MHM AUTOMATION

MHMAUTOMATION.COM

Mercer HSC milmeq

INTERIM REPORT
SIX MONTHS ENDED 31 DECEMBER 2020

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HIGHLIGHTS

OF THE SIX MONTH PERIOD TO 31 DECEMBER 2020:

FINANCIAL

Total operating revenue of

$24.7M

Operating EBITDA of

$1.46M

A 63% increase on the prior period.

Income after tax from continuing operations

$469K

vs $255k for the prior period.

Net profit after tax from all operations

$372K

During the period the New Plymouth building was sold for

$3.95M

Settlement occurred after balance date. The gain on disposal will be reported in the results to 30 June 2021.

Net debt of

$1.2M

as at 31 December 2020.

MHM Automation Limited (MHM) increases Operating EBITDA in half year to 31 December 2020.

HIGHLIGHTS

STRATEGIC

+ Rebrand to MHM AUTOMATION to better reflect who we are as a business and our strategic direction.

+ Restructure to **'one group'** to position us for margin improvement and give us a platform for growth.

+ Appointment of **Scan American Corp** in US to represent us in the North American meat processing and pharmaceutical sectors.

+ Commenced our first **ASRS project** into the Australian red meat industry with our European partners, **TGW and Inther.**

+ Sale of our first **Milmeq freezing tunnel** into the North American red meat market.

+ Successful exit of New Plymouth operation and **sale of our property at $1.9m above book value**.

+ Acquisition of **Southern Cross Engineering** announced in December (settled in January 2021).

MHM AUTOMATION

FINANCIAL PERFORMANCE

IN THOUSANDS OF NEW ZEALAND DOLLARS	Six months to 31 December 2020	Six months to 31 December 2019	% Change
Sales revenue			
Automation	20,897	21,243	-2%
Fabrication	3,832	4,435	-14%
MHM H1 Sales Revenue	24,729	25,678	-4%
EBITDA	1,459	896	63%
Income from continuing operations	469	255	84%
Income from all operations	372	447	-17%

IN THOUSANDS OF NEW ZEALAND DOLLARS	Six months to 31 December 2020	Six months to 31 December 2019	$000's Change
Non recurring and abnormal items			
Non recurring items	(245)	260	(505)
Discontinued operation	(97)	192	(289)

Sales revenue (excluding wage subsidies) of $24.7m for the six months was down 4% on the prior period, mainly due to declining Stainless revenue following the closure of our New Plymouth stainless site.

Travel restrictions due to COVID-19 impacted certain Automation project deliveries and the subsequent timing of revenue recognition. Our Automation sales revenue was 85% of group sales for the period.

Operating EBITDA of $1.46m was an increase of 63% on the restated prior period of $896k. The table above shows the impact of the discontinued business. Automation EBITDA of $1.54m was 54% up on the prior period. We are continuing to drive improvement in margins of our Automation projects. During the period the warranty provisioning for Automation was increased by $347k due to an increased number of completed projects which are now in a warranty period (typically 12-24 months).

The pre-tax profit of $565k was 3% up on the prior year. This includes $245k of cost relating to the closure of New Plymouth vs. the comparative that included $260k for the Milmeq acquisition adjustment.

The after tax profit for all operations was $372k which was 17% down on the prior period, this included a $97k loss from the discontinued operation in the current period.

Net debt was $1.2m which was unchanged from 30 June 2020. Total liquidity from cash and undrawn facilities was $5.3m.

OPERATIONS

We have begun the process of merging the businesses across the MHM group onto one platform.

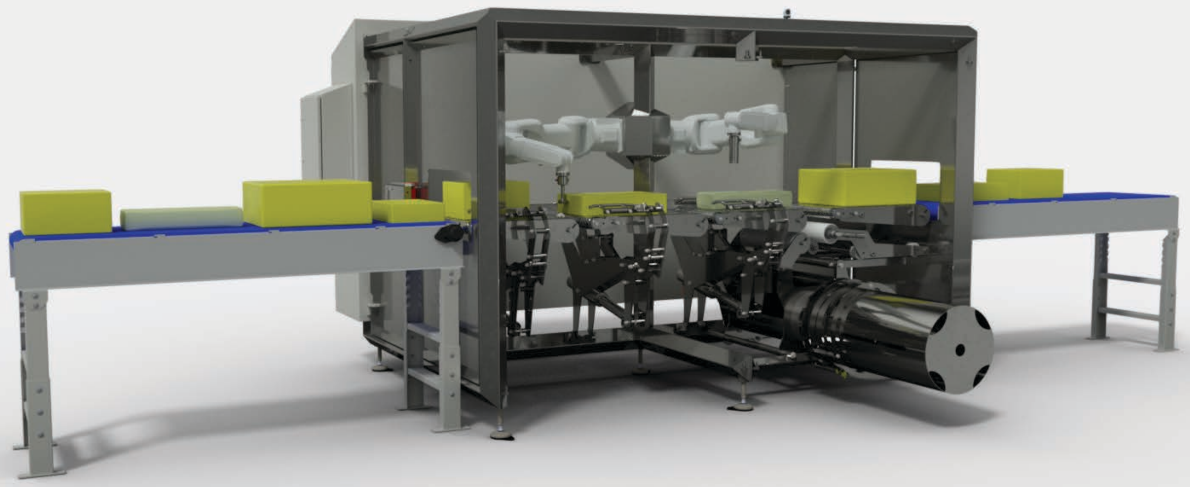
This will allow for more efficient operations and will be enabled by a new cloud-based ERP, which is due to go live on 1 July 2021. As part of this process we have streamlined our operating structure, with group-wide sales being brought into one team and the appointment of a new Chief Operating Officer across the group. At the same time, we have formed a dedicated R&D Innovation team to drive forward our product development strategy to ensure our solutions remain technologically up to date and price competitive.

While COVID-19 impacted our ability to freely move in and out of our foreign markets our operational flexibility and strong customer relationships have allowed us to deliver on all projects. We were grateful that several key members of our team were still willing and able to travel to the US, Europe and Australia for the install and commissioning of our systems. This commitment to the MHM group is very valuable and we thank those team members.

The Milmeq product range has continued to perform well, with strong demand from the Australian red meat sector continuing. During the period we secured the sale of our first automated storage and retrieval system (ASRS) into the Australian red meat sector with our European partners TGW and Inther. The contract value is $10m and will be delivered over the next 12 months. ASRS is a logical next step in automation from our Milmeq chilling and freezing systems, so this contract is a significant strategic win for us. We also sold our first Milmeq freezing tunnel into the US red meat industry. This is evidence of the export driven technology that has been developed in Australasia for the red meat exporters starting to be accepted as market standard globally. This is an exciting development for us.

The H&C reverse packaging systems are seeing adequate demand out of the US cheese converting industry. We expect this demand to remain stable. The H&C range has continued its drive to diversify its markets and is now seeing increasing demand from the New Zealand horticulture sector, which is positive. This automation capability is also being cross sold into the Milmeq customer base.

The Stainless fabrication business has continued to operate in a competitive environment. We closed the New Plymouth workshop and have consolidated our manufacturing footprint to Christchurch.



H&C Robotic De-Bagger

NEW PLYMOUTH SALE

Following the exit of the New Plymouth Stainless operation, we sold the building and certain assets located on Corbett Road. The sale price was $4m and went unconditional on 11 December 2020, before settling on 15 January 2021. This $4m sale price was $1.9m greater than book value. The proceeds of the sale will be used to repay debt, renovate and strengthen our buildings at Lunns Road in Christchurch, to increase our bonding facilities and for working capital. The exit of the New Plymouth operation has been successful strategically, operationally and financially.

SCE GROUP SOUTHERN CROSS ENGINEERING

SOUTHERN CROSS ENGINEERING

During December, MHM announced the acquisition of Christchurch-based diversified engineering firm Southern Cross Engineering. The acquisition settled on 11 January 2021. This acquisition provides further diversification and scale to our operations, with SCE having strong positions in the New Zealand timber, meat, dairy and infrastructure sectors. The MHM Automation capability will be able to be sold alongside the SCE product sets and we are already seeing the cross selling and operational efficiencies in our Christchurch operations.

S-CLAVE

The S-Clave project continues to represent a significant opportunity for MHM. The project has been impacted by COVID-19, as the new film for testing is being sourced from Italy and has seen long delays. We are currently exploring options for further resource to be allocated to the project outside of the core MHM Automation business and will keep shareholders informed as this progresses.

OUTLOOK

We are confident that the financial year to 30 June 2021 will see increased operational profitability from the prior year.

The Milmeq product set has very good workflows and is now taking orders for delivery in the back half of 2022. The H&C automated solutions have seen increasing demand and have a strong pipeline of more orders which we expect to convert in the short term. The stainless fabrication business has recently secured a number of large contracts that see those operations largely committed for the financial year.

Longer term we are focused on building and delivering a sustainable growth strategy that is focused on technology and automation. We are still building the platform to grow and increase profitability, with the focus on:

1. The one group process, bringing all of our product brands under the MHM Automation umbrella, including a new cloud based ERP and operating structure. This is vitally important to allow us to have a platform from which to increase margins and be an enabler of growth.
2. Building our growth strategy in the global markets, based off our core IP in vision systems, automation, machine learning and data analytics, in conjunction with our trusted customer relationships. This growth strategy will be a mix of new markets, new products and the cross-selling of capability across the MHM customer base.
3. Continuing to invest in product development, innovation and R&D.

Richard Rookes, CEO

CONDENSED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		UNAUDITED		AUDITED
IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	Six months to December 2020	Six months to December 2019	Twelve months to June 2020
Revenue				
Sale of goods and contract revenue	5	24,729	25,678	48,040
Other income including acquisition adjustment		360	278	1,063
Total income		**25,089**	**25,956**	**49,103**
Expenses				
Changes in inventories of finished goods and work in progress		(617)	(39)	(97)
Raw materials and consumables used		(15,550)	(16,161)	(30,406)
Salaries and wages		(5,548)	(6,145)	(11,689)
Other expenses		(2,160)	(2,455)	(4,934)
Depreciation		(430)	(388)	(816)
Amortisation		(58)	(9)	(54)
Income from operations before finance costs and taxation		**726**	**759**	**1,107**
Bank facilities		(125)	(158)	(287)
Lease interest		(36)	(50)	(46)
Total finance costs		(161)	(208)	(333)
Income from operations after finance costs and before taxation		**565**	**551**	**774**
Income tax credit (expense)		(96)	(296)	310
Income from continuing operations after finance costs and taxation		**469**	**255**	**1,084**
Income (loss) from discontinued operation, net of tax	12	**(97)**	**192**	**(150)**
Income from all operations		**372**	**447**	**934**
Other comprehensive income (loss)				
Items that may be subsequently charged or credited to profit or loss				
Currency translation differences on overseas subsidiaries		(4)	7	(68)
Other comprehensive income (loss) for the period, net of tax		**(4)**	**7**	**(68)**
Total comprehensive income for the period		**368**	**454**	**866**
Basic earnings per share:	11			
Earnings per share attributable to shareholders of the company (cents)		0.57	0.69	1.42
Fully diluted earnings per share:	11			
Earnings per share attributable to shareholders of the company (cents)		0.57	0.69	1.42

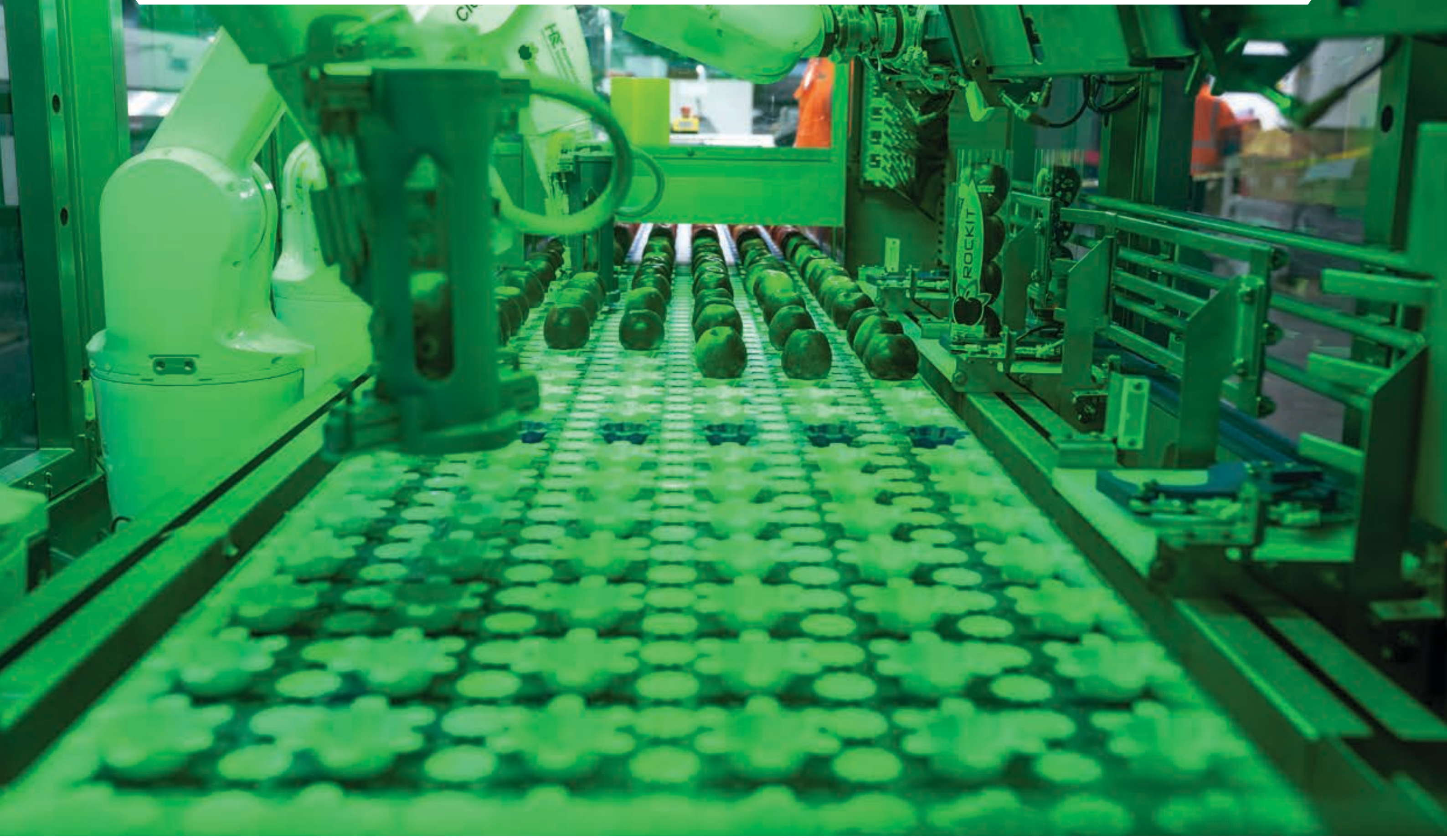
The above Condensed Group Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

IN THOUSANDS OF NEW ZEALAND DOLLARS		UNAUDITED		AUDITED
ASSETS	NOTE	Six months to December 2020	Six months to December 2019	Twelve months to June 2020
Current assets				
Cash and bank balances		2,296	3,130	2,323
Accounts receivable		5,971	5,800	4,861
Other debtors and prepayments		421	840	238
Finance lease receivable		11	—	11
Inventories		1,776	2,353	2,393
		10,475	**12,123**	**9,826**
Assets held for sale	6	2,072	—	—
Total current assets		**12,547**	**12,123**	**9,826**
Non current assets				
Property, plant and equipment		3,992	6,232	6,174
Right-of-use assets		1,046	1,362	1,260
Intangible assets		5,273	5,374	5,180
Finance lease receivable		272	297	279
Deferred tax asset		778	249	873
Total non current assets		**11,361**	**13,514**	**13,766**
Total assets		**23,908**	**25,637**	**23,592**
LIABILITIES				
Current liabilities				
Bank overdraft		—	—	—
Contract liabilities		8,887	8,422	6,508
Derivative financial instruments		(99)	8	35
Trade and other payables		3,880	6,984	5,897
Warranty provision		680	—	333
Employee entitlements		1,020	1,075	1,375
Loans and borrowings		360	1,490	437
Lease liabilities		487	352	499
Total current liabilities		**15,215**	**18,331**	**15,084**
Non current liabilities				
Loans and borrowings		3,177	2,478	3,162
Lease liabilities		647	1,025	845
Total liabilities		**19,039**	**21,834**	**19,091**
Net assets		**4,869**	**3,803**	**4,501**
EQUITY				
Share capital	9	44,634	44,366	44,634
Other reserves	9	2,933	3,012	2,937
Accumulated losses		(42,698)	(43,575)	(43,070)
Total equity		**4,869**	**3,803**	**4,501**

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



CONDENSED GROUP STATEMENT OF MOVEMENTS IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	ATTRIBUTABLE TO THE OWNERS OF THE GROUP					
IN THOUSANDS OF NEW ZEALAND DOLLARS	Share capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Asset revaluation reserve	Total equity
Audited balance at 1 July 2019	**44,366**	**(43,956)**	**211**	**(77)**	**2,871**	**3,415**
Foreign currency translation reserve movement	—	—	—	7	—	7
IRFS16 prior year restatement	—	(66)	—	—	—	(66)
Income for the half year	—	447	—	—	—	447
Total comprehensive income for the half year	—	**381**	—	**7**	—	**388**
Unaudited balance at 31 December 2019	**44,366**	**(43,575)**	**211**	**(70)**	**2,871**	**3,803**
Audited balance at 1 July 2020	**44,634**	**(43,070)**	**211**	**(145)**	**2,871**	**4,501**
Foreign currency translation reserve movement	—	—	—	(4)	—	(4)
Income for the half year	—	372	—	—	—	372
Total comprehensive income (loss) for the half year	—	**372**	—	**(4)**	—	**368**
Unaudited balance at 31 December 2020	**44,634**	**(42,698)**	**211**	**(149)**	**2,871**	**4,869**

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

GROUP STATEMENT OF CASH FLOW

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	UNAUDITED Six months to December 2020	UNAUDITED Six months to December 2019	AUDITED Twelve months to June 2020
OPERATING ACTIVITIES				
Income after tax		469	255	1,084
Income tax recognised in Condensed Group Statement of Comprehensive Income		96	296	(310)
Tax paid		—	—	—
Finance costs		161	208	333
Depreciation and amortisation		233	161	387
Amortisation of right-to-use assets		259	236	483
Change in inventory provision		43	97	(1,662)
Change in expected credit loss		(54)	35	43
Change in warranty provision		347	—	333
(Gain) loss on sale of plant and equipment		(17)	—	(3)
Non-cash component of shares issued under employee share scheme		—	—	268
Income from discontinued operation, net of tax	12	(97)	192	(150)
Derivative financial instruments		(134)	—	27
Changes in working capital		(575)	1,358	1,911
Interest paid		(125)	(208)	(287)
Net cash in flow from operating activities		**606**	**2,630**	**2,457**
INVESTING ACTIVITIES				
Cash was provided (to) from:				
Purchase of property, plant and equipment		(183)	(57)	(180)
Purchase of patents and development activities		(151)	(460)	(312)
Finance lease		7	7	14
Proceeds from disposal of property, plant and equipment		52	4	6
Net cash to investing activities		**(275)**	**(506)**	**(472)**
FINANCING ACTIVITIES				
Cash was provided from (to):				
Lease payments		(296)	—	(511)
Drawdown of borrowings		—	400	2,900
Repayment of borrowings		(58)	(3,074)	(5,656)
Net cash inflow from (to) financing activities		**(354)**	**(2,674)**	**(3,267)**
Net increase (decrease) in cash held		**(23)**	**(550)**	**(1,282)**
Cash at beginning of the period		2,323	3,673	3,673
Effect of exchange rate changes		(4)	7	(68)
Cash at the end of the period		**2,296**	**3,130**	**2,323**

The Statement of Cash Flow is exclusive of GST.

The above Condensed Group Statement of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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, Sockburn, Christchurch. It is registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013.

On 1 September 2020, Mercer Group Limited changed its name to MHM Automation Limited.

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 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 Automated Solutions 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, Beta and most recently, Milmeq product ranges. The Milmeq name 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.

Stainless Fabrication: This division includes workshops in Christchurch and until September 2020, New Plymouth, that designs and manufactures proprietary equipment mainly for the dairy, wine and food sectors.

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 is Australia's largest supplier of medical sterilisation equipment.

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

The condensed financial statements have been approved for issue by the Board of Directors on 18 February 2021, 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 2020, 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 (IFRS), and other applicable New Zealand 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 2020. 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.

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 Annual Financial Statements for the year ended 30 June 2020.

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 2020 the Group recorded net income after finance costs and taxation of $372,000.

The Company has renegotiated its banking facilities, which include covenants that are applicable as at 31 December 2020. The Company maintains two term facilities with limits of $5,000,000 and $622,220. Both these facilities mature on 30 September 2022. The Company also had a total of $1,000,000 overdraft facilities with $1,000,000 available limit at balance date.The Group also had cash balances of $2,296,000 on hand as at 31 December 2020. As at balance date the available limit and cash provided Group liquidity of $5,246,000.

Over the course of the prior year and current period, a strategy to broaden Haden & Custance (H&C) sales focus from cheese handling equipment to other protein sectors; poultry and red meat was implemented. Milmeq has contracted orders for the next 15 months, which allows the business to focus on the execution and delivery of projects. With the banking facilities renegotiated, the Board has approved the annual budget and cash flow forecast that shows the Group profitable and positive operating cash flow for the year ended 30 June 2021. The Directors believe the going concern assumption is valid and have reached this conclusion having regard to the circumstances which they consider likely to affect the Group during the period of at least one year from the date these financial statements are approved.

The Directors remain confident that the factors above, and an improved operating cashflow, will support the business in 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 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 Automated Solutions 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, Beta and most recently, Milmeq product ranges. The Milmeq name 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.

Stainless Fabrication: This division includes workshops in Christchurch and until recently, New Plymouth, that designs and manufactures proprietary equipment, mainly for the dairy, wine and food sectors.

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

IN THOUSANDS OF NEW ZEALAND DOLLARS	31 DECEMBER 2020 - UNAUDITED			31 DECEMBER 2019 - UNAUDITED			30 JUNE 2020 - AUDITED		
	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	4,725	308	910	5,860	152	1,460	9,204	180	1,351
Automation	29,038	1,538	8,480	30,989	1,009	10,019	64,440	2,516	8,043
Mercer Technologies	—	(21)	5,377	—	(34)	5,177	—	(35)	5,290
Corporate	—	(366)	9,141	—	(231)	8,981	—	(88)	8,908
Intersegment eliminations	(9,034)	—	—	(11,170)	—	—	(25,604)	—	—
Sales, Operating EBITDA, Assets	**24,729**	**1,459**	**23,908**	**25,678**	**896**	**25,637**	**48,040**	**2,573**	**23,592**
Non-recurring items	—	(245)	—	—	260	—	—	(596)	—
Depreciation and amortisation	—	(488)	—	—	(397)	—	—	(870)	—
Finance costs	—	(161)	—	—	(208)	—	—	(333)	—
Income tax credit (charge)	—	(96)	—	—	(296)	—	—	310	—
Discontinued operation, net of tax	—	(97)	—	—	192	—	—	(150)	—
Total sales, income (deficit) after tax, assets	**24,729**	**372**	**23,908**	**25,678**	**447**	**25,637**	**48,040**	**934**	**23,592**

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		AUDITED
	31 December 2020	**31 December 2019**	**30 June 2020**
Income (loss) from continuing operations before finance costs and taxation	726	759	1,107
Add back depreciation and amortisation	488	397	870
Add back non-recurring items	245	(260)	596
Operating EBITDA	**1,459**	**896**	**2,573**

6 ASSETS HELD FOR SALE

In September 2020, the directors began to market the land and buildings at Corbett Road as a result of closing the New Plymouth workshop. On 15 December 2020, a non-refundable deposit of $150,000 was received from the purchaser.

(I) DISPOSAL ACTIVITIES AFTER REPORTING DATE NOT RECOGNISED

The sale of land and buildings and some plant settled on 15 January 2021 for $4.0 million.

The land and buildings are included within the Stainless Fabrication segment for the purpose of segment reporting.

(II) ASSETS HELD FOR SALE

The following major classes of assets relating to this transaction have been classified as held for sale in the condensed consolidated statement of financial position on 31 December 2020:

Land	650
Buildings	1,366
Plant and Equipment	974
Accumulated Depreciation	(918)
Assets held for sale	**2,072**

6 CONTINGENT LIABILITIES

IN THOUSANDS OF NEW ZEALAND DOLLARS	UNAUDITED		AUDITED
	31 December 2020	**31 December 2019**	**30 June 2020**
Guarantee to bankers for credit card facilities up to a limit of $221,000	221	156	221
Guarantees to bankers for bank guarantees issued to third parties for work completed from which it is anticipated that no material liabilities will arise	6,972	7,735	7,337
Total Income Expenses	**7,193**	**7,891**	**7,558**

8 RELATED PARTY TRANSACTIONS

(A) DIRECTORS

The names of persons who were Directors of the Company at any time during the 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 2019 and 2020 and the year ended 30 June 2020 are 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 2020	31 December 2019	30 June 2020
Short term benefits	627	593	1,081
Long term benefits	21	44	38
Share based payments	—	—	400
Directors' fees	105	77	168
Total	**753**	**714**	**1,687**

(C) EQUITY INSTRUMENTS

(i) Share options

All share options have expired.

9 SHARE CAPITAL AND RESERVES

	UNAUDITED		AUDITED
NUMBER OF SHARES	31 December 2020	31 December 2019	30 June 2020
Issued and fully paid up capital	**65,619,067**	**64,520,706**	**65,619,067**
Balance at beginning of the period	65,619,067	64,520,706	64,520,706
Shares issued during the period	—	—	1,098,361
Balance at the end of the period	**65,619,067**	**64,520,706**	**65,619,067**

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.

10 DIVIDENDS

No dividend was paid or declared (December 2019: nil).

11 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.

	UNAUDITED		AUDITED
NUMBER OF SHARES	31 December 2020	31 December 2019	30 June 2020
Weighted average number of ordinary shares in issue:			
Basic	65,619,067	64,520,706	64,520,706
Equity based remuneration	—	—	1,098,361
Total	**65,619,067**	**64,520,706**	**65,619,067**
Income attributable to the shareholders of the Company ($000)	372	447	934
Basic earnings per share	0.57 cents	0.69 cents	1.42 cents
Diluted earnings per share	0.57 cents	0.69 cents	1.42 cents

12 DISCONTINUED OPERATIONS

In August 2020, it was announced that the Stainless Fabrication operation in New Plymouth would close.

	UNAUDITED		AUDITED
IN THOUSANDS OF NEW ZEALAND DOLLARS	31 December 2020	31 December 2019	30 June 2020
Result of discontinued operation			
Revenue	827	2,168	3,537
Expenses	(923)	(1,976)	(3,687)
Income (loss) for the period	**(97)**	**192**	**(150)**

13 SUBSEQUENT EVENTS

On 11 January 2021, MHM Automation Ltd purchased certain assets and intellectual property of Southern Cross Engineering Ltd (SCE), a Christchurch based diversified engineering firm. It designs, manufactures and distributes a range of high quality equipment into the meat, dairy, timber and infrastructure sectors.

The SCE acquisition provides scale and diversification for the Christchurch manufacturing base which has traditionally been reliant on the dairy sector.

The purchase price is based on net assets being acquired and will be settled by way of annual earn out payments in the period from settlement to 31 January 2023. At reporting date, the value of the net assets being acquired was not finalised. The trading results from 11 January 2021 to 30 June 2021 will be consolidated into the Stainless Fabrication segment in the annual financial statements.

MHM AUTOMATION

Mercer HDC milmeq

HASTINGS
210 Wilson Road
Woolwich
Hastings 4120
New Zealand

AUCKLAND
Level 15
55 Shortland Street
Auckland 1010
New Zealand

CHRISTCHURCH
53 Lunns Road
Christchurch 8042
New Zealand

BRISBANE
Unit 3
10 Moore Street
Acacia Ridge
QLD 4110
Australia

+64 9 558 6192 | support@mhmautomation.com