of New Zealand continue to be further impacted by the COVID-19 virus global 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 expected credit losses, carrying value of inventories, 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 New Zealand and Australia by Group subsidiaries. While the criteria were met for receiving this support, the Group has opted to refund these amounts to the respective government agencies.

Similar support was received in the United States of America by way of government loans. These loans may be forgiven if the eligibility criteria are met. The loan balances are carried as a liability until the criteria are met.

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.

2. GENERAL INFORMATION

Scales 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, provide insurance services to companies within the Group and operate storage and processing facilities.

3. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("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) *Interim Financial Reporting,* as applicable for profit orientated entities. Other than disclosed below, significant accounting policies applied by the Group during the period have been applied consistently to all periods presented in these condensed consolidated interim financial statements. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 31 December 2019.

The information is presented in thousands of New Zealand dollars unless otherwise stated.

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Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

4. SEGMENT INFORMATION

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. All non-current assets are located in New Zealand and the United States of America.

The Group's continuing operations comprise 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 Inc, Shelby Exports Inc, Shelby Foods Inc, Shelby JV LLC, Shelby Properties LLC, Shelby Trucking Corp), 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	Food Ingredients	Logistics	Other	Eliminations	Total
	$000's	$000's	$000's	$000's	$000's	$000's
Unaudited						
Six months ended 30 June 2020						
Total segment revenue	136,253	84,129	50,344	1,440	(18,874)	253,292
Inter-segment revenue	-	-	(17,630)	(1,244)	18,874	-
Revenue from external customers	**136,253**	**84,129**	**32,714**	**196**	**-**	**253,292**
Segment profit (loss) before income tax	26,971	10,300	3,207	(2,593)		37,885
Segment assets	423,302	107,345	22,885	84,640	-	638,172
Segment liabilities	174,543	14,554	13,890	58,995	-	261,982
Unaudited						
Six months ended 30 June 2019						
Total segment revenue	159,512	80,713	54,845	1,838	(18,943)	277,965
Inter-segment revenue	-	-	(17,328)	(1,615)	18,943	-
Revenue from external customers	**159,512**	**80,713**	**37,517**	**223**	**-**	**277,965**
Segment profit (loss) before income tax	35,776	24,536	2,845	(4,144)	-	59,013
Segment assets	376,941	100,023	23,827	121,438	-	622,229
Segment liabilities	166,747	9,108	15,907	70,394	-	262,156
Audited						
Year ended 31 December 2019						
Total segment revenue	264,782	155,077	87,076	3,461	(25,787)	484,609
Inter-segment revenue	-	-	(22,948)	(2,839)	25,787	-
Revenue from external customers	**264,782**	**155,077**	**64,128**	**622**	**-**	**484,609**
Segment profit (loss) before income tax	29,269	31,809	2,780	(5,865)	-	57,993
Segment assets	293,249	101,091	18,619	145,721	-	558,680
Segment liabilities	112,426	11,110	12,269	63,872	-	199,677

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5. 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 as at 30 June. Higher volumes are processed through the pet 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 logistics services over the first half of the year as seasonal products are 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 valued at fair value less estimated costs to sell. Both the harvested crop at 30 June and the unharvested crop at 31 December are included in agricultural produce.

6. REVENUE

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	$000's	$000's	$000's
By nature:			
Revenue from the sale of goods	213,551	229,771	390,855
Revenue from the rendering of services	42,217	47,515	90,280
Fees and commission	62	27	89
Net foreign exchange (loss) gain	(5,760)	(1,800)	(127)
Rental revenue	3,222	2,452	3,512
	253,292	**277,965**	**484,609**
By segment and type:			
Horticulture - sale of agricultural produce	124,854	148,680	237,584
Horticulture - agricultural produce related services	8,182	8,384	23,695
Horticulture - other	3,217	2,448	3,503
Food ingredients - sale of pet food ingredients	82,704	79,280	152,963
Food ingredients - other	1,425	1,433	2,114
Logistics services	32,714	37,517	64,128
Other	196	223	622
	253,292	**277,965**	**484,609**

7. DIVIDENDS

During the six months ended 30 June 2020 the Directors paid an interim dividend of 9.5 cents per share and resolved to pay a final dividend of 9.5 cents per share in respect of the year ended 31 December 2019. This final dividend was paid on 10 July 2020.

During the six months ended 30 June 2019 the Directors paid an interim dividend of 9.5 cents per share and resolved to pay a final dividend of 9.5 cents per share in respect of the year ended 31 December 2018. This final dividend was paid on 5 July 2019.

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Scales Corporation Limited

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

8. RESERVES

	Revaluation	Cash flow hedge	Share of joint ventures	Equity-settled employee benefits	Foreign exchange translation	Revaluation related to discontinued operations	Total reserves
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Unaudited							
Six months ended 30 June 2020							
At 1 January 2020	55,869	4,927	151	1,640	(76)	-	62,511
Other comprehensive income for the year	-	2,378	(98)	-	207	-	2,487
Recognition of share-based payments	-	-	-	268	-	-	268
Shares fully vested	-	-	-	(536)	-	-	(536)
Balance at 30 June 2020	**55,869**	**7,305**	**53**	**1,372**	**131**	**-**	**64,730**
Unaudited							
Six months ended 30 June 2019							
At 1 January 2019	44,540	250	-	1,248	49	25,912	71,999
Other comprehensive income for the year	-	1,878	-	-	54	-	1,932
Transfer to retained earnings	-	-	-	-	-	(25,912)	(25,912)
Recognition of share-based payments	-	-	-	433	-	-	433
Shares fully vested	-	-	-	(474)	-	-	(474)
Balance at 30 June 2019	**44,540**	**2,128**	**-**	**1,207**	**103**	**-**	**47,978**
Audited							
Year ended 31 December 2019							
At 1 January 2019	44,540	250	-	1,248	49	25,912	71,999
Other comprehensive income for the year	11,329	4,677	151	-	(125)	-	16,032
Transfer to retained earnings	-	-	-	-	-	(25,912)	(25,912)
Recognition of share-based payments	-	-	-	866	-	-	866
Shares fully vested	-	-	-	(474)	-	-	(474)
Balance at 31 December 2019	**55,869**	**4,927**	**151**	**1,640**	**(76)**	**-**	**62,511**

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9. EARNINGS PER SHARE

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
Profit attributable to equity holders of the Company ($000's):			
From continuing operations	25,349	47,029	45,000
From discontinued operations	-	73,002	73,002
Total	**25,349**	**120,031**	**118,002**
Weighted average number of shares:			
Ordinary shares	140,292,949	139,963,886	140,108,891
Effect of dilutive ordinary shares (non-vested Senior Executive Share Scheme)	206,808	221,035	481,924
Weighted average number of Ordinary Shares for diluted earnings per share	**140,499,757**	**140,184,921**	**140,590,815**
Earnings per share (cents):			
Basic - continuing	18.1	33.6	32.1
Basic - discontinued	-	52.2	52.1
Basic - total	**18.1**	**85.8**	**84.2**
Diluted - continuing	18.0	33.5	32.0
Diluted - discontinued	-	52.1	51.9
Diluted - total	**18.0**	**85.6**	**83.9**

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10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	$000's	$000's	$000's
Current:			
At fair value:			
Foreign currency derivative instruments	7,102	3,932	4,571
	7,102	**3,932**	**4,571**
Non-current:			
At fair value:			
Foreign currency derivative instruments	11,664	5,187	6,593
Shares in unlisted companies	221	211	221
At amortised cost:			
Employee loans	457	411	303
	12,342	**5,809**	**7,117**
Current financial liabilities at fair value:			
Foreign currency derivative instruments	3,114	1,744	785
Interest rate swap contracts and forward rate agreements	726	578	537
Put option	3,654	2,450	3,055
	7,494	**4,772**	**4,377**
Non-current financial liabilities at fair value:			
Foreign currency derivative instruments	2,846	2,376	1,459
Interest rate swap contracts and forward rate agreements	842	1,052	762
Put option	1,413	2,094	1,745
	5,101	**5,522**	**3,966**

Foreign Currency Derivative Instruments

The Group is exposed to currency risk as a result of normal trading transactions denominated in foreign currencies. The Group uses foreign currency derivative financial instruments to manage its currency risk. 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.

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 2020 to 2024 financial years at which stage the amount deferred in equity will be released into profit or loss.

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10. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES (CONTINUED)

Interest Rate Swap Contracts and Forward Rate Agreements
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 uses interest rate swaps and forward rate agreements to manage interest rate risk.

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 may 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.

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.

11. RELATED PARTY DISCLOSURES

(a) 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 into in the ordinary course of business on a third party arm's-length basis.

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	$000's	$000's	$000's
(b) Key management personnel remuneration			
The compensation of the directors and executives, being the key management personnel of the Group, is as follows:			
Short-term employee benefits and directors' fees	1,555	1,602	2,956
Share-based payments	87	89	218
Post-employment benefits	51	49	104
	1,693	**1,740**	**3,278**
(c) Transactions with equity accounted entities			
Revenue from sale of goods	1,058	1,977	1,409
Revenue from services	2,277	1,193	2,564
Materials and consumables purchased	(886)	-	-
Services purchased	-	(267)	-
Dividends received	500	500	1,500
Trade receivables at balance date	399	55	182
Dividends receivable	500	-	-

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12. CAPITAL COMMITMENTS

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	$000's	$000's	$000's
Commitments entered into in respect of apple trees as at balance date	1,013	1,714	1,192
Commitments entered into in respect of coolstore construction as at balance date	10,305	-	-
	11,318	**1,714**	**1,192**

13. 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 arises as a consequence of the collapse of the roof of a leased coldstore located in Hastings, Hawke's Bay.

The event is under investigation by specialists and has not yet been accepted as a claim.

The risk is fully reinsured, and in the event the claim is accepted and becomes payable, there will be no impact on net income or net assets of the Group.

No claim expense, reinsurance revenue, claim payable and reinsurance receivable have been recorded in the financial statements, except ex-gratia payments from reinsurers to the insured party recorded as claim expense and reinsurance revenue - included, respectively, in other expenses and other income.

14. EVENTS OCCURRING AFTER BALANCE DATE

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

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Independent Review Report

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 consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 4 to 17.

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

Board of Directors' Responsibilities

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

Our Responsibilities

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

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

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

Other than in our capacity as auditor and the provision of other assurance 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 Company and 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 2020 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Deloitte Limited

25 August 2020
CHRISTCHURCH, NEW ZEALAND

This review report relates to the unaudited condensed consolidated interim financial statements of Scales Corporation Limited and its subsidiaries ('the Group'), for the 6 months ended 30 June 2020 included on the Group's website. The Group's Board of Directors is responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed consolidated interim financial statements and related review report dated 25 August 2020 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.