2021 ANNUAL REPORT

MHM AUTOMATION

CONTENTS

MHM

CHAIR'S REPORT

FROM EVOLUTION TO DELIVERY

Last year I described our business as being in the process of evolution towards a greater focus on automation and becoming a more technology focused company.

As MHM Automation, that evolution from our previous identity, Mercer Group, is complete. We have firmly cemented MHM Automation as a credible automation company.

Last year I also reflected on the shape of our business changing as revenue from automation was over 80% of our business. I'm pleased to say we have stayed in shape and automation continues to account for the majority of our revenue.

MILESTONES

This past year has seen us deliver on some significant strategic milestones:

- The **repositioning and rebranding** of the company as MHM Automation
- The restructure of operations under a **"one group" strategy**
- The closure and **sale of our site** in New Plymouth
- A successful acquisition of **Southern Cross Engineering**
- Greatly **improved financial performance**

The focus on operational improvement has seen improvement in our margins with EBITDA of $3.7m (last year $2.5m) representing 7% of revenue versus 5% last year.

NPAT has greatly improved from $0.9m to $4.1m which included $1.65m of profit from the sale of the New Plymouth assets.

More and more we are consolidating our operations to one group to achieve efficiencies and to help create a greater focus on delivering automated solutions to our global customer base. If we can continue to do this the prospects for us are strong as the world's food processors continue to look to automation of their operations.

Health and safety management continues to be strong as we put more resources and focus into keeping our people safe. Our TRIFR is well ahead of the benchmark with other similar businesses.

On behalf of the board, I want to thank our staff for their efforts and contribution to the results we have achieved. We have a particularly committed team who were prepared to brave COVID-19 and travel to the USA to execute on some key projects that we had secured, away from their families for many weeks and having to endure managed isolation on return to New Zealand.

Our CEO Richard Rookes continues to build capability in our leadership team as they execute the growth strategy we have identified.

Our shareholder support has continued, and we have welcomed some new shareholders to our register as well as having a strong stable base of loyal supporters. I want to thank all shareholders for their support during the past 12 months, a period which has seen solid growth in our share price providing some positive reward to all shareholders. I look forward to this ongoing growth as we continue to improve our underlying financial performance.

Despite the challenges of managing within a COVID-19 impacted world, our team has delivered a financial performance that is greatly improved and provides the base for strong growth ahead.

The outlook for the company is very positive and will only get better once global conditions with the pandemic improve.

Trevor Burt
Board Chair

Richard Rookes
CEO

CEO REPORT

CONTINUING TO DRIVE PERFORMANCE

HIGHLIGHTS

+ Revenue $50.9m

Revenue increased 6.1% year on year to $50.9m, 78% of which was generated from our automation business

+ Net profit $4.1m

Net profit after tax of $4.1m for the year

+ Equity

Improved **balance sheet equity position**

+ SCE

Acquisition of **Southern Cross Engineering** providing further diversification

+ Key US market sale

Sale of our **first Milmeq freezing tunnel into the North American red meat sector**

+ EBITDA Up 50%

Group operating **EBITDA $3.7m**, up 50% on the prior year

+ Cashflow $7m

Strong cashflow generation with term debt facilities undrawn at year end and cash on hand of $7m

+ Rebrand

Rebrand to MHM Automation and a new operating structure in place

+ $1.9m

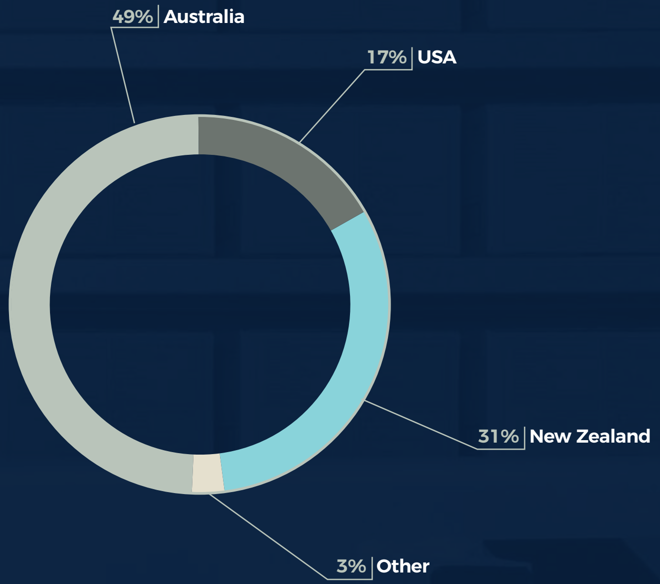
Exit of the New Plymouth operation and sale of our property at **$1.9m over book value**

+ ASRS

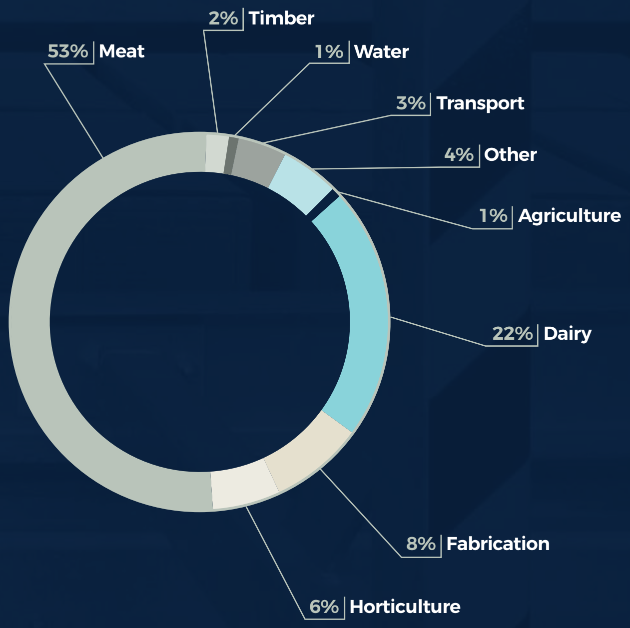
Commenced our first ASRS project in the Australian red meat sector with our European partners TGW and Inther

OVERVIEW

REVENUE
BY GEOGRAPHY



REVENUE
BY SECTOR



AN EXPECTATION OF BEHAVIOUR

Hard work

Resilient

Solution focused

Get the job done

WE ARE **BOLD**

We solve problems, we are hardworking, courageous and straight forward.

AN EXPECTATION OF BEHAVIOUR

We innovate

We ask questions

We are confident

We solve problems

WE ARE **ASPIRATIONAL**

We think differently and we can do better.

PEOPLE

We have a great team across MHM Automation.

AN EXPECTATION OF BEHAVIOUR

Stringent health and safety standards

Team work and support

Honest and respectful behaviour

AN EXPECTATION OF BEHAVIOUR

Attention to detail

Integrity

Always accountable and responsible

We own our behaviour

WE ARE IN IT TOGETHER

We are one team; for our workmates, clients and shareholders. We are proud of our diversity and our people. We do what we can to support and encourage a great work environment and excellent outcomes.

WE STAND BY IT

Integrity is key to everything we do.
We are honest and proud of our work.

During the year we launched our new values that were part of a Group wide engagement process – these reflect who we are and how we behave on a daily basis.

We had a number of our team travel internationally to install, commission and service our equipment during the year. This required true commitment from these team members, with time away from their families, working in environments where COVID-19 was a real issue, and having to go through two weeks in MIQ upon their return to New Zealand. This type of commitment to the company aligns with our values, and it is appropriate that we thank them.

During the year we also increased our resourcing in the HR and Health & Safety areas with dedicated resource, all to ensure we are providing an attractive, safe, and supportive environment for people to work.

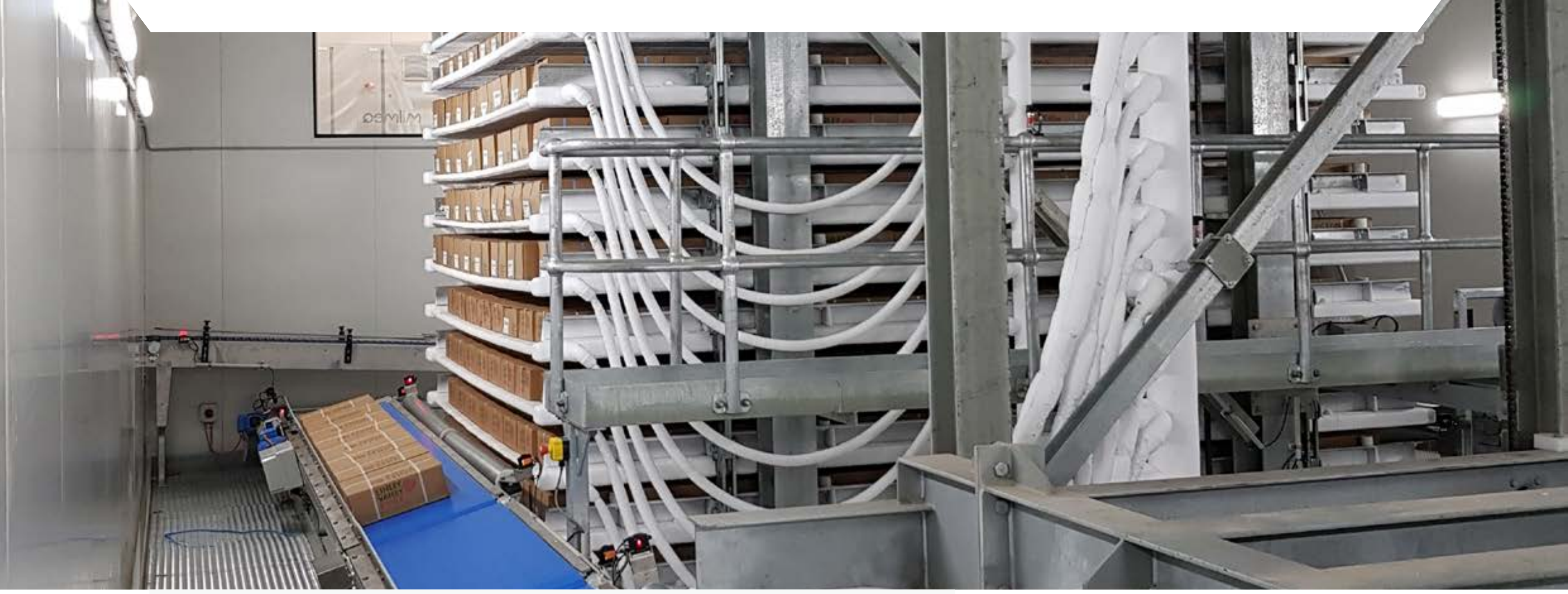
Thanks to all our staff for your continued commitment to the business.

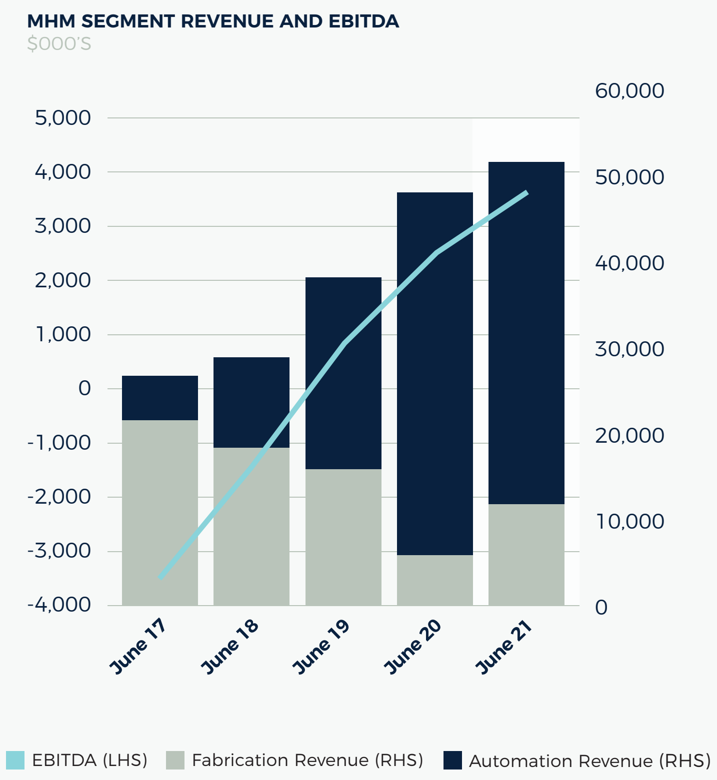
HEALTH AND SAFETY

The health and safety of our employees is always a top priority. During the year we engaged a specialist Health and Safety consultant to bring all of our Health and Safety systems and processes onto the same platform. This work is ongoing.

We recorded two lost time injuries (LTI) and one medical treatment injury (MTI), with no serious injuries sustained by any employees. This compares with two MTI and LTI events for the prior year.

The global nature of our business means that we have relied on members of our team travelling for the installation, commissioning and servicing of our systems. This has continued throughout COVID-19 as best it can. A number of our team contracted COVID-19 while in the USA which was a challenging time for them, their families and MHM Automation. We are pleased to report all affected team members have made full recoveries. Future travel will see vaccinations as mandatory as we adapt to servicing our customers and keeping our employees safe in the COVID-19 world.





FINANCIAL PERFORMANCE

Revenue for the year of $50.9m was up 6.1% on the prior year, largely driven by the continued strong performance of the Milmeq chilling and freezing business in Australia.

The Automation business was 78% of our revenue for the year, slightly down on last year as a percentage, which reflects the acquisition of the Southern Cross Engineering business in January 2021.

The Fabrication business revenue was $12.8m, after restating for the exit of our New Plymouth operation and the inclusion of the acquisition of Southern Cross Engineering during the second half.

Our Australasian businesses, particularly the chilling and freezing division, had a strong year with operations relatively unimpacted by lockdowns and border closures.

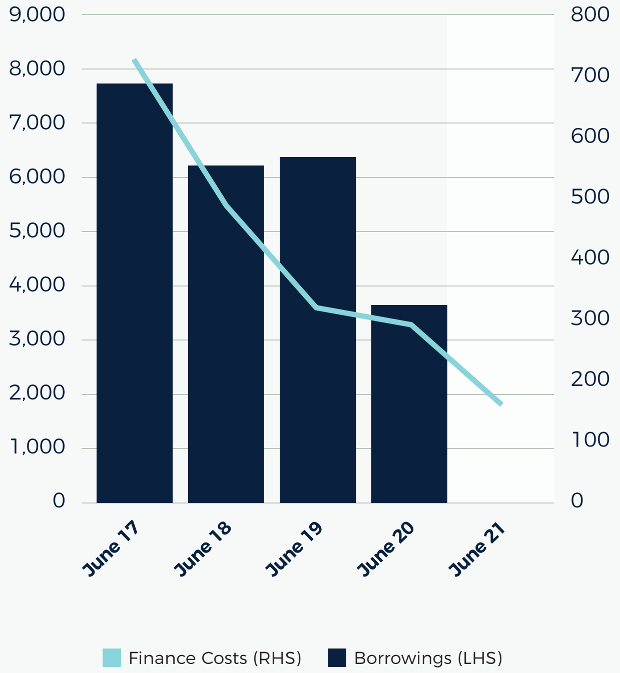
Southern Cross Engineering has provided us further diversification into the timber sectors in Australia and New Zealand as well as some speciality engineering services in Antarctica.

The full year EBITDA was $3.73m, a 50% increase on the prior year's $2.48m. Improving our margins continues to be a focus and the work is starting to produce results. We will continue to drive improvement in the year ahead as we integrate our operations and bed in our ERP which is due to go live later in the year.

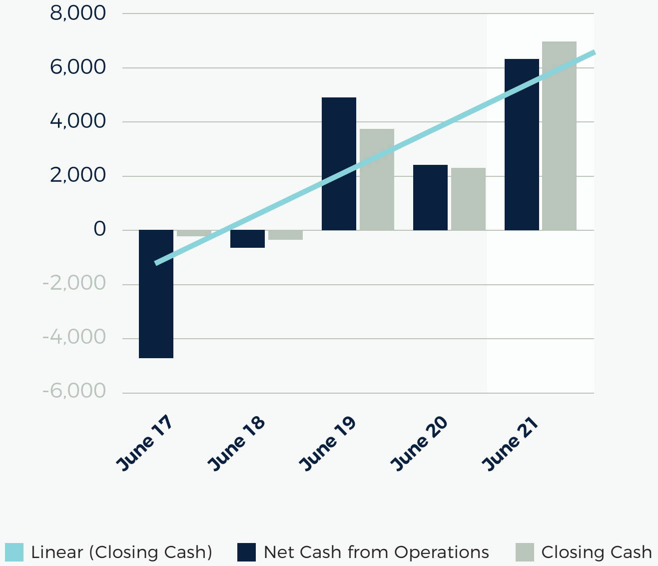
The after-tax profit of $4.1m was a 339% increase on the prior year result of $0.9m. During the year we closed our New Plymouth operation and sold the property, which led to a gain of $1.65m to the Group's Comprehensive Income.

The combined sale of the New Plymouth building and subsequent gain on revaluation of our Christchurch site gave rise to a gain on disposal of $1.65m and a revaluation increase of $1.9m respectively. The total Comprehensive Income was $5.7m versus $0.87m for the prior year.

BORROWING AND FINANCE COSTS
$000'S



NET CASHFLOW FROM OPERATIONS VS CLOSING CASH
$000'S



FINANCIAL POSITION

Our business is cash generative when operating at capacity.

Given we do not hold inventory and projects are positively funded, the capital employed is relatively low. With the strong run we have had over the past 24 months, we are now seeing this reflected in our balance sheet.

The sales and operating cash flow over the 12 months to June 2021 allowed us to fully repay our term debt facilities and have $7m of cash on hand at year end. Our finance cost of $162k for the year relates to interest on financial liabilities.

The Group's working capital position continues to improve with operating cash inflow of $5.9m, up from $2.5m for the prior year.

The Group's liquidity, as measured by cash and available facility limits, was $13m at year end, which is up from the $5.3m as at 30 June 2020. The liquidity position is in line with the increased net contract liabilities of the Group, which have increased to $12.7m.

Investing cash inflows were $2.9m versus $0.4m outflow for the prior year, reflecting the proceeds from the sale of the New Plymouth property. Financing cashflows were an outflow of $4.2m for the year versus $3.2m for the prior year. Our banking facilities were repaid in full as at balance date.

During the year we completed strengthening work on our Christchurch workshop at Lunns Road, which houses the Fabrication business. We have subsequently commenced a major strengthening and refurbishment project on the offices at Lunns Road, which will be our head office. This will provide a modern office environment for our staff and an appropriate head office for the Group as we move forward. This will be completed in September 2021.

As at balance date the office project at Lunns Road was not complete. However, the land and buildings have been revalued on an "as complete" basis (a market appraisal less the cost of work to complete). This generated a significant uplift in the valuation to $6.4m, an uplift of $2.6m.

$53m

Revenue (before intercompany eliminations) of $53m

Tunnel

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

Rockit

Continued to develop robotic solutions for Rockit Apples in New Zealand

$4.8m

EBITDA of $4.8m, an increase of 92% over the prior year

ASRS

Commenced our first ASRS project in the Australian red meat industry with our European partners TGW and Inther

Sustainable

Sustainable long term pipeline of opportunities developed

Plate freezers

Execution of a number of large plate freezer projects in Australia

Cross selling

Cross selling of automation capability between the H&C and Milmeq product sets

Our Automation business is the combination of the H&C business and the Milmeq chilling and freezing business.

It designs and supplies automated solutions to the dairy, meat and horticulture sectors globally.

The Automation business had a strong year, with revenue of $53m and EBITDA of $4.8m. Most pleasing in this result was the EBITDA margin improvement to 9.1% from 3.9% a year earlier. Margin improvement was a focus through the year, and while there is still much work to be done to take our margins higher again, we have made good progress. This was assisted by a change in structure, with the appointment of John Fredericksen as COO across the Group. This focus on operational improvement will continue in the coming years.

Our Australian chilling and freezing business continued its strong run during the year. We have been greatly assisted by having our team based in Brisbane, which has negated the impacts of the COVID-19 travel environment. This coupled with the great Milmeq reputation in the Australian market has meant that we have continued to provide our solutions to our valued customers.

Our business in the USA has suffered somewhat during the COVID-19 environment. There were two key issues at play:

1. Our cheese customers in the US saw significant changes to their business through COVID-19 as the market changed from food service to retail. This meant that their focus was on their business model rather than capital investment in automation.
2. Our business model historically was to put team members on planes from New Zealand for installations, commissioning and servicing. This has been difficult with the New Zealand Government's policies on MIQ.

We appointed Scan American Corp to represent us in the US market. While this has assisted us, particularly with the installations and commissioning, it has not resulted in the sales momentum we would like. The US market is now returning to some type of "new normal" and we expect our sales to pick up again this year as our customers again look to automated solutions to future proof their businesses.

In New Zealand we continue to make headway with our automation strategy. Rockit Apples has been a key relationship for us, and we have developed a number of innovative robotic solutions for them. Continued pressures on the labour market in New Zealand is seeing increasing enquiry for automation.

FABRICATION

Our Fabrication business consists of Mercer Stainless and Southern Cross Engineering. It is based in Christchurch.

We acquired certain assets of the Southern Cross Engineering business (SCE) in January 2021. The acquisition provides us with further scale, and importantly, diversification for our Fabrication business which has long been too reliant on the dairy industry. SCE provides us access to the timber industry in New Zealand and Australia where it has a long standing market position, as well as specialist IP in the grain industry. It also provides engineering services and solutions in Antarctica, which may not align to our focus on the food processing sector, but is highly specialised and is seen as a growth industry for the Christchurch region.

During the year we consolidated the stainless Fabrication business to one site in Christchurch, exiting the New Plymouth operation. While a difficult decision to make, it was ultimately the right one, allowing for greater throughput through Christchurch and the sale of the property in New Plymouth for $2m over book value.

The Fabrication business generated revenue of $12.8m and EBITDA of $597k for the financial year. This was an improvement on the prior year, reflecting the impact of SCE as well as some good workflows through the Fabrication workshop at times. The Fabrication business provides some services in-house for the Milmeq product sets, as and when required. This is good work for us, keeping workflows smoother across the year.

S-CLAVE

The S-Clave is a patented system for the sterilisation of medical equipment in a non-porous container system.

The S-Clave continues to inch its way towards commercialisation. We remain absolutely committed to the technology as we see the market opportunity remains strong. We were frustrated through the year with ongoing delays to the acquisition of the film required for the lidding process. This has now been resolved and we are back into testing and final design of the S-Clave system.

Our Australian partners Atherton remain committed to the technology. At the same time, the market opportunity has only become better (in our view), with supply issues being seen globally with the existing porous wrap product that the S-Clave would disrupt.

We understand that the S-Clave commercialisation process has been long, but we continue to believe that it offers MHM Automation significant value opportunity if we can successfully commercialise it.

OUTLOOK

We enter the 2022 financial year with good workflows across the Group.

The Automation business, particularly the chilling and freezing business, has workflows through the year, with orders now being taken for delivery in the 2023 financial year. All areas of the business are running at or near capacity in the short term, and through the remainder of the 2021 calendar year. In October 2021 we will also be going live with a new Group-wide ERP system – this has been a significant investment of c.$500k for the Group, but will allow for more efficient operations and reporting, ultimately leading to higher margins and a more scalable business.

We do face challenges though. The demand for our services and our solutions is strong, but execution of these opportunities and delivery of them is being impacted by the ongoing position of the New Zealand Government. This is at a number of levels:

1. The MIQ process is difficult and does not allow for our teams to efficiently travel into markets for the installation and commissioning of our systems.
2. The immigration policies are restrictive meaning access to skilled labour is extremely difficult.
3. We have resource constraints across all of our businesses relating to both people and other resources.

We are therefore looking forward to some clear and pro-active policies from the Government to allow us to continue to grow and take advantage of the global market demand for our innovative, technology led solutions. In the meantime, we are looking at other options for the business, which may include sub-contracting some of our business to offshore companies.

Demand for automated solutions is forecast to continue to increase. We are well positioned with a portfolio for industry leading IP and solutions. The next 12 months will be focused on the execution of the work we have today, improving margins, and building a sustainable pipeline of new opportunities globally. We also remain on the lookout for new acquisition opportunities that fit with our strategy to design and supply automated solutions for the food processing and logistics sectors globally.

PROFILES

DIRECTORS' PROFILES

Trevor Burt

Chairman

A Chartered Fellow of the NZ Institute of Directors, Trevor is an experienced director of large scale companies and is currently Chairman of New Zealand Lamb Company Ltd, Chairman of Rua Bioscience Ltd and a director of Market Gardeners Ltd and Landpower NZ Ltd. He was a previous Chairman of Ngai Tahu Holdings Corporation Ltd and Lyttelton Port Ltd and former Deputy Chairman of PGG Wrightson Ltd. Trevor's executive career was with the global companies Linde Group and the BOC Group and he led businesses in Australia, China, USA, and Germany, retiring from the Executive Board of the Linde Group in 2007. Since moving back to New Zealand, Trevor has had a very successful career in governance of companies in a wide range of sectors including energy, retail, distribution, and food.

Richard Rookes

CEO

Richard was appointed CEO in July 2015. Since that time, he has driven the strategic changes across the business with a view to transition the Group towards a technology-led future.

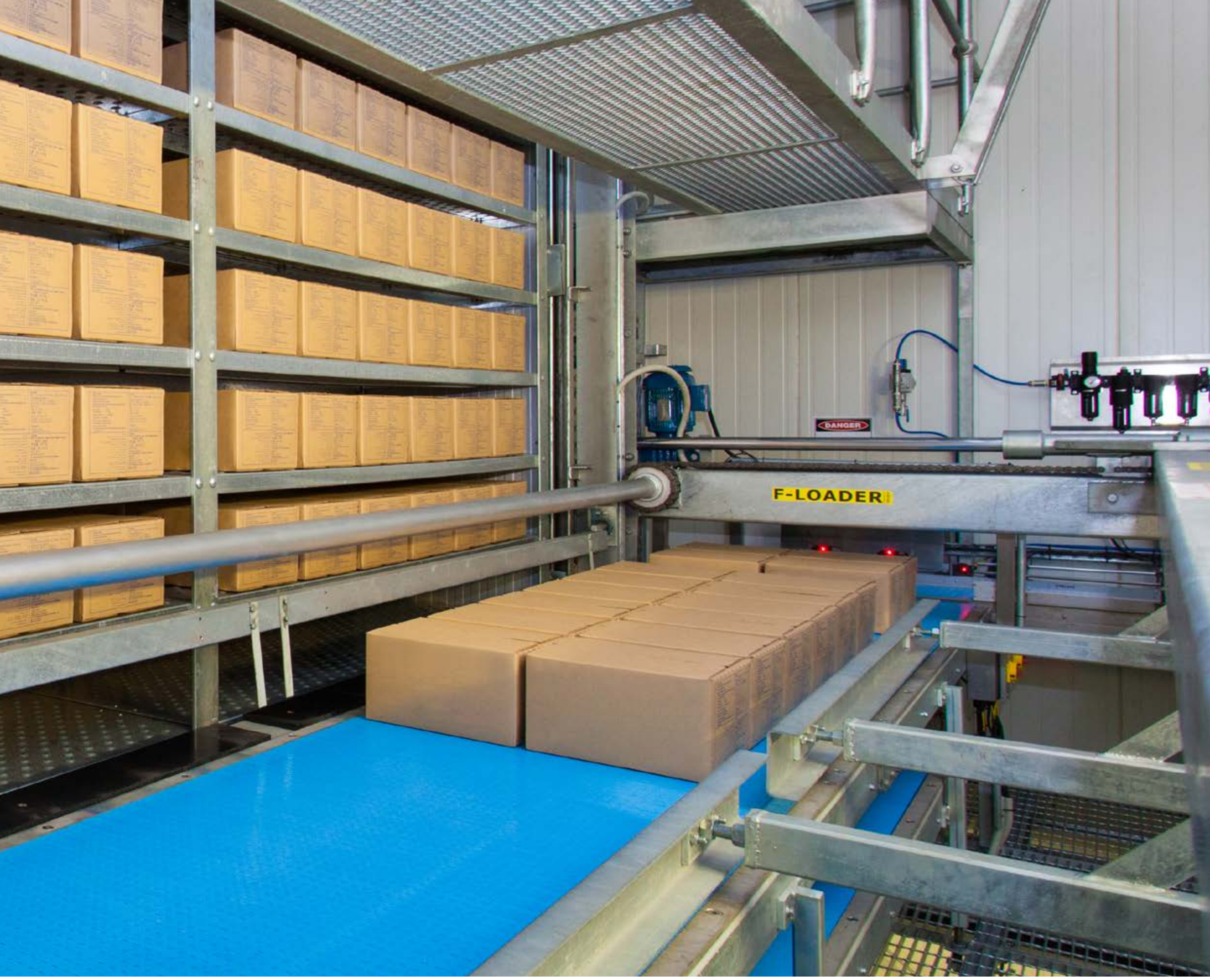
Prior to joining Mercer Group, Richard was an investment banker in New Zealand and the UK. Richard holds a BCom, Diploma for Graduates and a Post Graduate Diploma in Commerce, all from the University of Otago.

Colin Neal

Director

Colin founded Big Chill, a significant refrigerated trucking company in New Zealand. Colin brings a wealth of experience in supply chain logistics and procurement with an extensive network of local and international contacts.

Colin has several other business interests, both public and private. In addition to Colin's investment in Mercer Group he has most recently acquired Smiths City. His private investments include supplying meal products to supermarket chains and food related industries.



Paul Smart

Independent Director

Paul is a Chartered Accountant and a long-standing member of the Institute of Directors. He also holds a BBS (Finance).

As an executive, Paul has served as CFO of New Zealand's largest energy company, Meridian Energy, and prior to that, founding CFO of Sky Television.

As a professional director Paul has acted as a director, audit and finance chair and board chair for a range of companies from listed to large private companies. He is currently a non-executive director of ArborGen Holdings, Geo40, Argus Fire Systems Service and SolarCity.

George Rolleston

Director

George joined the board in February 2019. He is the founder and Managing Director of Asset Growth Fund, based in Melbourne. He is also the director of a number of private New Zealand and Australian companies that span a range of industries. He has a Masters of Applied Finance and a Bachelor of Law degree. George represents the interests of the majority shareholder, Asset Management Limited.

DIRECTORS' REPORT

In the opinion of the Directors of MHM Automation Limited, (formerly known as Mercer Group Limited) the financial statements and the notes, on pages 17 to 59:

- Comply with New Zealand Equivalents to International Financial Reporting Standards and the International Reporting Standards and fairly represents the financial position of the Group as at 30 June 2021 and the results of their operations and cash flows for the year ended on that date.
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the financial report, incorporating the financial statements of MHM Automation Limited for the year ended 30 June 2021.

The Annual Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 26 August 2021.

Trevor Burt, Board Chair

Paul Smart, Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2021	30 June 2020
Revenue			
Sale of goods and contract revenue	6	50,989	48,040
Other income		415	1,063
Total income		**51, 404**	**49,103**
Expenses			
Changes in inventories of finished goods and work in progress		(436)	(97)
Raw materials and consumables used		(30,268)	(32,379)
Salaries and wages	9	(11,992)	(10,910)
Other expenses	8	(4,982)	(3,576)
Depreciation	15/16	(860)	(730)
Amortisation	17	(225)	(54)
Income from operations before finance costs and taxation		**2,641**	**1,357**
Interest on financial liabilities at amortised cost		(162)	(287)
Lease interest	16	(67)	(46)
Total finance costs		**(229)**	**(333)**
Income from operations after finance costs and before taxation		**2,412**	**1,024**
Income tax credit (expense)	10	37	198
Profit/(loss) from continuing operations after finance costs and taxation		**2,449**	**1,222**
Profit/(loss) from discontinued operation, net of tax	30	1,651	(288)
Profit/(loss) for the year attributable to owners		**4,100**	**934**
Other comprehensive income (loss)			
Items that may be subsequently charged or credited to profit or loss			
Currency translation differences on overseas subsidiaries		1	(68)
Items that will not be classified to profit or loss			
Gain on property revaluation, net of tax		1,919	—
Other comprehensive income (loss) for the year, net of tax attributable to owners		**1,920**	**(68)**
Total comprehensive income (loss) for the year attributable to owners		**6,020**	**866**
Basic earnings per share:			
Earnings per share attributable to shareholders of the company (cents)	25	6.25	1.42
Fully diluted earnings per share:			
Earnings per share attributable to shareholders of the company (cents)	25	6.25	1.42

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 30 JUNE 2021

IN THOUSANDS OF NEW ZEALAND DOLLARS

ASSETS	NOTE	30 June 2021	30 June 2020
Current assets			
Cash and cash equivalents	11	6,992	2,323
Accounts receivable	12	5,985	4,861
Other debtors and prepayments	12	1,328	238
Contract assets	7	1,838	2,949
Derivative financial instruments		8	—
Finance lease receivable	13	11	11
Inventories	14	1,695	2,393
Total current assets		**17,857**	**12,775**
Non current assets			
Property, plant and equipment	15	7,472	6,174
Right-of-use assets	16	890	1,260
Intangible assets	17	5,865	5,180
Finance lease receivable	13	264	279
Deferred tax asset	18	353	873
Total non current assets		**14,844**	**13,766**
Total assets		**32,701**	**26,541**
LIABILITIES			
Current liabilities			
Contract liabilities	7	14,501	9,457
Derivative financial instruments		—	35
Trade and other payables	20	4,414	5,897
Warranty provision	21	522	333
Employee entitlements		1,776	1,375
Loans and borrowings	22	—	437
Lease liabilities	16	503	499
Total current liabilities		**21,716**	**18,033**
Non current liabilities			
Loans and borrowings	22	—	3,162
Lease liabilities	16	464	845
Total liabilities		**22,180**	**22,040**
Net assets		**10,521**	**4,501**
EQUITY			
Share capital	23	44,634	44,634
Asset revaluation reserve	23	4,020	2,871
Foreign currency translation reserve	23	(144)	(145)
Share based payments reserve	23	—	211
Accumulated losses		(37,989)	(43,070)
Total equity		**10,521**	**4,501**

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

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	ATTRIBUTABLE TO THE OWNERS OF THE GROUP					
		Share capital	**Accumulated losses**	**Share based payments reserve**	**Foreign currency translation reserve**	**Asset revaluation reserve**	**Total equity**
Balance at 30 June 2019		**44,366**	**(44,004)**	**211**	**(77)**	**2,871**	**3,367**
Profit or loss for the year		—	934	—	—	—	934
Other comprehensive income		—	—	—	(68)	—	(68)
Total comprehensive income (loss) for the year		**—**	**934**	**—**	**(68)**	**—**	**866**
Transactions with owners in their capacity as owners							
Issue of new shares	23/28	268	—	—	—	—	268
Balance at 30 June 2020		**44,634**	**(43,070)**	**211**	**(145)**	**2,871**	**4,501**
Profit or loss for the year		—	4,100	—	—	—	4,100
Other comprehensive income		—	—	—	1	1,919	1,920
Total comprehensive income (loss)		—	**4,100**	**—**	**1**	**1,919**	**6,020**
Transactions with owners in their capacity as owners							
Expiration of share based payments		—	211	(211)	—	—	—
Transfer of asset revaluation reserve on sale of New Plymouth land and buildings		—	770	—	—	(770)	—
Balance at 30 June 2021		**44,634**	**(37,989)**	**—**	**(144)**	**4,020**	**10,521**

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2021

IN THOUSANDS OF NEW ZEALAND DOLLARS OPERATING ACTIVITIES	NOTE	30 June 2021	30 June 2020
Profit after tax from continuing operations		2,449	1,222
Profit/(loss) after tax from discontinued operations	30	1,651	(288)
Profit after tax		**4,100**	**934**
Income tax recognised in Profit or Loss	10	(144)	(310)
Tax paid		(12)	—
Finance costs		229	333
Depreciation and amortisation	15, 17	574	387
Amortisation of right-to-use assets	16	524	483
Change in inventory provision	26	241	(1,662)
Change in expected credit loss	26	(81)	43
Change in warranty provision		189	333
(Gain) loss on sale of plant and equipment		(84)	(3)
Non-cash component of shares issued under employee share scheme	28	—	268
Income from discontinued operation, net of tax	30	(1,897)	—
Derivative financial instruments		(43)	27
Changes in working capital	26	2,501	1,911
Interest paid		(162)	(287)
Net cash in flow from operating activities		**5,935**	**2,457**
INVESTING ACTIVITIES			
Cash was provided (to) from:			
Purchase of property, plant and equipment	15	(941)	(180)
Purchase of patents and development activities	17	(227)	(312)
Acquisition of new business	29	(8)	—
Finance lease	13	15	14
Proceeds from disposal of property, plant and equipment	15	79	6
Disposal of discontinued operation	30	4,012	—
Net cash to investing activities		**2,930**	**(472)**
FINANCING ACTIVITIES			
Cash was provided from (to):			
Lease payments	16	(598)	(511)
Drawdown of borrowings	22	—	2,900
Repayment of borrowings	22	(3,599)	(5,656)
Net cash inflow from (to) financing activities	22	**(4,197)**	**(3,267)**
Net increase (decrease) in cash held		**4,668**	**(1,282)**
Cash at beginning of the period		2,323	3,673
Effect of exchange rate changes		1	(68)
Cash at the end of the period	11	**6,992**	**2,323**

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 YEAR ENDED 30 JUNE 2021

1 GENERAL INFORMATION

MHM Automation Limited (formerly known as Mercer Group 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.

MHM Automation Limited (formerly known as Mercer Group Limited) is a public company listed with the New Zealand Stock Exchange (NZX).

The Group comprises MHM Automation Limited and its wholly owned subsidiaries as disclosed in Note 19. 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 26 August 2021.

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. Information on the application of the going concern assumption is included in Note 3.

These financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings through other comprehensive income and certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Entities reporting

The financial statements are for the consolidated economic entity comprising MHM Automation Limited (formerly known as Mercer Group Limited) and its subsidiaries (together "the Group").

Statutory base

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013.

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards (IFRS).

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. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(B) NEW, AMENDED STANDARDS AND CHANGES IN ACCOUNTING POLICIES

There are no new standards or changes in accounting policies.

There are no standards issued not yet effective that will impact the 2022 or later years.

(C) PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the Company and all entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee; and
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee where facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

(D) SEGMENT REPORTING

NZ IFRS 8 Operating segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker has been identified as the Chief Executive Officer who reviews the Group's internal reporting in order to assess performance and to allocate funding and resources. Management has determined the operating segments based on these reports.

(E) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is MHM Automation Limited's functional currency and the Group's presentation currency. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position; and

B. Income and expenses are translated at average exchange rates; and

C. All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to foreign currency translation reserve in shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

(F) REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer (i.e. when the Group delivers its performance obligations under the contract) at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue from sales of goods and contracting services.

(i) Sales of goods

Revenue from sales of goods is recognised at the point in time when the goods are delivered to the customer, and the customer has accepted the products, which is when the control of the goods has transferred to the buyer and at which point the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

(ii) Construction contracts

The Group derives revenue from the design, manufacture, transportation and installation of proprietary equipment or automated robotic handling systems to a range of industries across New Zealand and overseas. These contracts are typically determined to have one single performance obligation which are integrated and are fulfilled over time.

Occasionally contracts can be entered into for a construction contract that includes the supply of significant materials. Where this occurs, the Group will identify the multiple performance obligations and allocate the total transaction price across each performance obligation based on stand-alone selling prices. Where supply of significant materials is identified as a separate performance obligation, it is fulfilled at a point in time and is recognised as the same way as 'sales of goods'.

The transaction price is normally fixed at the start of the project. The nature of construction contracts can sometimes lead to variations in the job scope which is known as contract modification. It is also common practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration. An estimate of variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur when any uncertainty is subsequently resolved.

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. Therefore NZ IFRS 15.35(c) satisfies and the Group recognise revenue in relation to contracting service over time.

Contract assets are initially recognised at fair value. They are subsequently adjusted for credit impairment loss.

The Group becomes entitled to invoice customers for construction of proprietary equipment or automated robotic handling systems based on achieving a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-complete method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-complete method and the milestone payment is always less than one year.

Some contracts sold by the Group include warranties which require the Group to rectify the defect during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with NZ IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the potential warranty claim in accordance with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(iii) Contract Asset and Contract Liability

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the value of performance to date is presented as a contract asset, excluding any amounts presented as a receivable. A contract asset is the Group's right to consideration in exchange for goods or services that the entity has transferred to a customer.

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

(iv) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(G) OTHER INCOME

Grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. When the requirements under the Grant agreement have been met, grants received relating to costs are recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Where the grant is funding an asset the grant is credited against the asset value.

Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

The Group received the COVID-19 Wage Subsidy during the year and the Cash Flow Boost from the Australian Tax Office.

(H) INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The income tax expense or revenue attributable to amounts recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

Current and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously.

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

(I) GOODS AND SERVICES TAX (GST)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(J) LEASES

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

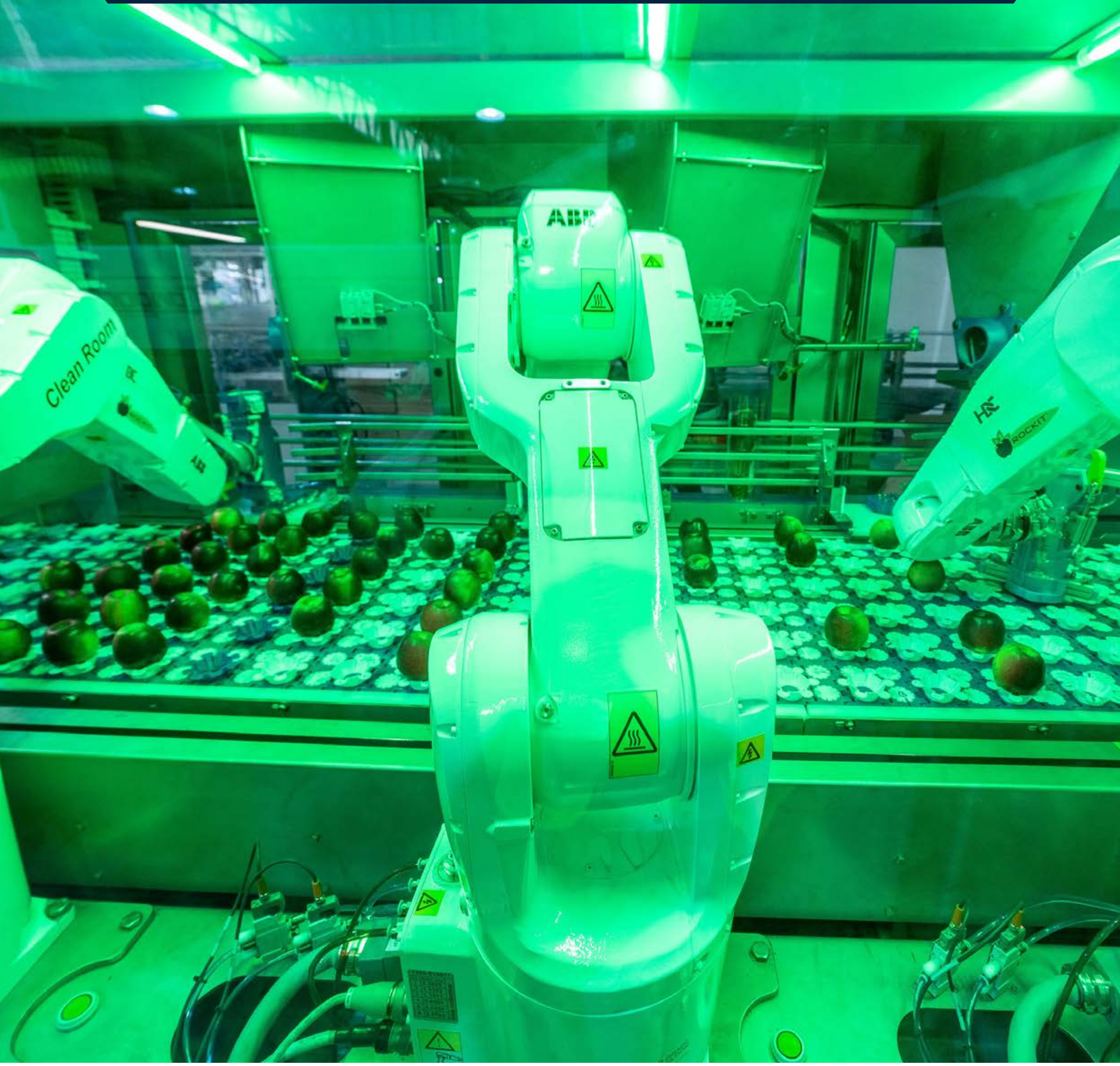
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.



(K) IMPAIRMENT OF NON-FINANCIAL ASSETS

Tangible (other than inventories) and intangible (other than deferred tax) assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life and intangible assets not ready for use are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term deposits, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately under current liabilities in the Statement of Financial Position.

(M) FINANCIAL ASSETS AT AMORTISED COST

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at the transaction cost and subsequently these are measured at amortised cost using the effective interest method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected credit loss arising from default to determine the lifetime expected credit loss for the trade receivables.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account held for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other expenses" in the profit or loss.

Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(N) INVENTORIES

Raw materials and finished goods

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(O) INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term by management. Derivatives are also categorised as held for trading.

(P) DERIVATIVES

The Group enters into foreign exchange forward contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Changes in the fair value of derivative instruments are recognised immediately in the profit or loss. Derivatives are recognised on trade date and derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(Q) DISPOSAL GROUP

The results of operations disposed of during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

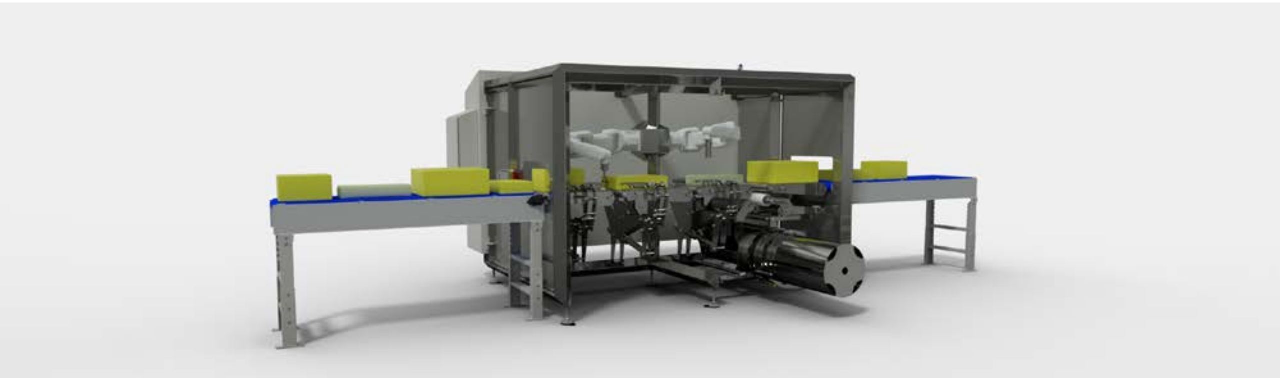
They are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain recognised on disposal of the assets constituting discontinued operations.

(R) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The fair value of financial instruments that are not traded in an active market (e.g. over the counter derivatives) is determined using valuation techniques. These financial instruments fall into Level 2 of the fair value hierarchy.



(S) PROPERTY, PLANT AND EQUIPMENT

Land and buildings are initially recognised at cost and then re-measured at fair value, less subsequent depreciation and impairment losses. Valuations are completed by independent external valuers with sufficient regularity to ensure carrying value does not differ from fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of assets constructed by the Group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of directly attributable variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Borrowing costs incurred for the acquisition or construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the assets for its intended use. Other borrowing costs are expensed.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings – 3%
- Plant and equipment – 5.5%-67%

The assets' residual values, depreciation methods, and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the profit or loss. When revalued assets are sold it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(T) INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each primary reporting segment.

(ii) Research and development

Expenditure on research activities, net of any grants receivable, is recognised in the profit or loss as an expense when it is incurred. No grants have been received this year.

Intellectual property directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when all the following criteria are met:

- it is technically feasible to complete the product so that it is available for use or sale; and
- management is able to and intends to complete the product and use or sell it; and
- there is an ability to use or sell the product; and
- it can be demonstrated that the product will generate future economic benefits; and
- the expenditure attributable to the product during its development can be reliably measured; and
- adequate technical, financial and other resources are available to complete the development and to use or sell the product.

Directly attributable costs capitalised as part of the product would include employee costs and an appropriate portion of relevant overheads based on normal operating capacity. Other intellectual property expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intellectual property recognised as an asset, less impairments if any, are amortised over its useful economic lives, not exceeding twenty years.

(iii) Patents, trademarks and licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents, trademarks and licences over their estimated useful lives, not exceeding twenty years.

(U) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within normal terms of trade.

Trade payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(V) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(W) PROVISIONS

Provisions for restructuring, legal and warranty claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as interest expense.

(X) SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(Y) EMPLOYEE ENTITLEMENTS

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave, and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are recognised separately in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the employee entitlements liability, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

(Z) DIVIDENDS

Provision is made for the amount of any dividend declared on or before the reporting date but not distributed at reporting date.

(AA) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

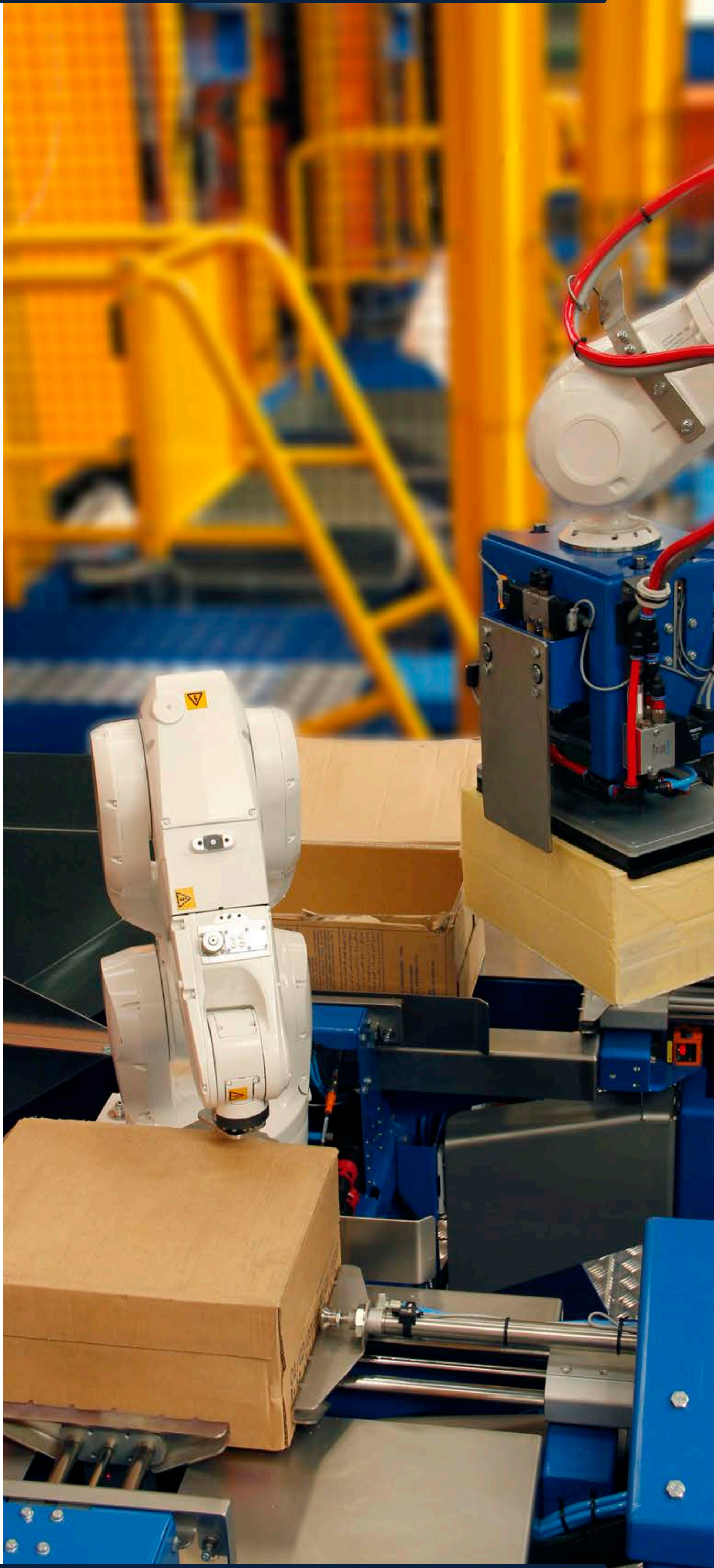
Diluted earnings per share is calculated by dividing the profit attributable to the Group by the weighted average number of ordinary shares on issue during the year adjusted to assume conversion of dilutive potential of ordinary shares as a result of warrants on issue, and the issue of share options when the average market price of ordinary shares during the period exceeds the exercise price of the share option.

(AB) SHARE BASED PAYMENTS

The Group operates a share-based compensation plan under which it receives services from employees as consideration for equity instruments in the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount expensed is determined by reference to the fair value of the equity instruments granted using the average of the last 5 business days share price as listed on the NZX. Employee tax obligations payable by the Group in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment in equity.

When the vesting conditions are met the company issues new shares. The proceeds received net of any directly attributable transaction costs are added to share capital and the balance in the equity settled share based payments reserve is also transferred to share capital.



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 and Company have recognised a deferred tax asset, a component of which relates to New Zealand tax losses available for offset against future taxable profits, as detailed in Note 18. 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 has been tested for impairment using a value in use model. 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. Goodwill impairment testing including key assumptions are detailed in Note 17.

S-Clave technology is being developed and the on-going costs are capitalised to intangible assets. The asset is tested annually for impairment using a value in use model. A number of assumptions including sales volumes, future growth and discount rates have been made to determine the value in use. An independent review has been carried out on the value in use model for the S-Clave asset this reporting period and the key assumptions are detailed in Note 17.

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 Notes 4 and 15.

The fair values of the customer relationships acquired from the business combination in Note 29 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 year ended 30 June 2021 the Group recorded net income after finance costs and taxation of $4,100,000 (2020: $934,000).

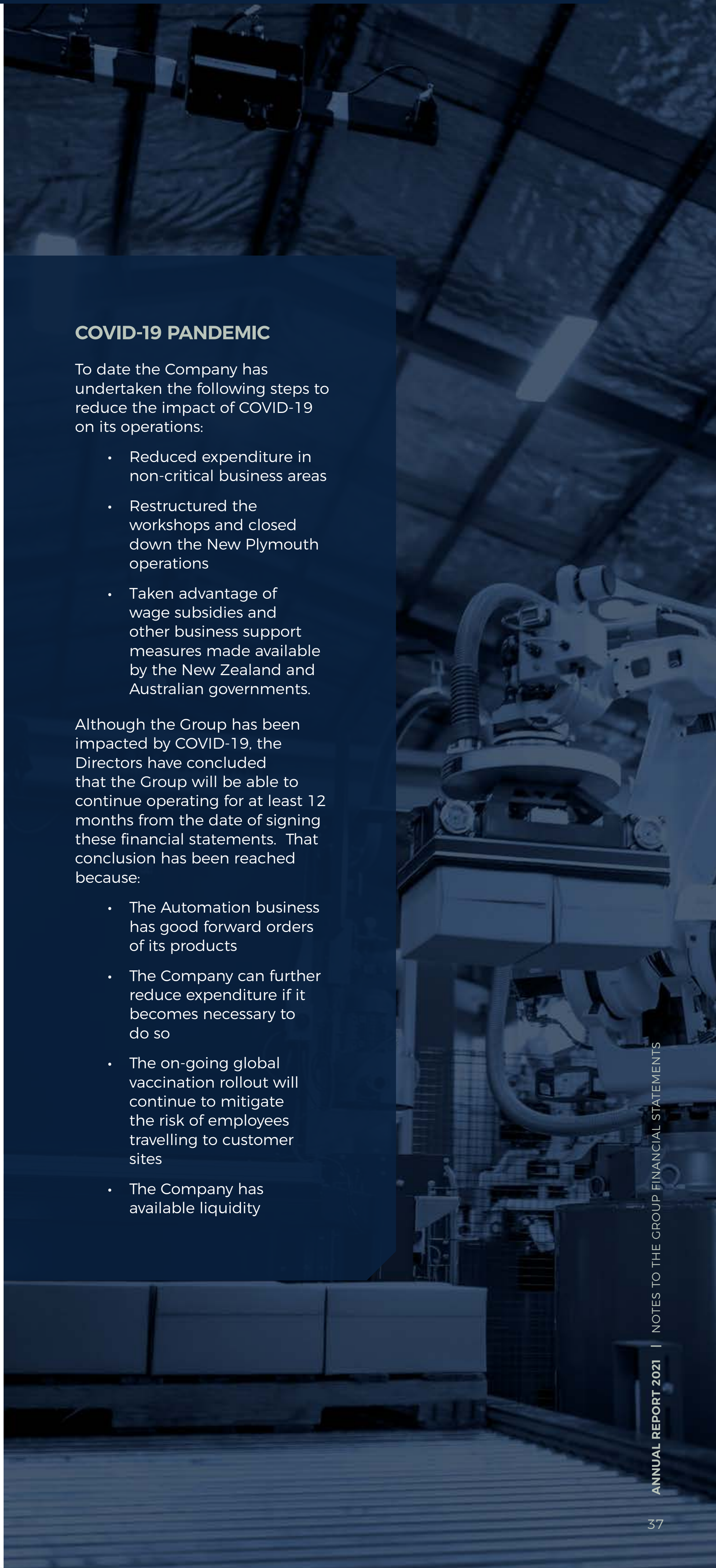
The Company has renegotiated its banking facilities, which include covenants which are applicable as at 30 June 2021. The improving working capital position and surplus cash from the sale of the New Plymouth building allowed the Group to repay and reduce some of its term facility limit. As at 30 June 2021 the Group maintained one (2020: two) term facility with a limit of $5,000,000 (2020: $5,000,000 and $622,220). This term facility matures on 30 September 2022. 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 $6,992,000 on hand as at 30 June 2021 (2020: $2,323,000).

As at 30 June 2021 the Group's liquidity as measured by available facility limits and cash balances was $12,992,000 (2020: $5,423,000).

The Group continues to drive its strategy of diversifying the sectors and geographies that it sells its solutions to. Evidence of this has been demonstrated by the strong performance of the Australasian businesses, which have performed well and offsets to a degree the challenges faced with access to North American customers due to COVID-19. With the rollout of vaccinations we expect an improvement in the North America market with customers investing and restrictions in our ability to travel to customers' sites easing. The improved operating cashflow and liquidity position indicate increased momentum in sales and ultimately the profitability of the Group.

The Automation business that is marketed under the Milmeq and H&C Automated Solutions brands 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 with positive operating cash flow for the year ended 30 June 2022. 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.

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.



COVID-19 PANDEMIC

To date the Company has undertaken the following steps to reduce the impact of COVID-19 on its operations:

- Reduced expenditure in non-critical business areas
- Restructured the workshops and closed down the New Plymouth operations
- Taken advantage of wage subsidies and other business support measures made available by the New Zealand and Australian governments.

Although the Group has been impacted by COVID-19, the Directors have concluded that the Group will be able to continue operating for at least 12 months from the date of signing these financial statements. That conclusion has been reached because:

- The Automation business has good forward orders of its products
- The Company can further reduce expenditure if it becomes necessary to do so
- The on-going global vaccination rollout will continue to mitigate the risk of employees travelling to customer sites
- The Company has available liquidity

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.

The Group holds the following financial instruments:

IN THOUSANDS OF NEW ZEALAND DOLLARS	Financial asset at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities held at amortised cost
GROUP 2021				
Cash and cash equivalents	6,992	–	–	–
Trade receivables	5,985	–	–	–
Receivable from other debtors	105	–	–	–
Finance lease receivables	275	–	–	–
Trade and other payables	–	–	–	(4,414)
Derivative financial instruments	–	8	–	–
Borrowings and overdraft	–	–	–	–
	13,357	**8**	**–**	**(4,414)**
GROUP 2020				
Cash and cash equivalents	2,323	–	–	–
Trade receivables	4,861	–	–	–
Receivable from other debtors	86	–	–	–
Finance lease receivables	290	–	–	–
Trade and other payables	–	–	–	(5,897)
Derivative financial instruments	–	–	(35)	–
Borrowings and overdraft	–	–	–	(3,599)
	7,560	**–**	**(35)**	**(9,496)**

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

(A) MARKET RISK

(i) Foreign exchange risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Where exposures are certain it is the Group's policy to economically hedge these risks as they arise. The Group uses forward foreign exchange currency contracts to manage these exposures. As at 30 June 2021 the Group had $3,911,000 (2020:$2,590,000) of foreign exchange risk.

The following table shows the sensitivity of the Group's after tax profit and equity to a movement in the exchange rate of +/-5% based on actual data to date (+/-5% last year) with all other variables held constant, which the directors consider reasonably possible.

IN THOUSANDS OF NEW ZEALAND DOLLARS		+5% AND $000		-5% AND $000	
GROUP	Foreign currency amount assets (liabilities)	Post tax Profit Increase (decrease)	Equity Increase (decrease)	Post tax Profit Increase (decrease)	Equity Increase (decrease)
30 June 2021	3,941	(197)	(197)	197	197
30 June 2020	2,590	(130)	(130)	130	130

Concentrations of foreign currency exposure

The following table shows the assets and (liabilities) of the Group in NZD denominated in currencies other than the functional currency of the Company (denoted in NZD).

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Cash		
Australian dollar	805	1,543
United States dollar	23	22
Trade receivables		
UK pound	4	4
Australian dollar	2,517	1,203
United States dollar	739	1,709
Euro	2	17
Trade payables		
UK pound	(1)	–
Australian dollar	(134)	(961)
United States dollar	(19)	(604)
Euro	(3)	(308)
Derivative Financial		
Australian dollar	8	(4)
United States dollar	–	(26)
Euro	–	(4)
	3,941	**2,590**

The following table shows the sensitivity of the Group's after tax profit and equity to a movement in interest rates of +/-1 percentage point (pp) which the directors consider reasonably possible. The total amount of interest bearing debt at balance date of the Group on which interest is not fixed is $Nil (2020: $3,522,000).

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

MHM Automation Limited can enter into interest rate swaps and forward rate agreements to manage its interest rate risk although no such instruments are in place at balance date (2020: Nil).

IN THOUSANDS OF NEW ZEALAND DOLLARS		+1 PP		-1 PP	
GROUP	Carrying amount	Post tax profit	Equity	Post tax profit	Equity
30 June 2021	—	—	—	—	—
30 June 2020	3,522	(25)	(25)	25	25

(B) CREDIT RISK

In its normal course of business the Group is subject to, and manages its exposure, to credit risk from trade debtors and transactions with financial institutions. The Group manages its exposure to this credit risk. Limits on exposure with counterparties have been set and are monitored on a regular basis. The Group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits and does not require collateral or other security to support the financial instruments. The carrying amounts of financial assets recognised in the Statement of the Financial Position best represents the Group's maximum exposure to credit risk at the reporting date, along with guarantees in Note 26.

Refer to Note 12 for more information on impairment of trade receivables.

At 30 June 2021 the Group had no exposure to significant debtors greater than 10% of net equity (2020: $2,753,000 exposure). These amounts arise from progress billing of significant projects.

(C) LIQUIDITY RISK

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. This is considered further in Note 3.

Financial liabilities due in less than 12 months are liabilities associated with:

- BNZ bank loans. No amounts (including interest and principal) are due within 12 months. The principal balance due in 12 months is $Nil (2020: $360,000). See Note 22.

Contingent liabilities disclosed in Note 23 amount to $9,953,000 (2020: $7,558,000). If these amounts become payable, the liabilities would fall due in less than 12 months.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the table are the contractual non-discounted cash flows and include interest.

IN THOUSANDS OF NEW ZEALAND DOLLARS 30 JUNE 2021	Carrying amount at reporting date	< 3 months	3-12 months	1-2 years	2-5 years	Total cashflow
Bank loans & Overdrafts	—	—	—	—	—	—
Lease obligations	967	148	397	458	26	1,029
Other loans	—	—	—	—	—	—
Trade and other payables	4,414	4,236	178	—	—	4,414
Total	**5,381**	**4,384**	**575**	**458**	**26**	**5,443**
30 JUNE 2020						
Bank loans & Overdrafts	3,522	101	399	398	2,935	3,833
Lease obligations	1,344	146	411	805	71	1,433
Other loans	77	77	—	—	—	77
Trade and other payables	5,897	5,439	458	—	—	5,897
Total	**10,840**	**5,763**	**1,268**	**1,203**	**3,006**	**11,240**

The Group was compliant with banking covenants at 30 June 2021 and throughout the year.

(D) CAPITAL RISK MANAGEMENT

The Group's capital comprises ordinary shares, retained earnings and other reserves. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the equity ratio. This ratio is calculated as equity divided by total assets.

(E) FAIR VALUE HIERARCHY

The fair value of trade receivables, trade payables, derivatives, cash and cash equivalents and borrowings are determined to be equivalent to their carrying value.

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Equity	10,521	4,501
Total assets	32,701	23,592
Equity Ratio	**32.2%**	**19.1%**

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

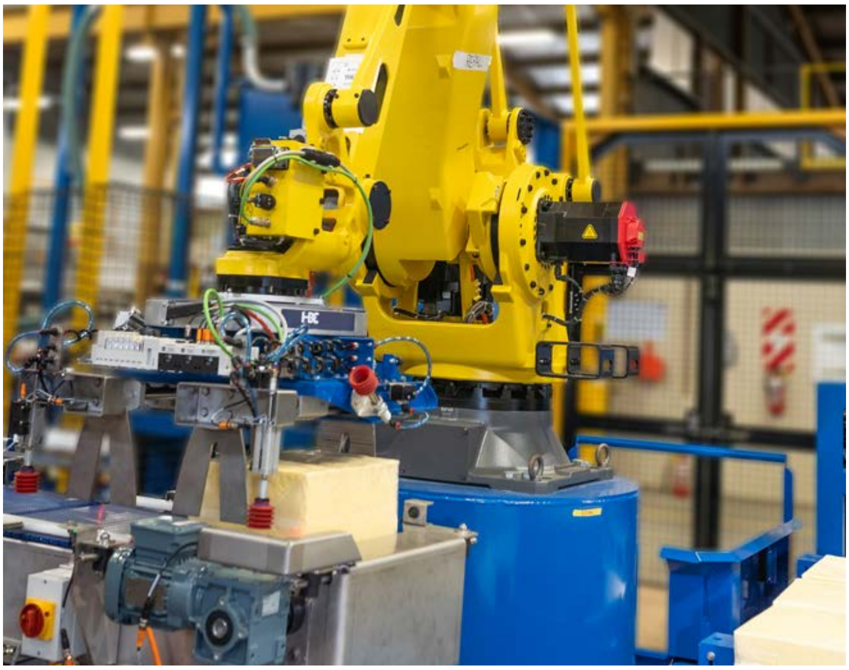
This division includes the Mercer Stainless and SCE workshops in Christchurch that sell, design and manufacture proprietary equipment for primary industries across New Zealand and Australia.

Mercer Technologies

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

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	30 JUNE 2021			30 JUNE 2020		
	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**
Fabrication	12,847	597	1,574	9,204	93	1,351
Automation	53,362	4,835	9,499	64,440	2,516	10,992
Mercer Technologies	–	(49)	5,732	–	(35)	5,290
Corporate	–	(1,657)	15,896	–	(88)	6,767
Intersegment eliminations	(15,220)	–	–	(25,604)	–	–
Sales, Operating EBITDA, Assets	**50,989**	**3,726**	**32,701**	**48,040**	**2,486**	**24,400**
Non-recurring items	–	–	–	–	(345)	–
Depreciation and amortisation	–	(1,085)	–	–	(784)	–
Finance costs	–	(229)	–	–	(333)	–
Income tax credit (charge)	–	37	–	–	198	–
Discontinued operation, net of tax	–	1,651	–	–	(288)	2,141
Total sales, income (deficit) after tax, assets	**50,989**	**4,100**	**32,701**	**48,040**	**934**	**26,541**

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

IN THOUSANDS OF NEW ZEALAND DOLLARS	**30 June 2021**	**30 June 2020**
Income (loss) from operations before finance costs and taxation	**2,641**	**1,356**
Add back depreciation and amortisation	1,085	784
Add back non-recurring items	–	346
Operating EBITDA	**3,726**	**2,486**

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Customers larger than 10% of total Group revenue in accordance with NZ IFRS 8.34:	**15,623**	**8,449**

Depreciation and amortisation analysed by segment was:		
Fabrication	162	121
Automation	688	556
Mercer Technologies	113	30
Corporate	122	77
Total	**1,085**	**784**

Liabilities analysed by segment were:		
Fabrication	1,229	(618)
Automation	15,730	14,330
Mercer Technologies	—	(10)
Corporate	5,221	8,338
Total	**22,180**	**22,040**

Liabilities analysed by geographical location were:		
New Zealand	19,410	17,978
Australia and USA	2,770	4,062
Total	**22,180**	**22,040**

Assets analysed by geographical location were:		
New Zealand	31,596	24,341
Australia and USA	1,105	2,200
Total	**32,701**	**26,541**

6 SALE OF GOODS AND CONTRACT REVENUE

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Sale of goods (point in time)		
Australia	1,756	390
USA	804	85
New Zealand	2,984	1,029
Other	123	89
Contracting service (over time)		
Australia	23,080	19,772
USA	8,093	14,358
New Zealand	12,749	10,321
Other	1,400	1,996
Total	**50,989**	**48,040**

For further breakdown of revenue, see note 5.

7 CONTRACT REVENUE MOVEMENTS

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Revenue recognised included in contract liability at the beginning of the period	(6,508)	(5,325)
Construction contracts		
Contract assets	1,838	2,949
Contract liabilities	(14,501)	(9,457)
Net contract liabilities	**(12,663)**	**(6,508)**

The amounts in contract liabilities are expected to be released into revenue within the next 12 months or less.

8 OTHER EXPENSES

The profit for the year is stated after taking into account the following specific expenses:

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2021	30 June 2020
Foreign exchange (gains)/losses		(98)	(158)
Advertising		19	87
Movement in expected credit loss	12	(81)	42
Bad debts written off (recovered)		107	10
Employee on costs			
Superannuation		384	310
Accident Compensation premiums		131	149
Directors fees	28	216	168
Rentals and low value operating leases		133	98
Research and development		23	—
Fees paid to Auditors			
Other assurance services		—	—
Audit of financial statements - relating to prior year		(2)	22
Audit of financial statements - relating to current year		115	94

9 SALARIES AND WAGES

Salaries and wages exclude the following amounts that have been capitalised into labour for the internally generated development assets $27,437 (2020: $147,901)

10 INCOME TAX

(A) INCOME TAX (CREDIT) CHARGE

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2021	30 June 2020
Current tax		—	—
Deferred tax	18	(144)	(310)
Income tax (credit) charge		**(144)**	**(310)**

(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2021	30 June 2020
Income before tax from continuing operations		2,412	1,023
Income (loss) before tax from discontinued operation	30	1,544	(399)
Income (loss) before tax expense		**3,956**	**624**
Tax at the New Zealand rate of 28%		1,108	175
Prior year tax adjustment		(37)	—
Expenses not deductible for tax purposes		76	41
Revenue not assessible for tax purposes		(581)	(66)
Timing differences	18	39	(460)
Utilisation of previously unrecognised tax losses		(749)	—
Income tax (credit) charge		**(144)**	**(310)**
Income tax reported in the statement of profit or loss		(37)	(198)
Income tax attributable to a discontinued operation		(107)	(112)
Income tax (credit) charge		**(144)**	**(310)**

(C) TAX LOSSES

Tax losses are recognised only if it is probable that future taxable amounts will be available to utilise the losses in the foreseeable future. The carry forward losses recognised as a deferred tax asset in New Zealand are subject to shareholder continuity requirements.

At June 2021 there were $13,580,534 (2020: $13,529,019) of unrecognised Australian tax losses, representing a tax benefit of $4,074,000 (2020: $4,059,000).

At June 2021 there was $16,806,000 (2020: $21,399,000) of unrecognised New Zealand tax losses, representing a tax benefit of $4,706,000 (2020: $5,992,000).

(D) IMPUTATION CREDIT ACCOUNT

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Credits available to shareholders of the company	—	—

11 CASH AND BANK BALANCES

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Cash at bank and in hand	6,992	2,323
Less bank overdraft	—	—
Cash and cash equivalents per cash flow statement	**6,992**	**2,323**

Bank overdrafts

Bank overdrafts are secured by a composite debenture over the Group's assets supported by a registered first charge over the properties, at a floating rate.

12 ACCOUNTS RECEIVABLE, OTHER DEBTORS AND PREPAYMENTS

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Trade receivables	5,990	4,947
Less expected credit loss	(5)	(86)
Total accounts receivable	**5,985**	**4,861**
Impairment provision		
Expected credit loss at 1 July	(86)	(44)
Decrease (increase) in provision	81	(42)
Provision for expected credit loss at 30 June	**(5)**	**(86)**
Past due and impaired receivables		
1 to 3 months	—	—
Over 3 months	5	86
	5	**86**
Past due but not impaired receivables		
1 to 3 months	2,027	1,812
Over 3 months	9	—
	2,036	**1,812**

Management considers that receivables past due, but not impaired, are fully collectible in the ordinary course of business.

The expected credit loss allowance as at 1 July 2021 was determined as follows for trade receivables:

IN THOUSANDS OF NEW ZEALAND DOLLARS	Current	30-59 days	60-89 days	90 days and later	Total
Gross carrying amount					
Balance outstanding	5,380	382	214	14	5,990
Total expected credit loss rate	0.0%	0.5%	0.0%	7.3%	0.1%
Expected credit loss allowance	**2**	**2**	**–**	**1**	**5**

The expected credit loss allowance as at 1 July 2020 was determined as follows for trade receivables:

IN THOUSANDS OF NEW ZEALAND DOLLARS	Current	30-59 days	60-89 days	90 days and later	Total
Gross carrying amount					
Balance outstanding	4,499	223	138	87	4,947
Total expected credit loss rate	0.4%	3.1%	16.7%	41.2%	1.7%
Expected credit loss allowance	**20**	**7**	**23**	**36**	**86**

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Other debtors and prepayments		
Other debtors	105	86
Prepayments	1,223	152
Total other debtors and prepayments	**1,328**	**238**

$850,000 (2020: Nil) of the prepayments are payments made to Southern Cross Engineering suppliers to secure order placement.

13 FINANCE LEASE RECEIVABLE

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Current finance lease receivable	11	11
Non current finance lease receivable	264	279
Total other debtors and prepayments	**275**	**290**

The Group has entered into a finance lease arrangement for multiple silos. The term of the lease is 16 years. No impairment (expected credit loss) is recognised.

14 INVENTORIES

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Other Inventory		
Raw materials and components	424	475
Finished goods	1,271	1,918
Total inventories	**1,695**	**2,393**

The provision relating to inventories which have been written down to estimated net realisable value amounted to $758,000 (2020:$517,000).

15 PROPERTY, PLANT AND EQUIPMENT

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	Freehold land	Buildings	Plant and equipment	Total
At 1 July 2019					
Cost/Valuation		2,655	2,837	9,113	14,605
Accumulated depreciation		—	(256)	(8,019)	(8,275)
Net book value		**2,655**	**2,581**	**1,094**	**6,330**
Year ended 30 June 2020					
Opening net book value		2,655	2,581	1,094	6,330
Additions		—	—	180	180
Depreciation		—	(91)	(242)	(333)
Disposals		—	—	(3)	(3)
Closing net book value		**2,655**	**2,490**	**1,029**	**6,174**
At 30 June 2020					
Cost/Valuation		2,655	2,837	9,290	14,782
Accumulated depreciation		—	(347)	(8,261)	(8,608)
Net book value		**2,655**	**2,490**	**1,029**	**6,174**
Year ended 30 June 2021					
Opening net book value		2,655	2,490	1,029	6,174
Additions		—	678	263	941
Acquired through business combinations	29	—	—	337	337
Fair value gain recognised in other comprehensive income		245	2,324	—	2,569
Depreciation		—	(41)	(308)	(349)
Disposals		(650)	(1,277)	(273)	(2,200)
Closing net book value		**2,250**	**4,175**	**1,047**	**7,472**
At 30 June 2021					
Cost/Valuation		2,250	4,175	6,292	12,717
Accumulated depreciation		—	—	(5,245)	(5,245)
Net book value		**2,250**	**4,175**	**1,047**	**7,472**

During the year the land and building at Corbett Road, New Plymouth was sold for $3,950,000, realising pre tax gain on disposal of $1,850,000. Refer to Note 30 Discontinued Operations for more detail.

Remedial work on the building at 53 Lunns Road, Christchurch commenced prior to the 30 June 2021 reporting date. The work strengthens the building to 67% New Building Standard, work also includes a full renovation of the Group's head office. The building work is expected to be completed during September 2021. An independent valuer, CBRE, was engaged to undertake the valuation. CBRE performed an "as if complete" valuation of the land and buildings at Lunns Road, this assumes a market valuation less the cost to complete as at 30 June 2021.

The valuation of the property falls into Level 3 of the fair value hierarchy. The primary approach used by the valuers was the investment approach, which involves capitalising the net market income at an appropriate market derived rate of return to reflect the use, demand and risk associated with the properties and includes comparison with rental and sales evidence of other similar properties.

The resulting valuation excluding tax gave rise to an uplift in the carrying value of both land and buildings of $245,000 and $2,324,000 respectively, valuing the site (land and buildings) at $6,425,000. As at balance date the contracted cost to complete the project was estimated at $794,000.

The properties are subject to a registered first charge in favour of Bank of New Zealand Limited.

If revalued land and buildings were held at historic cost, the following amounts would be recognised:

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Cost	2,466	3,026
Accumulated depreciation	(1,253)	(1,353)
Net book value	**1,213**	**1,673**

Fair value hierarchy

The land and buildings are categorised as Level 3 in the fair value hierarchy. During the year there were no transfers between the levels of fair value hierarchy.

Impact on the fair value due to a change in a significant unobservable input.

Fair value measurement sensitivity to significant unobservable inputs:		Increase in input	Decrease in input
UNOBSERVABLE INPUTS WITHIN THE DISCOUNTED CASHFLOW ANALYSIS			
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, which is applied to a property's future net cash flows to convert those cash flows into a present value.	Decrease	Increase
Terminal yield	The rate which is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated future market value.	Decrease	Increase
Rental growth	The annual growth rate applied to the market rent over an assumed holding period.	Increase	Decrease
UNOBSERVABLE INPUTS WITHIN THE INCOME CAPITALISATION APPROACH			
Capitalisation rate	The rate of return, determined through analysis of comparable market related sales transactions, which is applied to the market rent to assess a property's value. The capitalisation rate used for the current valuation was 6.375%.	If the capitalisation rate was 6.625% the valuation would be $6,125,000	If the capitalisation rate was 6.125% the valuation would be $6,700,000
Net market income per m2	The valuer's assessment of the net market income attributable to the property.	Increase	Decrease

16 LEASES

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment and vehicles. These leases comprise only fixed payments over the lease terms.

Refer to Note 4(c) for the undiscounted contractual maturity analysis for lease liabilities.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

30 JUNE 2021	Lease contracts number	Fixed Payments %	Variable Payments %	Sensitivity $'000
Property leases with fixed uplifts	2	—	17	+/- 16
Property leases with periodic uplifts to market rentals and inflation	2	—	58	+/- 25
Leases of plant and equipment	8	15	—	
Vehicle leases	8	10	—	
	20	**25**	**75**	**+/- 41**

The percentages in the table below reflect the proportions of lease payments that are either fixed or variable for the comparative period.

30 JUNE 2020	Lease contracts number	Fixed Payments %	Variable Payments %	Sensitivity $'000
Property leases with fixed uplifts	1	—	17	+/- 24
Property leases with periodic uplifts to market rentals and inflation	2	—	63	+/- 35
Leases of plant and equipment	8	9	—	
Vehicle leases	7	11	—	
	18	**20**	**80**	**+/- 59**

IN THOUSANDS OF NEW ZEALAND DOLLARS

RIGHT-OF-USE ASSETS	Buildings	Plant and equipment and motor vehicles	Total
At 1 July 2019	1,487	171	1,658
Additions	—	85	85
Amortisation	(380)	(103)	(483)
At 30 June 2020	**1,107**	**153**	**1,260**
At 1 July 2020	1,107	153	1,260
Additions	29	131	160
Disposals	—	(6)	(6)
Amortisation	(386)	(138)	(524)
At 30 June 2021	**750**	**140**	**890**

LEASE LIABILITIES			
At 1 July 2019	1,548	176	1,724
Additions	—	85	85
Interest expense	33	13	46
Lease payments	(397)	(114)	(511)
At 30 June 2020	**1,184**	**160**	**1,344**

LEASE LIABILITIES CONT.	Buildings	Plant and equipment and motor vehicles	Total
At 1 July 2020	1,184	160	1,344
Additions	29	131	160
Disposals	—	(6)	(6)
Interest expense	57	10	67
Lease payments	(447)	(151)	(598)
At 30 June 2021	**823**	**144**	**967**

	30 June 2021	30 June 2020
Due within one year or less	503	499
Due after more than one year	464	845
	967	**1,344**

17 INTANGIBLE ASSETS

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2021	30 June 2020
Goodwill			
Cost		356	356
Impairment		—	—
Net book value		**356**	**356**
Opening balance		356	356
Impairment		—	—
Closing balance		**356**	**356**
Acquired patents, trademarks and licences			
Cost		707	711
Accumulated amortisation and impairment charges		(269)	(270)
Net book value		**438**	**441**
Opening balance		441	441
Additions		—	—
Disposals		(3)	—
Amortisation		—	—
Closing balance		**438**	**441**
Intellectual property			
Cost *		5,541	4,627
Accumulated amortisation and impairment charges		(470)	(244)
Net book value		**5,071**	**4,383**
Opening balance		4,383	4,125
Additions		227	312
Acquired through business combinations	29	424	—
Transfer from inventory		262	—
Disposals		—	—
Amortisation		(225)	(54)
Closing balance		**5,071**	**4,383**
Total intangible assets		**5,865**	**5,180**

**$4,360,000 relates to the S-Clave project (2020: $4,087,000)*

In 2019 the Group purchased the Milmeq brand. This is being amortised over 10 years.

The Group also has a number of prototype machines that have been constructed to test before releasing commercially. These are amortised over their expected useful lives which varies from three to five years.

Intellectual property additions include customer relationships acquired through a business combination (Note 29) and is a finite useful life intangible. These are being amortised over two years based on industry experience.

All other fixed life intangibles are being amortised over a period of not more than 10 years.

Goodwill is allocated to the Group's cash-generating units (CGUs) generally being the subsidiary or operating segment to which the goodwill relates. A summary of the unimpaired goodwill allocation is presented below.

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Automation	356	356
Total	**356**	**356**

On an annual basis, the recoverable amount of the goodwill is determined based on value in use calculations for the cash generating unit or group of cash generating units that the intangible relates to. These calculations use cash flow projections based on management budgets approved by the directors. The goodwill allocated to Haden & Custance relates to the acquisition in December 2016.

Goodwill has been tested for impairment as at 30 June 2021. Each cash generating unit or group of cash generating units which carries goodwill has prepared a discounted cash flow on a value-in-use basis using past experience of sales, growth, operating costs and margin, and external sources of information where appropriate to determine their expectations of the future. Cash flows beyond five years have been extrapolated using estimated terminal growth rates which do not exceed the long term growth rate for the industries in which the business units operate. The average growth rate used for Haden & Custance is 8.8%. The terminal growth rate was 3.5% and the cash flows were discounted at a discount rate of 13%. The forecasted future cash flows have been determined to support the carrying value of this cash generating unit, including the allocated goodwill. Movement in the above three inputs respectively of 1% with all the remaining variables held constant sufficient head room is still achieved.

As at 30 June 2021 the investment in S-Clave intellectual property was $4,360,000. At this date the S-Clave's technology was not yet available for use and has therefore been tested for impairment.

During the year the supply of the appropriate film from Europe for the lidding process was impacted by supply chain delays. The film has been sourced which allows testing and final design of the S-Clave system to recommence. Atherton, our Australian-based development partner, remains committed to the technology which is being tested in their facilities in Melbourne.

This year an independent review was done of the key assumptions, methodology and the model that supports the impairment testing of S-Clave. The conclusions of the review validated the approach and concluded that the carrying value was appropriate given the inputs and assumptions used.

A five year cash flow forecast has been used to estimate the asset's value in use, discounted at a rate of 20%. On this basis the carrying value of the asset has been deemed to be unimpaired. Movement in the above discount rate by 2% or if estimated cashflows were to reduce by 20% there would be no impairment. The directors remain committed that S-Clave be in commercial trials within the next 12 months.

18 DEFERRED TAX ASSET

IN THOUSANDS OF NEW ZEALAND DOLLARS	Buildings	Other Temporary Differences	Tax Losses (Profits)	Total
Balance at 1 July 2019	(265)	549	279	563
Amounts charged (credited) to profit or loss	—	460	(150)	310
Balance at 30 June 2020	**(265)**	**1,009**	**129**	**873**
Amounts charged (credited) to profit or loss	12	(39)	171	144
Recognised in other comprehensive income	(664)	—	—	(664)
Balance at 30 June 2021	**(917)**	**970**	**300**	**353**

Other Temporary Differences arise from the impact of NZ IFRS 16 on leases and provisions for working capital and plant and equipment.

While the directors remain confident of generating taxable profits in the future it was deemed appropriate to take the benefits of the tax losses as profits are generated. As at 30 June 2021 there were $4,706,000 (2020: $5,992,000) of unrecognised New Zealand tax benefit, which is available for future offset of taxable profit when generated.

The capitalised balance of deferred tax remaining was recognised on the basis that shareholder continuity has been maintained for losses generated from 2011 onwards. The Board adopted the budget and cash flow forecast for the year to 30 June 2022. The budget indicates that there will be sufficient future taxable profits available for the Group to utilise the tax assets recognised.

19 INVESTMENT IN SUBSIDIARIES

All subsidiaries and associates have a 30 June balance date and the shares held in the subsidiaries are classed as ordinary.

Subsidiaries	Activities	Location	2021 % Ownership	2020 % Ownership
Mercer Stainless Limited	Stainless steel fabricator and equipment manufacture	New Zealand	100%	100%
Haden and Custance 2016 Limited	Designs and manufactures automated handling systems	New Zealand	100%	100%
Haden and Custance (USA) Incorporated	Designs and manufactures automated handling systems	United States	100%	100%
Mercer Technologies Limited	Holds Intellectual Property	New Zealand	100%	100%
Titan Slicer Limited	Specialised food cutting equipment sales and service	New Zealand	Amalgamated*	100%
Mercer Products Pty Limited	Non-trading subsidiary, formerly a distributor of kitchen products	Australia	100%	100%
Mercer Technologies Pty Limited	Non-trading subsidiary, formerly a supplier of stainless steel products	Australia	100%	100%
Mercer Stainless Pty Limited	Non-trading subsidiary, formerly a stainless steel fabricator and equipment manufacturer	Australia	100%	100%
Mercer North America Limited	Non-trading stainless steel equipment sales and service	United States	100%	100%
Milmeq 2018 Limited	Designs and manufactures chilling and freezing systems to the food industry	New Zealand	100%	100%
Milmeq 2018 Pty Limited	Designs and manufactures chilling and freezing systems to the food industry	Australia	100%	100%
Mercer Equipment Finance Limited	Non-trading subsidiary	New Zealand	Amalgamated*	100%

***Amalgamation of subsidiaries**
On 30 June 2021 Titan Slicer Limited amalgamated into Haden and Custance 2016 Limited and Mercer Equipment Finance Limited amalgamated into Milmeq 2018 Limited.

20 TRADE AND OTHER PAYABLES

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Trade creditors	2,892	4,461
Fonterra settlement	238	583
Sundry creditors and accruals	1,284	853
Total creditors and accruals	**4,414**	**5,897**

All trade and other payables are expected to mature within 12 months after reporting date.

21 WARRANTY PROVISION

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
As at 1 July	333	–
Charged to profit or loss	189	333
	522	**333**

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.

22 BORROWINGS

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Bank loans	–	3,522
Other Loans	–	77
Total borrowings	**–**	**3,599**
Contractual maturity		
Within one year	–	437
Later than one year	–	3,162
	–	**3,599**

Bank loans and overdrafts are secured by a composite debenture over the Group's assets, supported by a registered first charge over all the properties in Note 15. The facility is undrawn at reporting date. The bank facility expires on 30 September 2022. It is subject to floating interest rates. Borrowings were repaid in full during the year in part due to the sale of the New Plymouth property.

Reconciliation to Financing activities in the cashflow:

IN THOUSANDS OF NEW ZEALAND DOLLARS	Current Loans	Non current loans	Lease Liabilities (Note 16)	Total
At 1 July 2019	**6,355**	**–**	**–**	**6,355**
Cashflows	(1,331)	(1,425)	(511)	(3,267)
Non-cashflows				
- Loans classified as current at 30 June 2019				
becoming non-current in 2020	(4,587)	4,587	–	–
- Lease adjustments (Note 16)	–	–	1,855	1,855
At 30 June 2020	**437**	**3,162**	**1,344**	**4,943**
Cashflows	(437)	(3,162)	(598)	(4,197)
Non-cashflows				
- Lease adjustments (Note 16)	–	–	221	221
At 30 June 2021	**–**	**–**	**967**	**967**

23 SHARE CAPITAL AND RESERVES

	SHARES	
GROUP	30 June 2021	30 June 2020
Issued and fully paid up capital	**65,619,067**	**65,619,067**
Balance at beginning of the year	65,619,067	64,520,706
Shares issued during the year	–	1,098,361
Balance at the end of the year	**65,619,067**	**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.

24 DIVIDENDS

No dividend was paid or declared (2020: Nil).

25 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 year.

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 year 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 no dilutive instruments.

Weighted average number of ordinary shares in issue:

NUMBER OF SHARES	30 June 2021	30 June 2020
Basic	65,619,067	64,520,706
Equity based remuneration	—	1,098,361
Total	**65,619,067**	**65,619,067**
Income (loss) attributable to the shareholders of the Company ($000)	4,100	934
Basic earnings per share	6.25 cents	1.42 cents
Diluted earnings per share	6.25 cents	1.42 cents

26 CHANGE IN WORKING CAPITAL

Changes in working capital recognised in the net cash flow (outflow) inflow from operating activities:

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Trade creditors and employee entitlements	(1,411)	(1,735)
Trade debtors and prepayments	(2,214)	747
Inventories	631	97
Contract assets	1,111	(22)
Contract liabilities	4,544	1,205
Total	**2,661**	**292**
Change in inventory provision	(241)	1,662
Change in expected credit loss	81	(43)
Net movement in Statement of Cashflows	**2,501**	**1,911**

27 CONTINGENT LIABILITIES

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Guarantee to bankers for credit card facilities up to a limit of $221,000	221	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	9,732	7,337
Total	**9,953**	**7,558**

28 RELATED PARTY TRANSACTIONS

(A) DIRECTORS

The names of persons who were directors of the company at any time during the financial year 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 year ended 30 June 2021 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.

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2021	30 June 2020
Short term benefits	1,482	1,081
Long term benefits	48	38
Share based payments	–	400
Directors' fees	216	168
Total	**1,746**	**1,687**

(C) EQUITY INSTRUMENTS

(i) Share options

All share options have expired worthless.

IN THOUSANDS OF NEW ZEALAND DOLLARS	Average exercise price in cents per share option	Options	Average exercise price in cents per share option	Options
At beginning of the year	–	–	45.00	889
Expired	–	–	45.00	(889)
At end of the year	**–**	**–**	**–**	**–**

(ii) Share based payments

There were no share based payments in the current year.

On 21 February 2020, R Rookes was issued 1,098,361 shares at a value of $268,000 as consideration for his services as chief executive of the Company.

The fair value of the shares was determined using the Volume Weighted Average Price (VWAP) listed on the NZX of the last five business days before issue.

In addition to the above, the company made an additional payment of $132,000 to the employee in cash to cover the employee's tax obligation in relation to the Share Based Payment transaction.

(iii) Related party share transactions

On 2 June 2021 Trevor Burt bought 200,000 shares from Colin Neal for 64 cents each.

29 BUSINESS COMBINATION

On 11 January 2021 MHM Automation Ltd (formerly known as Mercer Group Limited) 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 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.

Details of the fair value of identifiable assets and liabilities acquired and purchase consideration are as follows:

IN THOUSANDS OF NEW ZEALAND DOLLARS	Fair value
Property, plant and equipment	337
Inventories	195
Customer relationships	424
Lease liabilities	(24)
Employee entitlements	(305)
Contract liabilities	(500)
Deferred tax liability	(119)
Net assets acquired	**8**
Fair value of consideration paid	
Cash	8

Southern Cross Engineering contributed $3,181,000 to Group revenues and $267,000 to Group profit between the date of acquisition and 30 June 2021. If the acquisition had occurred on 1 July 2020, Group revenue would have been $55,443,000 and Group profit from continuing operations $2,522,000 for the year to 30 June 2021.

30 DISCONTINUED OPERATIONS

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

Progressively, the Group sold land, buildings and some plant for a cash consideration of $4,012,000.

The New Plymouth operations are no longer included in the segment Note 5.

IN THOUSANDS OF NEW ZEALAND DOLLARS	
Cash inflow on disposal of discontinued operation	4,012
Net assets disposed (other than cash):	
Property, plant and equipment	(2,126)
Pre-tax gain on disposal of discontinued operation	**1,886**
Related tax credit	11
Gain on disposal of discontinued operation	**1,897**

The post tax gain on disposal of discontinued operations was determined as follows:

IN THOUSANDS OF NEW ZEALAND DOLLARS RESULT OF DISCONTINUED OPERATION	30 June 2021	30 June 2020
Revenue	851	3,537
Expenses	(1,180)	(3,850)
Depreciation	(13)	(86)
Results from discontinued operation before tax	**(342)**	**(399)**
Tax (expense)/credit	96	112
Results from discontinued operation after tax	**(246)**	**(288)**
Gain from selling discontinued operations after tax	1,897	—
Income (loss) for the period from discontinued operation	**1,651**	**(288)**

EARNINGS PER SHARE FROM DISCONTINUED OPERATION		
Basic earnings/(loss) per share	2.52 cents	(0.44) cents
Diluted earnings/(loss) per share	2.52 cents	(0.44) cents

STATEMENT OF CASH FLOWS		
The statement of cash flows includes the following amounts relating to discontinued operations:		
Operating cash flows	(329)	(313)
Investing cash flows	4,012	—
Net cash outflow/(inflow)	**3,683**	**(313)**

31 SUBSEQUENT EVENTS

On 17 August 2021, following the detection of COVID-19 in the community in Auckland, the New Zealand Government ordered an economy-wide lockdown, during which all non-essential businesses and organisations would not be permitted to operate. The lockdown, which commenced at 11:59pm on 17 August, was initially ordered for a seven day period in Auckland and Coromandel, and a three day period for the rest of the country.

The Company is an essential service and consequently will be able to continue to trade throughout the lockdown period. The lockdown remains in effect at the date of signing the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MHM AUTOMATION LIMITED (FORMERLY KNOWN AS MERCER GROUP LIMITED)

OPINION

We have audited the consolidated financial statements of MHM Automation Limited (formerly known as Mercer Group Limited) ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in our audit
IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS - INTELLECTUAL PROPERTY	
At 30 June 2021, the Group has intellectual property of $4,360,000 (2020: $ 4,087,000) relating to its Mercer Technologies business (S-Clave) which is still in development. Refer to Note 17 of the financial statements. The Group is required to assess, at least annually, whether this intangible asset is impaired. In accordance with NZ IAS 36 the Group has calculated the recoverable amount of the asset using a value-in-use calculation. The recoverable amount of this intangible asset is highly dependent on the expected future cash flows to be generated by the underlying business, the discount rate applied to the cash flows and its viability for commercialisation. Management have used external experts to peer review or provide certain key assumptions in their calculation. Should these expected future cash flows not eventuate, this intangible asset may be impaired. We have included impairment assessments of intellectual property as a Key Audit Matter due to the significance of this asset to the financial statements, and the level of management estimates involved in determining the recoverable amounts.	We performed procedures to evaluate the Group's impairment assessment of intellectual property by: • challenging the reasonableness of the underlying assumptions used by the Group in preparing the value-in-use calculations that supports the recoverability of the recognised intangible asset. Specifically, we challenged the Group's discount rates, long-term growth rates and expected future cash flows used in the models; • we engaged our internal expert to perform an analysis of the peer review undertaken by management's expert, along with holding discussions with that expert and performing an assessment of the expert's relevant experience and expertise; • performing sensitivity analysis to determine the robustness of the value-in-use calculation and the impact of changing key assumptions; • utilising our internal valuation specialists to assess the Group's estimates used in the value-in-use calculation; • we also assessed the audit evidence for the technical and commercial feasibility of the Group's intellectual property assets which are not yet ready for use as at year-end.

CONT. ON NEXT PAGE

Key audit matter	How the matter was addressed in our audit
IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS - INTELLECTUAL PROPERTY CONT.	
	• we have reviewed the disclosures in the financial statements, including sensitivity analysis, to ensure these meet the requirements of the accounting standards.
REVENUE RECOGNITION	
The majority of the Group's revenue from contracts with customers is recognised over time, in relation to the percentage of completion of those projects. The percentage of completion is subject to estimation by management, and incorrect revenue recognition could result in a misstatement in the amounts recognised through profit or loss as revenue, or balances in the statement of financial position recorded as contract assets or contract liabilities. The Group's accounting policy in relation to revenue recognition is included as accounting policy (f), significant estimates and judgements related to contract revenue is included in note 3, and revenue is disclosed in note 6. We focussed on this area as a key audit matter due to the risk of incorrect timing of revenue recognition and estimation, and the resulting impact this could have on profit or loss for the year, and the balances recorded as contract assets or liabilities at the reporting date.	To address the risk of material misstatement relating to revenue recognition, our audit procedures included, amongst others: • assessing the compliance of the Group's revenue recognition policies with applicable accounting standards; • assessing the revenue recognition processes and practices; • obtaining a sample of revenue contracts to assess whether the method for recognition of revenue was in accordance with the requirements of NZ IFRS 15; • testing the accuracy of cut off with substantive procedures; • assessing management's estimates applied to determine percentage of completion; • obtaining an understanding of the design and implementation of controls in relation to revenue recognition; and • assessing the adequacy of the Group's disclosures related to revenue recognition.
BUSINESS ACQUISITION	
On 11 January 2021 MHM Automation Ltd (formerly known as Mercer Group Limited) purchased certain assets and intellectual property of Southern Cross Engineering Ltd (SCE), a Christchurch based diversified engineering firm. This transaction was accounted for as a business combination. The Group's accounting policy in relation to business combinations are included as accounting policy (c), significant estimates and judgements related to valuation of assets and liabilities in a business combination are included in note 3, and the business combination is disclosed in note 29. Due to the level of management judgment required when accounting for a business combination, this is considered to be a key audit matter.	To address the risk of material misstatement relating to the business combination, our audit procedures included, amongst others: • obtaining management's analysis of the business combination and reviewing all relevant agreements, schedules and supporting documentation of the consideration transferred, identifiable assets acquired, and liabilities assumed. • obtaining an understanding of the business purpose and substance of the transaction and assessing whether this was consistent with the entity's disclosure of the primary reasons for the business combination. • evaluating management's assessment of whether the transaction met the criteria to qualify as a business combination under NZ IFRS 3. • performing procedures over management's calculation of the fair value of consideration transferred with regard to compliance with NZ IFRS 3. • reviewing management's purchase price allocation, the purchase agreement and related documentation and assessing the fair values of assets and liabilities within the business combination.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Statutory Information, the Chairman's Report, the Financial Performance Summary Report and the Highlights Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/.

This description forms part of our auditor's report.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WHO WE REPORT TO

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

The engagement partner on the audit resulting in this independent auditor's report is Michael Rondel.

BDO Christchurch.

BDO Christchurch
Christchurch, New Zealand
26 August 2021

This audit report relates to the consolidated financial statements of MHM Automation Limited (formerly known as Mercer Group Limited) (the 'Group') for the year ended 30 June 2021 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated 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 audited consolidated financial statements and related audit report dated 26 August 2021 to confirm the information included in the audited consolidated financial statements presented on this website.

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2021

MHM AUTOMATION GROUP BOARD OF DIRECTORS

PRINCIPAL ACTIVITY

The Board is the governing body of MHM Automation Limited (formerly known as Mercer Group Limited) and currently has five members. The Directors are elected by the shareholders to oversee the management of the Company and are responsible for all corporate governance matters.

In accordance with the constitution, all directors will continue in Office, until the 2021 Annual General Meeting, when one Director will retire by rotation. Directors being eligible, may offer themselves for re-election in accordance with the Company's constitution. Mr Rookes will continue his role as Chief Executive Officer.

DIRECTORS HOLDING OFFICE DURING THE PERIOD WERE:

	REMUNERATION	
Directors Holding Office	**2021**	**2020**
Paul Smart [Independent]	$48,500	$47,650
Richard Rookes	$373,303	$777,145
Colin Neal [appointed 1 May 2020]	$49,100	$8,083
Trevor Burt	$73,913	$51,917
GHD Rolleston	$44,397	$34,488

COMMITTEES OF THE BOARD

The Board has an Audit Committee and a Remuneration Committee.

AUDIT COMMITTEE

The function of the Audit Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 2013, in particular to ensure that management maintains sound accounting practices, policies and controls, and to review and make appropriate inquiries into the audit of the Group's financial statements by the external auditors.

The committee members are:

- Paul Smart [Chair]
- Richard Rookes
- Trevor Burt

External Auditors

The Board ensures the auditor has a fair remuneration for the agreed scope of the statutory audit and audit-related services.

	REMUNERATION	
AUDITOR'S REMUNERATION	**2021**	**2020**
Audit of Financial Statements	$115,000	$94,000
Audit of Financial Statements relating to prior year	($2,000)	$22,000
Other assurance services	$0	$0

REMUNERATION COMMITTEE

The function of the Remuneration Committee is to make recommendations to the Board concerning Executive Directors' and Executive Officers' remuneration.

Non-executive members of the Board make up the committee.

	2021	2020
$100,000 - 109,999	11	9
$110,000 - 119,999	8	5
$120,000 - 129,999	8	7
$130,000 - 139,999	7	7
$140,000 - 149,999	2	2
$150,000 - 159,999	3	5
$160,000 - 169,999	3	3
$170,000 - 179,999	2	1
$180,000 - 189,999	3	-
$190,000 - 199,999	2	-
$200,000 - 209,999	-	1
$210,000 - 219,999	1	-
$250,000 - 259,999	1	-
$260,000 - 269,999	-	1
$280,000 - 289,999	1	-
$290,000 - 299,999	-	1
$300,000 - 309,999	-	1
$370,000 - 379,999	2	-
$770,000 - 779,999*	-	1

** Note that these figures include equity based payments amounting to $Nil (2020: $400,000) for share payments (see note 28 of the Group Financial Statements).*

Diversity

At 30 June 2021, MHM Automation employed 158 staff, including 38 in the workshop, of which 144 (91%) were male and 14 (9%) were female. Compared to 2020 where 125 (87%) were male and 16 (13%) were female employees. MHM Automation encourages representation across both genders and all ethnicities and have a policy hiring on merit.

The five directors and four officers of the company at 30 June 2021 are male compared to five male Directors and two male officers in 2020.

CORPORATE GOVERNANCE PROCESSES

Pursuant to NZX Listing Rule 10.4.5(i) the Company is required to disclose in this annual report the extent to which its corporate governance processes materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

The code of ethics and code of business principles govern how each of the companies which make up the MHM Automation Limited (formerly known as Mercer Group Limited) group must conduct its affairs. The codes cover the requirement to avoid conflicts of interest and demand high standards of honesty, integrity and fairness.

The Audit Committee operates under an approved charter, the majority of the members of that committee are independent directors and the committee meets at least two times per year.

The following principles / processes recommended in the code are not complied with at the date of this report:

1. Directors appointments – a nomination committee is not considered appropriate due to the size of the board;
2. Director remuneration – a remuneration committee to consider directors fees is not considered appropriate due to the size of the board;
3. Board performance – formal procedures to assess individual and board performance have not been developed.

DIRECTORS' INTEREST REGISTER

Where a Director has declared an interest in a particular entity, as a shareholder and/or Director, the declaration serves as notice that the Director may benefit from any transaction between the parent or Group and the identified entities.

During the year, Trevor Burt bought the following parcels of shares:

	Shares	Cents
26 August 2020	100,000	34
8 September 2020	100,000	36
2 June 2021	200,000	64

Colin Neal sold the following parcels of shares:

	Shares	Cents
25 March 2021	34,353	76
26 March 2021	10,000	73
2 June 2021	200,000	64
15 June 2021	25,688	68
16 June 2021	30,921	68

Richard Rookes
APPOINTED - 21 FEBRUARY 2011
Executive and member of the Audit Committee

Paul Smart
APPOINTED - 31 JULY 2012
Non-executive and independent Chairman of the Audit Committee

Director – ArborGen Holdings Ltd
Director – Geo40 Ltd
Director – Argus Fire Systems Service Ltd
Director – Sunrise Consulting Ltd
Director – Vortex Power Systems Limited
Trustee – Bellbird Trust
Trustee – Saddleback Trust

GHD Rolleston
APPOINTED - 28 FEBRUARY 2019
Non-executive Director

Director/Shareholder – Plant Miner Pty Ltd
Director/Shareholder – Travlr Pty Ltd
Director/Shareholder – Matrix Pty Ltd (NZ)
Director/Shareholder – Suubee Pty Ltd
Director/Shareholder – Rolleston Investment Trust
Director/Shareholder – Asset Growth Fund Pty Ltd
Director/Shareholder – Rolleston Capital
Director/Shareholder – Spaceships Australia
Director/Shareholder - Waimak Asset Management Pty Ltd
Director/Shareholder - Felix Pty Ltd
Director/Shareholder - Komodo Capital Ltd
G and P Rolleston SuperFund

Trevor Burt
APPOINTED - 24 OCTOBER 2019
Non-executive Independent Chairman and a member of the Audit Committee

Chair – Rua Bioscience Ltd
Chair – The Lamb Company North America
Director – Market Gardeners Ltd
Director – Landpower Group Ltd
Director/Shareholder – Breakaway Investments Ltd
Director/Shareholder – Hossack Station Ltd
Director/Shareholder – Eastern Dynasty Ltd
Board member – Christ's College
Board member – Maia Health Foundation
Trustee – Ben Gough Family Trust

Colin Neal
APPOINTED - 1 MAY 2020
Non-executive Director

Director – Astrolabe Retreat Ltd
Director – Bay Cuisine Ltd
Director – Big Chill Distribution Ltd
Director – Bush Road Ltd
Director - CNMS Holdings Ltd
Director - EQ Management 21 Ltd
Director - Hello Foods Ltd
Director - Jucy By Design (2020) Ltd
Director - Jucy Group (2020) Ltd
Director - Jucy Holdings (2020) Ltd
Director - Jucy Rentals NZ (2020) Ltd
Director – Lean Artisan Smokehouse Company Ltd
Director – Natava Superfoods Ltd
Director – Pasta d'Oro Ltd
Director – Polar Capital GP Ltd
Director - Polar Capital Trustees Ltd
Director - Polar Capital Trustees (No 2) Ltd
Director – Polar Equity Ltd
Director – Pure Cuisine NZ Ltd
Director – SFFL Exports Pty Ltd
Director – Smiths City (2020) Ltd
Director – Smiths City Finance Ltd
Director – Smith City Holdings (2020) Ltd
Director – South Island Dairy Processors Ltd

DIRECTORS NOTICE

No member of the Board of MHM Automation Limited (formerly known as Mercer Group Limited), or any subsidiary, issued a notice requesting to use information received in their capacity as Directors which would not otherwise have been available to them.

DIRECTORS' INDEMNITY AND INSURANCE

MHM Automation Limited (formerly known as Mercer Group Limited) has arranged a policy of Directors' liability insurance that ensures that officers and directors will not generally incur monetary losses as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law. The total cost of this insurance for the financial year was $63,060.

DONATIONS

MHM Automation made no donations during either year.

DIRECTORS SHAREHOLDING

		BENEFICIAL INTEREST		ASSOCIATED PERSONS		NON BENEFICIAL	
Directors Shareholding	**Voting Securities Total**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
GHD Rolleston							
Asset Management Limited		14,778,788	14,778,788	—	—	—	—
Asset Trading Limited		—	99,542	—	—	—	—
National Mortgage Underwriters		143,221	192,790	—	—	56,972	76,696
HJD Rolleston & AJ Keegan		5,799,298	5,799,298	—	—	—	—
	20,778,269	**20,721,297**	**20,870,418**	**20,778,269**	**20,947,114**	**56,972**	**76,696**
	31.7%						
P Smart							
Sunrise Consulting Ltd	327,846	327,846	327,846	-	-	-	-
	327,846	**327,846**	**327,846**	**-**	**-**	**-**	**-**
	0.50%						
R Rookes							
Richard George Rookes	2,000,861	2,000,861	2,000,861	-	-	-	-
	2,000,861	**2,000,861**	**2,000,861**	**-**	**-**	**-**	**-**
	3.0%						
T Burt							
Trevor Burt	700,000	700,000	300,000	-	-	-	-
	700,000	**700,000**	**300,000**	**-**	**-**	**-**	**-**
	1.07%						
C Neal							
Custodial Services Ltd	12,699,030	12,699,030	13,000,000	-	-	-	-
	12,699,030	12,699,030	**13,000,000**	**-**	**-**	**-**	**-**
	19.35%						
Total shares in issue at 30 June 2021	**65,619,067**						

SHAREHOLDERS ANALYSIS

The shareholder information detailed in this report has been taken from the Company's Register as at 30 June 2021.

DOMICILE OF SECURITY HOLDERS	Number of holders	%	Number of shares held	%
New Zealand	730	97.07	63,568,931	96.88
Australia	13	1.73	1,576,373	2.40
United Kingdom	2	0.27	20,019	0.03
China	1	0.13	331,675	0.51
Other	6	0.80	122,069	0.18
	752	**100.0**	**65,619,067**	**100.0**

RANGE OF SHAREHOLDINGS				
1 to 1,000	288	38.30	78,761	0.12
1,001 to 5,000	153	20.35	415,513	0.63
5,001 to 10,000	83	11.04	674,519	1.03
10,001 to 100,000	175	23.27	6,290,145	9.59
100,001 and over	53	7.04	58,160,129	88.63
	752	**100.0**	**65,619,067**	**100.0**

SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with Section 293 of the Finance Markets Conduct Act 2013. According to notices received, the following persons were substantial security holders in the Company as at 30 June 2021:

	Relevant Interest Voting Securities	% of Shares
HJD Rolleston	20,778,269*	31.7
C Neal	12,699,030	19.4

** The total number of voting securities of the Company on issue at 30 June 2021 was 65,619,067.*

SHAREHOLDER INFORMATION

The information in the disclosure below have been taken from the Company's register at 30 June 2021.

Twenty largest shareholders:

Holder	Number held	% of Issue Capital
Asset Management Limited	14,778,788	22.52%
Custodial Services Limited	12,723,195	19.39%
Humphry John D Rolleston	5,799,298	8.84%
Forsyth Barr Custodians	3,048,577	4.65%
Richard George Rookes	2,000,861	3.05%
Alison Mercer Limited	1,850,000	2.82%
John Anthony Dell	1,548,864	2.36%
William John Hedley Willis	1,250,000	1.90%
New Zealand Depository Nominee	970,914	1.48%
FNZ Custodians Ltd	943,816	1.44%
Ian Alexander McGregor	875,500	1.33%
Rodger David Shepherd	720,517	1.10%
Trevor John Burt	700,000	1.07%
Paul Hewitson & Christopher John Stark	676,801	1.03%
New Zealand Central Securities	665,702	1.01%
JB Were (NZ) Nominees Limited	581,970	0.89%
Ballynagarrick Investments	527,000	0.80%
Leveraged Equities Finance	514,195	0.78%
William James Thurlow	500,000	0.76%
Zagato Limited	500,000	0.76%
Totals	**51,175,998**	**77.99%**

COMPANY DIRECTORY

Registered Office
53 Lunns Road
Middleton
Christchurch 8042

Auditors
BDO
Level 4
287-293 Durham Street
Christchurch 8013

Share Registery
Link Market Services
PO Box 91976
Auckland 1142

Solicitors
Buddle Findlay
83 Victoria Street
Christchurch 8013

Bankers
Bank of New Zealand Limited
Level 1, 86 Highbrook Drive
East Tamaki
Auckland 2013

SITES

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