INTERIM REPORT

SIX MONTHS ENDED 31 DECEMBER 2022

MHM AUTOMATION

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HIGHLIGHTS

OF THE SIX MONTH PERIOD TO 31 DECEMBER 2022

FINANCIAL

MHM Automation Limited (MHM) increased revenue and profitability in the half year to 31 December 2022

Total operating revenue of

$42.8M

A 45% increase on the prior period.

Operating EBITDA of

$4.44M

A 109% increase on the prior period.

Net profit after tax from all operations

$3.08M

HIGHLIGHTS

STRATEGIC

- Continuation of **sales momentum** and strength of sales pipeline
- Continued **supply chain optimisation** via our ERP
- Maintaining high levels of **contracted forward orders,** currently at **$54.9m**
- **Strong performance** from our **fabrication** business showing the benefits of our diversification strategy.
- **Dividend payment** policy executed and **$476k** paid in September 2022
- Scoping for our **sustainability journey** is well underway

FINANCIAL PERFORMANCE

IN THOUSANDS OF NEW ZEALAND DOLLARS	H1 DEC 19	FY JUN 20	H1 DEC 20	FY JUN 21	H1 DEC 21	FY JUN 22	H1 DEC 22	H1 FY21-22 % CHANGE	H1 FY19-22 3 YR CAGR
Sales revenue	25,956	49,103	25,089	51,404	29,523	67,697	42,821	45.0%	18.2%
EBITDA	896	2,486	1,459	3,941	2,121	4,760	4,439	109.3%	70.5%
EBITDA%	3.5%	5.1%	5.8%	7.7%	7.2%	7.0%	10.4%		
NPAT	447	934	372	4,100	1,409	1,775	3,083	118.8%	90.4%

Revenue for the half year increased 45% to $42.8m up from $29.5m in the previous period. Sales momentum has been strong across all the businesses.

Our focus on preserving margin through our various stage gates to our customers has been effective. The ongoing focus on cost and supply chain management contributed to a 109% increase in EBITDA to $4.4m (FY22 H1: $2.12m). This has been achieved with tight inventory management which has assisted our strong working capital position.

We are also pleased to report that this EBITDA performance meets one of our strategic milestones of achieving 10% EBITDA margins across the group. Net profit after tax increased 119% to $3.08m.

Our diversification strategy has served us well over the last number of years with global uncertainties.

That said, in the six months to 31 December 2022 all our businesses were performing well with strong customer demand for our products and solutions. We also continue to grow our service and spare parts business, which reached 6% of revenues for the half year.

This high level of utilisation of our resources, both workshop and human capital, helped drive a strong EBITDA performance.

Our Automation business has responded well to customer demand. The H&C team have been working at above full capacity with the successful flood recovery project in Brisbane, while maintaining throughput of other projects. This demonstrated the capability and culture of the H&C team.

The chilling and freezing business has continued its strong run with the Australian red meat sector driving performance with investment in automation. We are in the final stages of delivering a freezing tunnel solution into North America and will continue the drive to grow this market.

The fabrication business has also had several large orders for specialist alphamatic cheddaring equipment for a long-standing global customer.

The margin improvement has come from a focus on cost as well as all business units running at or near to capacity.

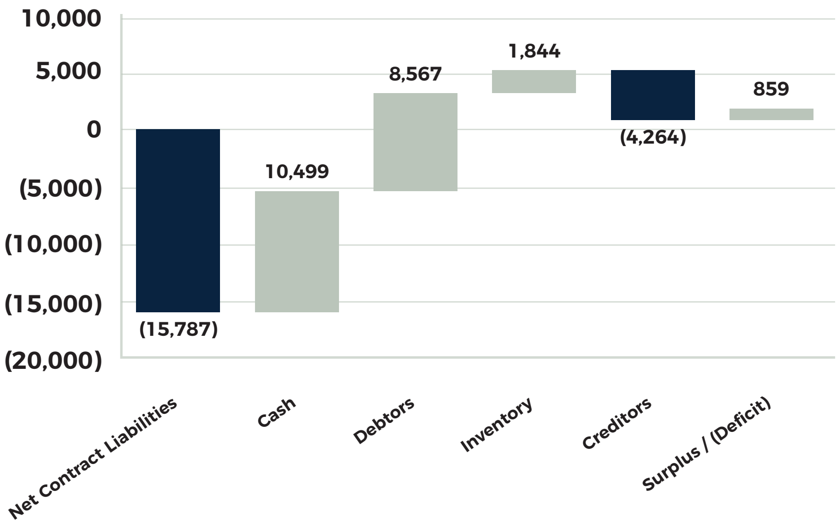
The group remains undrawn on bank facilities, with closing cash of $10.5m. Total liquidity from cash and undrawn facilities was $16.5m at balance date.

FINANCIAL POSITION

Strong sales conversion and workflows continue to strengthen our balance sheet. As at 31 December 2022, the working capital for operations is a surplus of $859,000. During the period, a dividend of $476,000 was paid to shareholders.

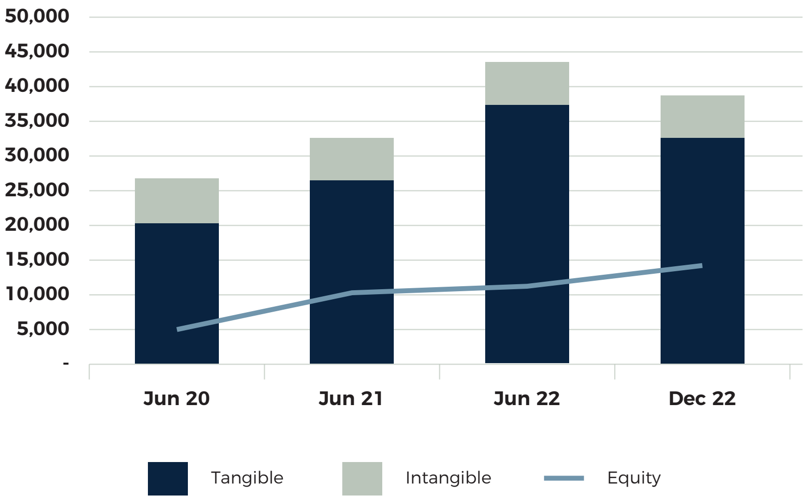
MHM WORKING CAPITAL VS NET CONTRACT LIABILITIES

$ THOUSANDS



MHM TANGIBLE VS INTANGIBLE ASSETS

$ THOUSANDS



Closing Equity was $14.5m, an increase of $2.8m from the June 2022 close.

OTHER SIGNIFICANT ACTIVITIES

S-CLAVE

The S-Clave continues to be a work in progress. Testing has shown good results and we are now focused on shelf life testing as one of the final milestones to hospital tests. By the end of the financial year, we hope to have the shelf life testing completed and be ready for hospital trials.

WYMA ACQUISITION

On 21 December 2022 we announced the conditional agreement to acquire Wyma Engineering Limited.

Wyma is a world leading manufacturer of post-harvest vegetable and fruit handling equipment. Wyma is based in Christchurch with operations in Europe and the UK. The Wyma acquisition provides MHM with further scale and diversification and is a continuation of our growth strategy.

We are working through the conditions and remain on track to settle the transaction on 3 April 2023.

There will be a special meeting of shareholders to approve the transaction. This will be held in March 2023, with details to be released.

Our banker BNZ has given credit approval on the facilities required to settle the transaction.

This is a pivotal transaction that potentially doubles our size and achieves our Step 100 strategy, allowing us to refresh and align strategy with Wyma.

The table below are the Revenues and EBITDA of the respective businesses with a proforma estimate of the combined businesses.

	AUDITED	UNAUDITED	
12 MONTHS TO	**MHM 30 June 2022**	**Wyma 31 March 2022**	**Proforma**
Revenue snapshot ($ millions)	67.7	57.3	125.0
EBITDA[1] ($ millions)	4.8	10.5	15.3
EBITDA percentage of Revenue	7.0%	18.3%	12.2%

[1] EBITDA normalised for share based payments

The transaction is due to settle on the 3 April 2023, see Note 11 of the Financial Statements.

OUTLOOK

We are confident that the 2023 financial year (to 30 June) will continue to see positive momentum, with the contracted forward work of $54.9m, which is $14.9m up on the prior period (note that the $54.9m is deliverable over the FY23 and FY24 fiscal years). The amount to be recognised within FY23 has the effect of underwriting our full year performance.

We continue to invest in frontline sales and service staff to support our strong forward order book. With travel firmly back on the cards, we have welcomed in-person meetings with our customers and key partners.

Our US based agent Scan American has generated several sales of our core technology into the US red meat sector which is pleasing. At the same time, we are also in the process of relocating sales and service resource to the US to further support our customers in market.

Our Australasian customers continue to invest and increase automation. We see this trend continuing for the next 12 months, particularly in chilling and freezing. To support this activity, we are looking to increase our sales and service capabilities in Australia to support the pool of customers from Milmeq, H&C and SCE.

The fabrication business has a full order book through the remainder of the financial year. We are seeing strong demand for our specialist cheese equipment relationships, while the SCE technology (such as the grain stackers) is also seeing sustained demand.

Outside of our core business today, we are also looking forward to the acquisition of Wyma (subject to it completing in April). This acquisition will provide MHM with further scale and diversification and is aligned with our Step 100 strategy. The integration of the Wyma business will take place over the remainder of 2023 and into 2024.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

		UNAUDITED		AUDITED
IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	Six months to December 2022	Six months to December 2021	Twelve months to June 2022
Revenue				
Sale of goods and contract revenue	5	42,821	29,523	67,568
Other income		30	83	129
Total income		**42,851**	**29,606**	**67,697**
Expenses				
Changes in inventories of finished goods and work in progress		551	363	552
Raw materials and consumables used		(26,083)	(17,201)	(40,831)
Salaries and wages		(9,451)	(7,648)	(16,722)
Other expenses		(3,729)	(2,999)	(6,776)
Depreciation		(663)	(523)	(1,151)
Amortisation		(236)	(219)	(509)
Income from operations before finance costs and taxation		**3,240**	**1,379**	**2,260**
Interest income		100	2	4
Interest on financial liabilities at amortised cost		(6)	(14)	(11)
Lease interest		(34)	(26)	(72)
Total finance costs		**60**	**(38)**	**(79)**
Income from operations after finance costs and before taxation		**3,300**	**1,341**	**2,181**
Income tax credit (expense)		(217)	68	(406)
Profit/(loss) from continuing operations after finance costs and taxation		**3,083**	**1,409**	**1,775**
Profit/(loss) from discontinued operation, net of tax		**–**	**–**	**–**
Profit/(loss) for the year attributable to owners		**3,083**	**1,409**	**1,775**
Other comprehensive income (loss)				
Items that may be subsequently charged or credited to profit or loss				
Currency translation differences on overseas subsidiaries		(2)	–	(66)
Items that will not be reclassified to profit or loss				
Gain on property revaluation, net of tax		–	–	103
Other comprehensive income (loss) for the period, net of tax attributable to owners		**(2)**	**–**	**37**
Total comprehensive income (loss) for the period attributable to owners		**3,081**	**1,409**	**1,812**
Basic earnings per share:				
Earnings (loss) per share attributable to shareholders of the company (cents)	8	4.66	2.15	2.70
Fully diluted earnings per share:				
Earnings (loss) per share attributable to shareholders of the company (cents)	8	4.66	2.15	2.70

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes and the independent auditors report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

IN THOUSANDS OF NEW ZEALAND DOLLARS		UNAUDITED		AUDITED
ASSETS	NOTE	Six months to December 2022	Six months to December 2021	Twelve months to June 2022
Current assets				
Cash and cash equivalents		10,499	3,047	12,011
Accounts receivable		8,567	9,165	11,135
Other debtors and prepayments		1,102	1,838	440
Contract assets		259	504	1,318
Derivative financial instruments		153	21	—
Finance lease receivable		11	11	11
Inventories		1,844	2,109	1,972
Total current assets		**22,435**	**16,695**	**26,887**
Non current assets				
Property, plant and equipment		8,889	8,721	8,995
Right-of-use assets		1,078	1,468	1,300
Intangible assets		5,451	5,690	5,514
Finance lease receivable		236	255	246
Deferred tax asset		491	433	482
Total non current assets		**16,145**	**16,567**	**16,537**
Total assets		**38,580**	**33,262**	**43,424**
LIABILITIES				
Current liabilities				
Contract liabilities		16,046	14,810	19,016
Derivative financial instruments		—	—	129
Trade and other payables		4,263	3,731	7,815
Income tax payable		186	—	438
Warranty provision		556	522	522
Employee entitlements		1,955	1,715	2,474
Loans and borrowings		—	—	—
Lease liabilities		650	716	733
Total current liabilities		**23,656**	**21,494**	**31,127**
Non current liabilities				
Loans and borrowings		—	—	—
Lease liabilities		456	822	616
Total liabilities		**24,112**	**22,316**	**31,743**
Net assets		**14,468**	**10,946**	**11,681**
EQUITY				
Share capital	6	45,136	44,634	44,935
Asset revaluation reserve	6	4,123	4,020	4,123
Foreign currency translation reserve	6	(212)	(144)	(210)
Share based payments reserve	6	12	—	31
Accumulated losses		(34,591)	(37,564)	(37,198)
Total equity		**14,468**	**10,946**	**11,681**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

		ATTRIBUTABLE TO THE OWNERS OF THE GROUP					
IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	Share capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Asset revaluation reserve	Total equity
Audited balance at 1 July 2021		**44,634**	**(37,989)**	**–**	**(144)**	**4,020**	**10,521**
Profit or loss for the half year		–	1,409	–	–	–	1,409
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income (loss) for the half year		–	**1,409**	–	–	–	**1,409**
Transactions with owners in their capacity as owners							
Dividends	7	–	(984)	–	–	–	(984)
Unaudited balance at 31 December 2021		**44,634**	**(37,564)**	**–**	**(144)**	**4,020**	**10,946**
Audited balance at 1 July 2022		**44,935**	**(37,198)**	**31**	**(210)**	**4,123**	**11,681**
Profit or loss for the half year		–	3,083	–	–	–	3,083
Other comprehensive income		–	–	–	(2)	–	(2)
Total comprehensive income (loss) for the half year		**–**	**3,083**	**–**	**(2)**	**–**	**3,081**
Transactions with owners in their capacity as owners							
Dividends	7	–	(476)	–	–	–	(476)
Share based payments		–	–	182	–	–	182
Issue of new shares		201	–	(201)	–	–	–
Balance as at 31 December 2022		**45,136**	**(34,591)**	**12**	**(212)**	**4,123**	**14,468**

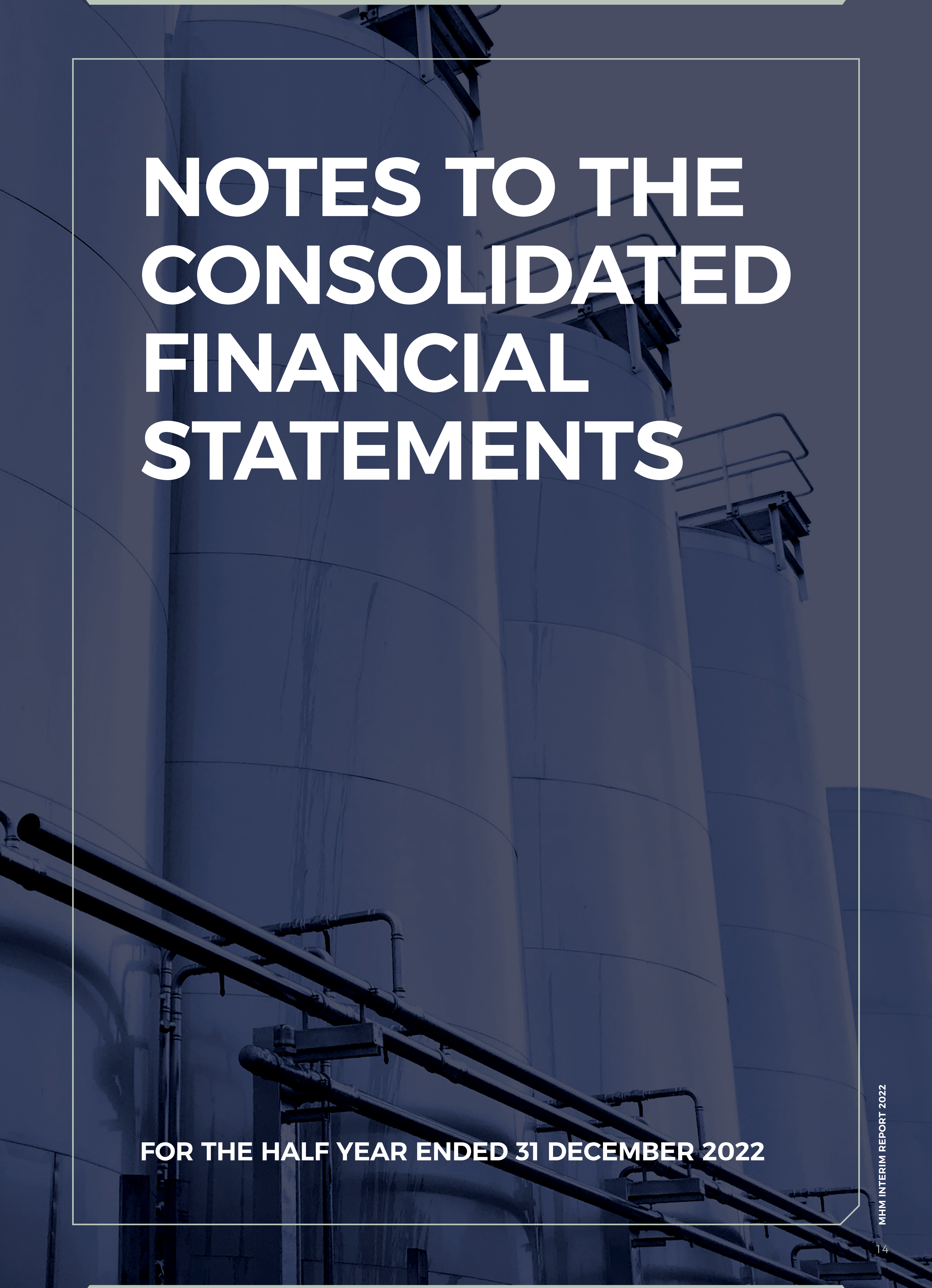
The above Statement of Movements in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

IN THOUSANDS OF NEW ZEALAND DOLLARS		UNAUDITED		AUDITED
OPERATING ACTIVITIES	NOTE	Six months to December 2022	Six months to December 2021	Twelve months to June 2022
Profit after tax from continuing operations		3,083	1,409	1,775
Profit/(loss) after tax from discontinued operations		—	—	—
Profit after tax		3,083	1,409	1,775
Income tax recognised in Profit or Loss		217	(68)	406
Tax paid		(478)	(12)	(129)
Finance costs		40	40	83
Interest income		(100)	(2)	(4)
Depreciation and amortisation		506	441	983
Amortisation of right-to-use assets		392	301	677
Change in inventory provision		678	(48)	275
Change in expected credit loss		—	—	14
Change in warranty provision		34	—	—
(Gain) loss on sale of plant and equipment		(24)	(5)	4
Profit on sale of discontinued operation, net of tax		182	—	332
Derivative financial instruments		(282)	(13)	137
Changes in working capital		(4,626)	(3,157)	4,304
Interest paid		(6)	(12)	(7)
Net cash in flow (outflow) from operating activities		**(384)**	**(1,126)**	**8,850**
INVESTING ACTIVITIES				
Cash was provided from (to):				
Purchase of property, plant and equipment		(178)	(1,477)	(1,868)
Purchase of patents and development activities		(174)	(41)	(156)
Interest income		100	—	—
Finance lease		10	9	18
Proceeds from disposal of property, plant and equipment		35	12	2
Net cash from (to) investing activities		**(207)**	**(1,497)**	**(2,004)**
FINANCING ACTIVITIES				
Cash was provided from (to):				
Lease payments		(443)	(338)	(777)
Dividends paid to shareholders		(476)	(984)	(984)
Net cash inflow from (to) financing activities	7	**(919)**	**(1,322)**	**(1,761)**
Net increase (decrease) in cash held		**(1,510)**	**(3,945)**	**5,085**
Cash (Overdraft) at beginning of the period		12,011	6,992	6,992
Effect of exchange rate changes		(2)	—	(66)
Cash at the end of the year		**10,499**	**3,047**	**12,011**

The Statement of Cash Flow is exclusive of GST.
The above Statement of Cash Flow should be read in conjunction with the accompanying notes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

MHM Automation Limited (the company) is a limited liability company which is incorporated and domiciled in New Zealand. The address of its registered office is 53 Lunns Rd, Middleton, Christchurch. It is registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013.

MHM Automation Limited is a public company listed with the New Zealand Stock Exchange (NZX).

The Group comprises MHM Automation Limited and its wholly owned subsidiaries. The core activities of MHM Automation Group are:

Automation: This division houses the Group's Automation brands. It designs, manufactures, delivers and services automated solutions to a range of industries, predominantly in the food sectors.

H&C markets and sells its core cheese systems brand as well as providing automated solutions to other sectors. It also operates the Group's other brands which include Aico and Beta. Milmeq is an established and respected brand in designing, manufacturing and installing chilling and freezing tunnels and plate freezing systems. Milmeq also has an asset management business that provides service, spare parts and support to its customers which complements H&C's already existing service and spares business. There is significant customer crossover between H&C and Milmeq, as we continue to integrate and improve our Automation offering.

Fabrication: This division includes the Mercer Stainless and SCE workshops in Christchurch that sell, design and manufacture proprietary equipment for primary industries across New Zealand and Australia.

Mercer Technologies: This division manages the Group's research and development that sits outside of the Automation business. Currently the focus is on commercialising the S-Clave medical sterilisation technology in partnership with Atherton who are a world leader in sterilisation equipment and infection control products for the hospital, medical and scientific industries.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Group is a Tier 1 for-profit entity.

The financial statements have been approved for issue by the Board of Directors on 27 February 2023, and have not been audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These condensed consolidated interim financial statements comply with NZ IAS34 but do not include all the notes of the type normally included in the annual financial statements. Accordingly the condensed consolidated interim, financial information should be read in conjunction with the Annual Financial Statements for the year ended 30 June 2022, which were prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards, as appropriate for profit-oriented entities.

No new accounting policies have been applied for the current accounting period.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgements concerning the future. The resulting estimates may not equal related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Intangible assets

Judgements have been made in relation to capitalisation of development assets and related patents. These judgements include an assessment of the technical feasibility of the projects, the intention to complete, use or sell the assets, the existence of a market for the assets and the availability of resources to complete the developments. If any of these criteria ceased to be met then the carrying value of development assets may be impaired.

Contracting services

The Group considered the detailed criteria for the recognition of revenue set out in NZ IFRS 15 and, in particular, whether the Group has an enforceable right to payment for performance completed to date for its contracting services. Under the terms of the verbal or written contracts, the Group is contractually restricted from redirecting proprietary equipment or automated robotic handling system equipment to another customer and has an enforceable right to payment for work done. Revenue from construction of contracting services is therefore recognised over time on a cost-to-complete method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. This involves both judgement and estimation by management of total contract revenues including any variations as compared to costs to date and remaining costs to completion. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under NZ IFRS 15.

Deferred tax asset

The Group has recognised a deferred tax asset, a component of which relates to New Zealand tax losses available for offset against future taxable profits. Management has applied consideration around the shareholder continuity rule and the probability of generating future taxable profits in determining whether a deferred tax asset should continue to be recognised and the quantum of this asset.

Impairment testing

Goodwill was tested for impairment using a value in use model in June 2022. Determining value in use includes a number of assumptions including future growth and the discount rate applicable to the cash-generating units to which goodwill is allocated.

S-Clave technology is being developed and the on-going costs are capitalised to intangible assets. The asset was tested for impairment using a value in use model in June 2022. A number of assumptions including sales volumes, future growth and discount rates were made to determine the value in use.

Fair value measurement and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Group uses market observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Annual Financial Statements for the year ended 30 June 2022.

The fair values of the customer relationships acquired from the business combination in January 2021 were determined by discounting the sales pipeline in the Sale and Purchase Agreement by the probability of conversion, based on historic sales conversion data.

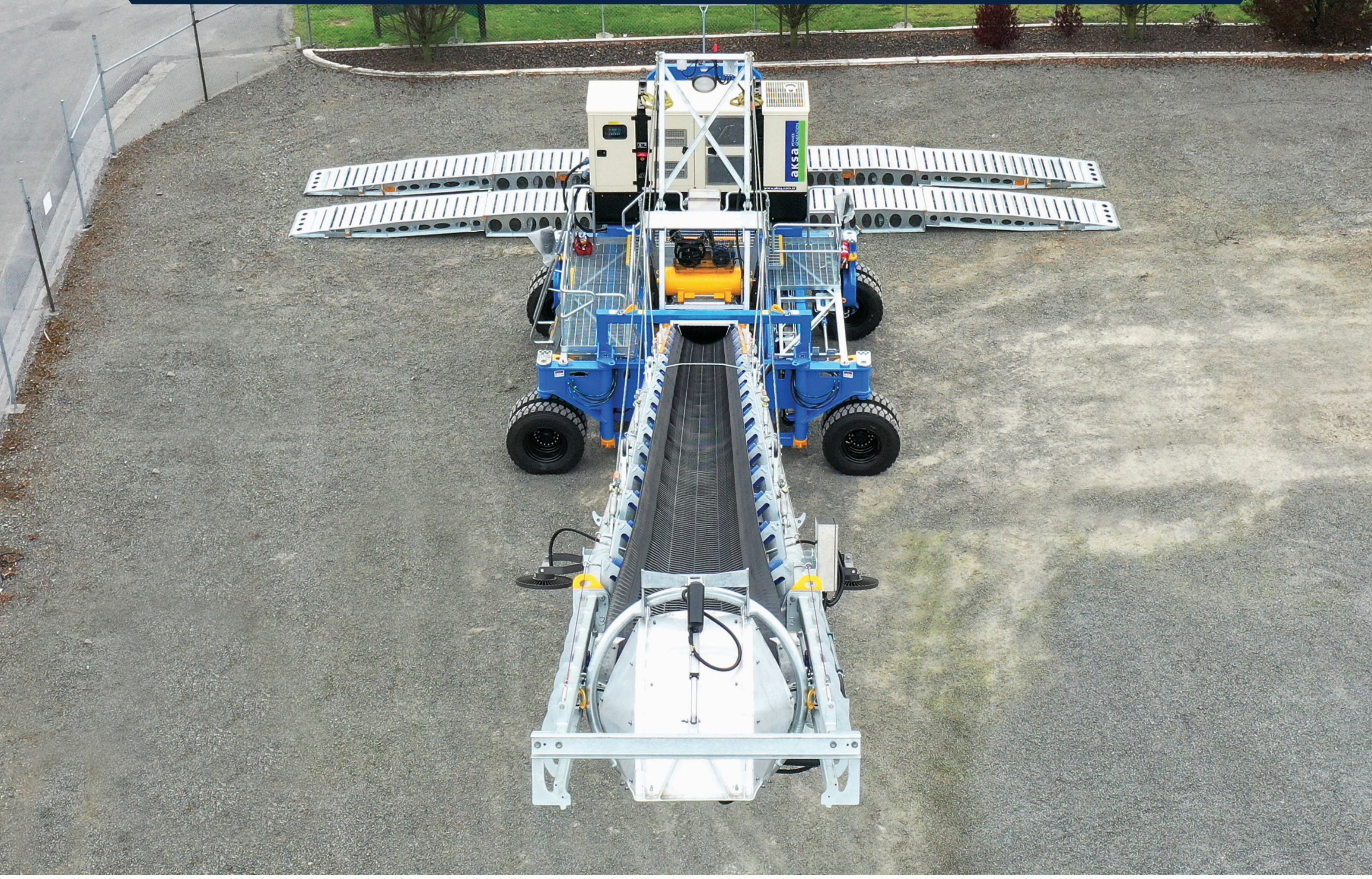
Warranty provisions

The Group provides warranties for repairs of defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold. Initial recognition is based on past experience of the level of repairs and is reviewed annually. The provision is between 1% and 1.5% of the contract revenue and it is expected that these costs would be incurred within two years of practical completion.

Cash flow forecasts and capital adequacy considerations

The financial statements have been prepared using the going concern assumption. For the half year ended 31 December 2022 the Group recorded net income after finance costs and taxation of $3,083,000 (2021: $1,409,000).

The Company has renegotiated its banking facilities, which include covenants which are applicable as at 31 December 2022. As at 31 December 2022 the Group maintained a facility with a limit of



$5,000,000 (2021: $5,000,000). This facility matures on 30 September 2023. The Company also had a total of $1,000,000 overdraft facility, which was undrawn at balance date. The Group also had cash balances of $10,499,000 on hand as at 31 December 2022 (2021: $3,047,000).

As at 31 December 2022, the Group's liquidity as measured by available facility limits and cash balances was $16,499,000 (2021: $9,047,000).

The Directors remain confident that with the re-opening of New Zealand's borders, the strong forward sales pipeline and the ongoing diversification strategy, the businesses are well positioned for the future. Therefore, the Directors believe that it continues to be appropriate to prepare financial statements on a going concern basis.

While the Directors remain confident as to the Group's future, if the Group was unable to continue as a going concern, to operate and pay debts as and when they become due, adjustments would have to be made to reflect the situation that assets may need to be realised and liabilities extinguished other than in the normal course of business, and at amounts which could differ significantly from the amounts at which they are currently recorded.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group may use derivative financial instruments such as forward foreign exchange contracts to economically hedge certain foreign currency risk exposures. Derivatives are exclusively used for hedging purposes (while hedge accounting is not applied as the Group does not meet the hedge accounting criteria), i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange to determine market risk and aging analysis for credit risk.

The Board provides a framework for overall risk management which identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management covering specific areas such as exchange rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

5 SEGMENT INFORMATION

The Group is organised into the following reportable segments by product and services type:

Automation: This division houses the Group's Automation brands. It designs, manufactures, delivers and services automated solutions to a range of industries, predominantly in the food sectors.

H&C markets and sells its core cheese systems brand as well as providing automated solutions to other sectors. It also operates the Group's other brands which include Aico and Beta. Milmeq is an established and respected brand in designing, manufacturing and installing chilling and freezing tunnels and plate freezing systems. Milmeq also has an asset management business that provides service, spare parts and support to its customers which complements H&C's already existing service and spares business. There is significant customer crossover between H&C and Milmeq, as we continue to integrate and improve our Automation offering.

Fabrication: This division includes the Mercer Stainless and SCE workshops in Christchurch that sell, design and manufacture proprietary equipment for primary industries across New Zealand and Australia.

Mercer Technologies: This division manages the Group's research and development that sits outside of the Automation business.

Corporate: This division incorporates the head office activities of the Group and includes rental received from the other segments in respect of properties they occupy.

The classification of some balances and transactions within the defined segments was updated in the 2022 financial year following the adoption of a new ERP system by the Group. To ensure comparability the 2021 amounts have also been updated accordingly.

The table below shows the sales revenue, earnings before interest, tax, depreciation, amortisation and impairments (Operating EBITDA) by segment.

		UNAUDITED						AUDITED		
		31 DECEMBER 2022			31 DECEMBER 2021			30 JUNE 2022		
IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	Total sales of goods and contract revenue	Segment result (Operating EBITDA)	Segment assets	Total sales of goods and contract revenue	Segment result (Operating EBITDA)	Segment assets	Total sales of goods and contract revenue	Segment result (Operating EBITDA)	Segment assets
Stainless Fabrication		13,837	872	6,572	10,874	821	7,620	24,336	2,100	9,377
Automation		29,749	4,293	13,126	21,374	2,248	12,959	47,122	4,243	21,610
Mercer Technologies		—	(4)	4,526	—	(18)	4,460	—	(18)	4,485
Corporate		—	(722)	14,356	—	(930)	8,223	—	(1,565)	7,952
Intersegment eliminations		(765)	—	—	(2,725)	—	—	(3,890)	—	—
Sales, Operating EBITDA, Assets		**42,821**	**4,439**	**38,580**	**29,523**	**2,121**	**33,262**	**67,568**	**4,760**	**43,424**
ERP implementation costs		—	—	—	—	—	—	—	(285)	—
Share based payments	10	—	(300)	—	—	—	—	—	(555)	—
Depreciation and amortisation		—	(899)	—	—	(742)	—	—	(1,660)	—
Finance costs		—	(40)	—	—	(40)	—	—	(83)	—
Interest income		—	100	—	—	2	—	—	4	—
Income tax credit (charge)		—	(217)	—	—	68	—	—	(406)	—
Discontinued operation, net of tax		—	—	—	—	—	—	—	—	—
Total sales, income (deficit) after tax, assets		**42,821**	**3,083**	**38,580**	**29,523**	**1,409**	**33,262**	**67,568**	**1,775**	**43,424**

Properties, deferred tax balances and certain development assets in progress have been included in the Corporate segment.

Reconciliation of income (loss) from continuing operations to operating EBITDA

IN THOUSANDS OF NEW ZEALAND DOLLARS	UNAUDITED 31 December 2022	UNAUDITED 31 December 2021	AUDITED 30 June 2022
Income (loss) from continuing operations before finance costs and taxation	3,240	1,379	2,260
Add back depreciation and amortisation	899	742	1,660
Add back ERP implementation costs	—	—	285
Add back share based payments	300	—	555
Operating EBITDA	**4,439**	**2,121**	**4,760**

6 SHARE CAPITAL AND RESERVES

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. Shares have no par value.

There are no restrictions on distribution of reserves. The foreign currency translation reserve is used to record foreign exchange differences arising on the translation of overseas subsidiaries. The asset revaluation reserve records revaluation movements on land and buildings. The share based payments reserve is used to record the value of employee services payable through equity and the resulting transfer to equity on issue of the shares.

NUMBER OF SHARES	UNAUDITED 31 December 2022	UNAUDITED 31 December 2021	AUDITED 30 June 2022
Issued and fully paid up capital	66,369,067	65,619,067	66,069,067
Balance at beginning of the period	66,069,067	65,619,067	65,619,067
Shares issued during the period	300,000	—	450,000
Balance at the end of the period	**66,369,067**	**65,619,067**	**66,069,067**

7 DIVIDENDS

IN THOUSANDS OF NEW ZEALAND DOLLARS	UNAUDITED 31 December 2022	UNAUDITED 31 December 2021	AUDITED 30 June 2022
Cash dividend on ordinary shares declared and paid:			
Special dividend for 2022:	476	—	—
0.72 cents per share			
Special dividend for 2021:	—	984	984
1.5 cents per share			
	476	**984**	**984**

The special dividend was announced on 1 September 2022 (2021: 8 September 2021) for payment on 12 September 2022 (2021: 22 September 2021).

8 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share are calculated by dividing the profit/(loss) attributed to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

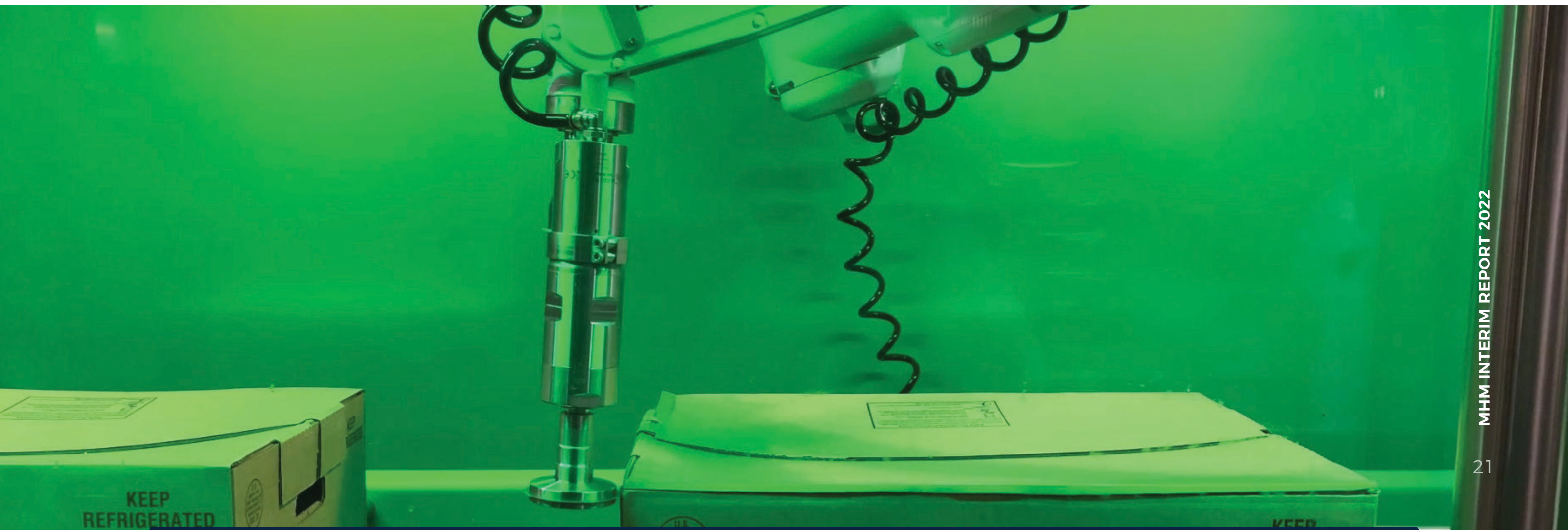
Diluted earnings per share are calculated by dividing the profit/(loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period adjusted to assume conversion of the dilutive potential of ordinary shares as a result of warrants on issue, and the exercise of share options where the weighted average market price of ordinary shares during the period exceeds the exercise price of the option/warrant.

There are potential dilutive instruments as at 31 December 2022, however these were not considered dilutive as tranche 3 of the senior executive plan is contingent on achievement of future performance targets (per note 10(c)(ii)), and are therefore contingently issuable shares.

	UNAUDITED		AUDITED
NUMBER OF SHARES	**31 December 2022**	**31 December 2021**	**30 June 2022**
Weighted average number of ordinary shares in issue:			
Basic	66,069,067	65,619,067	65,619,067
Equity based remuneration	300,000	—	450,000
Total	**66,369,067**	**65,619,067**	**66,069,067**
Income attributable to the shareholders of the Company ($000)	3,083	1,409	1,775
Basic earnings per share	4.66 cents	2.15 cents	2.70 cents
Diluted earnings per share	4.66 cents	2.15 cents	2.70 cents

9 CONTINGENT LIABILITIES

	UNAUDITED		AUDITED
IN THOUSANDS OF NEW ZEALAND DOLLARS	**31 December 2022**	**31 December 2021**	**30 June 2022**
Guarantee to bankers for credit card facilities up to a limit of $240,000	239	221	240
Guarantees to bankers for bank guarantees issued to third parties for work completed from which it is anticipated that no material liabilities will arise	7,444	10,976	13,070
	7,684	**11,197**	**13,310**



10 RELATED PARTY TRANSACTIONS

(A) DIRECTORS

The names of persons who were directors of the company at any time during the financial period are as follows: T Burt, C Neal, G Rolleston, R Rookes and P Smart.

(B) KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation for the half years ended 31 December 2021 and 2022 and the year ended 30 June 2022 is set out below. The key management personnel are all the directors of the company and the executives with the greatest authority for the strategic direction and management of the company.

	UNAUDITED		AUDITED
IN THOUSANDS OF NEW ZEALAND DOLLARS	31 December 2022	31 December 2021	30 June 2022
Short term benefits	1,045	998	1,805
Long term benefits	48	37	77
Share based payments	300	—	555
Directors' fees	121	110	220
Total	**1,514**	**1,145**	**2,657**

(C) EQUITY INSTRUMENTS

(i) Share options

	31 December 2022	31 December 2021	30 June 2022
At beginning of the period	600,000	—	—
Granted	—	—	1,050,000
Exercised	(300,000)	—	(450,000)
At end of the period	**300,000**	—	**600,000**

(ii) Share based payments

The Group operates a Senior Executive Plan (Plan) which was approved by the Board of Directors of the Company on 3 May 2022. The Plan is designed to provide incentives for the senior executives to deliver long-term shareholder returns.

Under the Plan, share options have been granted to the CEO and CFO at a zero-exercise price and carry no dividend or voting rights. Each exercised option converts to one ordinary share. The fair value of the options ($0.67) is estimated by reference to the share price on the grant date taking into account the terms and conditions upon which the share options were granted.

The first tranche of the options was exercised on 30 June 2022. R Rookes was issued 300,000 shares at a value of $201,000 and I McGregor was issued 150,000 shares at a value of $100,500 as consideration for their services as chief executive and chief financial officer of the Company.

The second tranche of the options was exercised early on 21 October 2022. R Rookes was issued 200,000 shares at a value of $134,000 and I McGregor was issued 100,000 shares at a value of $67,000 as consideration for their services as chief executive and chief financial officer of the Company.

The share price of the options exercised during the period was $0.63 (2022: $0.65).

In addition, the company made an additional payment of $130,645 (2022: $201,777) to the senior executives in cash to cover their tax obligation in relation to the share based payment transaction.

The third tranche of options vest if the EBITDA targets for June 2024 are achieved and the senior executives remain employed on 31 December 2024.

Expense and liability arising from the Plan are as follows:

IN THOUSANDS OF NEW ZEALAND DOLLARS	31 December 2022	31 December 2021	30 June 2022
Equity settled	182	—	332
Payment in relation to tax obligation	118	—	223
Total share based payment expense	**300**	**–**	**555**
Cash settled liability	**118**	**–**	**223**

11 ACQUISITION OF WYMA ENGINEERING (NZ) LIMITED

On 21 December 2022 it was announced that the Company had signed a conditional agreement to purchase all the shares in Wyma Engineering (NZ) Limited (Wyma).

Wyma is a world leading manufacturer of post-harvest vegetable and fruit handling equipment, based in Christchurch. It has operations in Europe and the UK.

The acquisition potentially values the business at $60.0m (5.5x - 6x EBITDA multiple) and will be structured as follows:

- Issue of 22.67m new shares in MHM Automation Limited (representing 25.46% post transaction)
- Initial cash payment of $28.0m
- Earnout of $15.0m over three years

The transaction is conditional upon shareholder approval, the completion of satisfactory due diligence and securing satisfactory debt and equity funding. Debt funding was approved on 20 February 2023.

Settlement is targeted for 3 April 2023.

MHM AUTOMATION

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