2022

ANNUAL REPORT

MHM AUTOMATION

CONTENTS

3 | Chair's Report

5 | CEO Report

11 | Key Projects

14 | Board of Directors

15 | Directors' Report

16 | Financial Statements

- 17 | Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 18 | Consolidated Statement of financial Position
- 19 | Consolidated Statement of Movements in Equity
- 20 | Consolidated Statement of Cash Flow

21 | Notes to the Consolidated Financial Statements

60 | Independent Auditor's Report

64 | Statutory Information

CHAIR'S REPORT

A STEP TOWARDS $100 MILLION REVENUE

MHM Automation has continued to progress our vision of being a leading designer and supplier of innovative food processing and packaging solutions to the world.

Trevor Burt
Board Chair

At our annual meeting of shareholders in October 2021 we announced a STEP 100 strategy where we have targeted to achieve $100m in revenue by 2025.

I am pleased to say we are well on track with that target growing revenue from $51m (FY21) to $68m this year. Growth has come from leveraging our capabilities in the food processing sector as well as a more diverse range of project execution in other sectors. Not only is our revenue growing well, but we are also achieving more diversification.

MILESTONES

We have continued to deliver on our strategic milestones:

- **New business growth** in Milmeq chilling and freezing business
- Further **diversification of revenue** with several new projects in a range of sectors
- Further investment into **R&D**
- A **successful integration** of the Southern Cross Engineering acquisition
- Implementation of a **new ERP system**
- Continued improvement in **financial performance**
- Reinstatement of **dividend payments**

The continued focus on operational improvement has seen improvement in our earnings with operating EBITDA of $4.8m (last year $3.9m). This is positive progress towards our STEP 100 target of $10m operating EBITDA by 2025.

Our focus on Health and Safety management continues with more resources and focus being put into keeping our people safe. Despite this focus we have had an increase in our injury rates, and this has been a result of the increased operational activity from recent acquisitions. It will take some time to bring all our operational activities up to our required standard, but we are confident that can be achieved.

COVID continued to have an impact throughout the year and our management team have done an excellent job navigating through the many issues that related to COVID.

Our pipeline of sales is very strong for the next year and the continued challenge of sourcing labour in the food processing sector in particular means the demand for automation continues.

We have the team and the product range to take advantage of the growth opportunities presented by this demand and we are confident of our growth prospects despite the challenges of the supply chain around the world.

We will continue to target acquisitions that are IP driven and align with our automation strategy. There are several targets that we are progressing as we look to build the scale we need to execute on the global stage.

Our team have continued to deliver for us, and on behalf of the board, I want to thank all our staff for their efforts and contribution to the results we have achieved.

I also want to thank all shareholders for their support over the last 12 months. I look forward to continued growth in our share price as we advance our growth strategy.

CEO REPORT

A POSITIVE RESULT FOR FY2022

Richard Rookes
CEO

We are pleased with our 2022 financial year – we continued to increase revenue and profitability in what was a difficult operating environment.

Our continued growth was a credit to our committed team across all business units, and the strength of our diversified product portfolio.

We continue to strive for further growth and diversification, as has been outlined in our STEP 100 strategy.

HIGHLIGHTS

32% revenue growth

Revenue of $67.6 million for the year

21% operating EBITDA growth

Operating EBITDA of $4.76 million

Equity growth

Strengthened balance sheet

$1m dividend

A special dividend of $1 million was paid to shareholders

$53m of orders secured

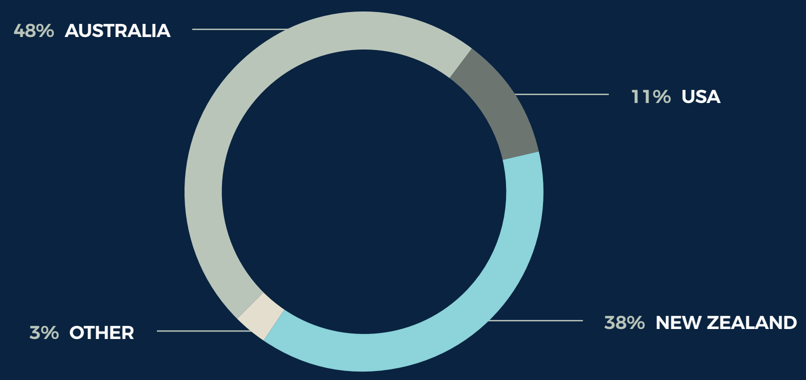
At year end, $53 million of forward work was contracted; this is a new record for MHM Automation

Project delivery

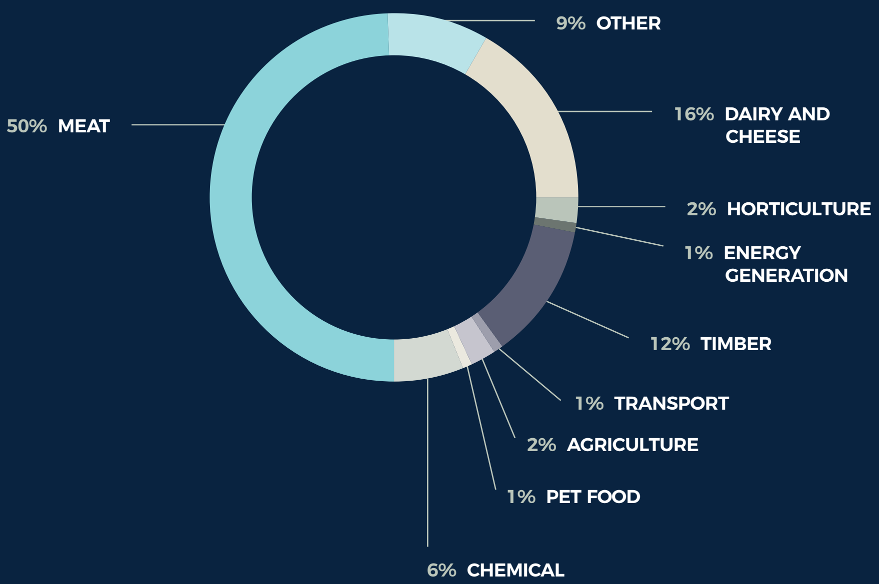
A number of large, complex projects were delivered, despite the COVID environment

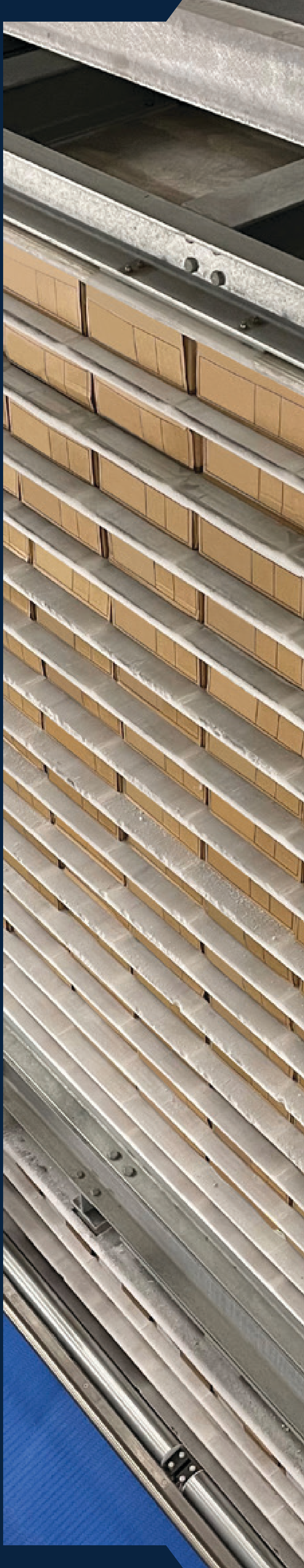
OVERVIEW

REVENUE BY LOCATION



REVENUE BY SECTOR





FINANCIAL PERFORMANCE

We continue to deliver on our STEP 100 strategy, during the year our revenue increased to $67.6m an increase of 32% on the previous year. This was split 70% from our Automation business and 30% from fabrication.

RESULT OVERVIEW

$ THOUSANDS

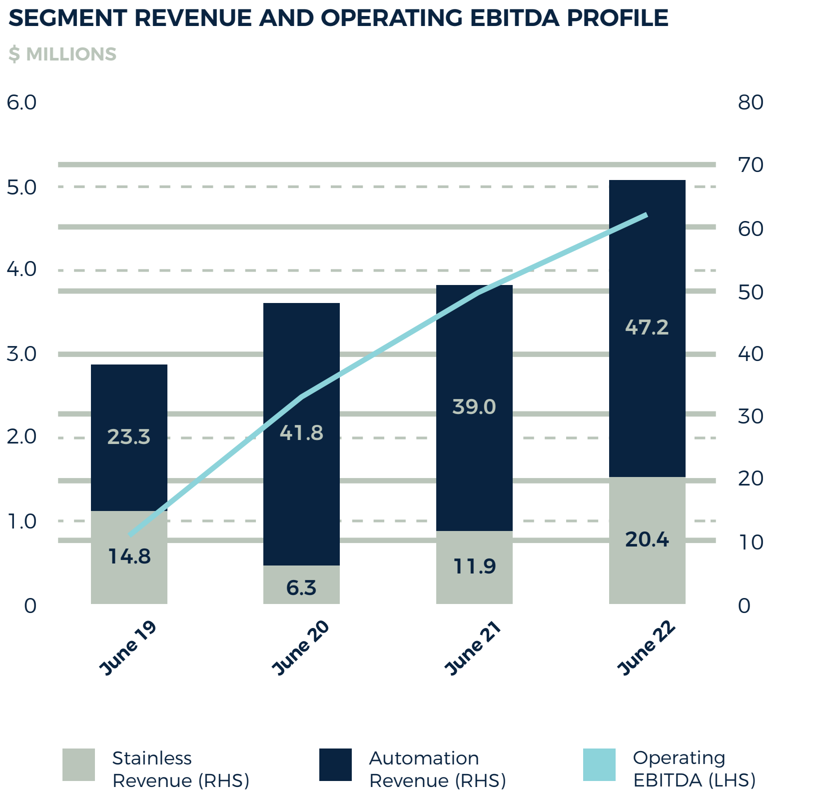
	FY19	FY20	FY21	FY22
REVENUE	**38,090**	**48,040**	**50,989**	**67,568**
Operating EBITDA (note 5)	810	2,486	3,941	4,760
Operating EBITDA %	2.1%	5.2%	7.7%	7.0%
Net profit after tax	(1,034)	934	4,100	1,775
Cash	3,688	2,323	6,992	12,011
Debt	(6,355)	(3,599)	—	—
Operating cash flow	4,904	2,457	5,935	8,852
Dividend	—	—	984.0	—
Dividend % of NPAT	—	—	24.0%	—

Our Automation business that generally produces higher margins grew revenues by $8m or 21% on prior year while the fabrication business increased revenue by $8.5m, a 71% increase on the prior year. Some of our automation customers, particularly in the US, delayed their investment decisions during the year based on COVID uncertainty. However, this was more than offset by our fabrication business with a full year contribution from Southern Cross Engineering (SCE). The SCE business had a very good year, with strong sales into the timber and grain sectors. This was a demonstration of our continued drive for diversification of markets and products to reduce risk and build a more sustainable business.

Operating EBITDA was $4.76m for the 12 months to June 2022. This was after expensing $285k of ERP implementation costs and a $0.8m increase on the prior years operating EBITDA. The operating EBITDA as a percentage of sales revenue was 7%, slightly reduced from the prior year due to the revenue mix.

During the year we implemented a new cloud based enterprise-wide ERP. This investment allows us to improve the financial tracking and reporting of all stages of our project delivery on a common platform allowing our operations team to drive efficiencies in delivery. Improved data is driving improved decisions and performance across the Group. This was a long overdue investment that positions us for margin improvement and provides us a scalable platform for further growth and acquisitions.

The after-tax profit of $1.8m was $2.3m down on the prior year. The prior year included $1.7m nonrecurring gain on disposal of a discontinued operation.



FINANCIAL POSITION

Our balance sheet continues to improve with strong working capital which is reflected in the Operating Cashflow – this was driven by multiple large projects awarded and completed during the year.

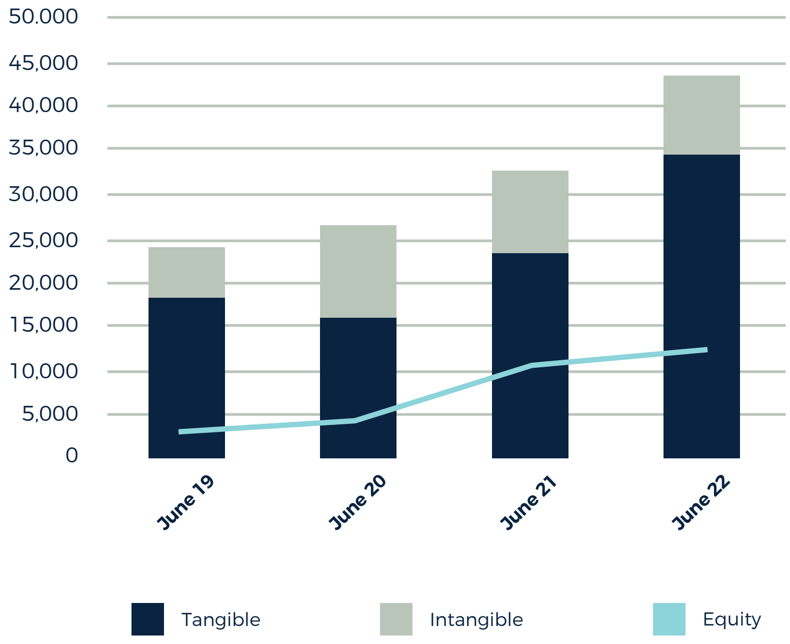
Typically, projects are cashflow positive for the full duration and little working capital is required for inventory management. The split of tangible vs intangible assets shows improvement as we have accumulated a stronger closing working capital position. The intangible balance is largely the S-Clave development costs.

Given our strong sales performance, we have a net contract liability $17.7m as at year end. This liability is now cash covered from a working capital position. In prior years at a point in time banking facilities would be required to offset the liability. This is significant step change in our balance sheet which we see improving at our current setting and sales momentum.

Our BNZ banking facilities of $5m have been rolled over to September 2023, and remain undrawn.

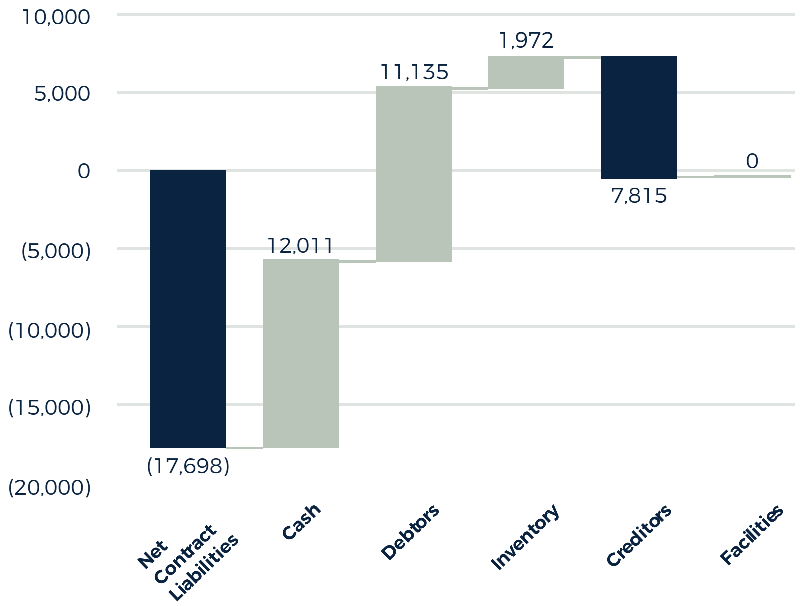
MHM TANGIBLE VS INTANGIBLE ASSETS

$ THOUSANDS



WORKING CAPITAL VS CONTRACT LIABILITIES

$ THOUSANDS



Closing cash was $12m, a $5m increase on the prior year. There were no drawdowns of our banking facilities during the year. The year end debtors of $11m was higher than normal due to timing of payments on two large Australian contracts. These monies are fully recoverable.

Operating cashflows continued to strengthen with Operating cashflows of $8.8m up from $5.9m for the prior year.

The Group's liquidity as measured by cash and available facilities was $17m as at 30 June 2022. This has improved as mentioned above. In the ordinary course of business, Contract Liabilities can be discharged from working capital.

Investing cashflows were $2m outflow which was largely attributable to the remedial repair work carried out on our Lunns Road office and workshop to bring them up to 67% NBC.

Financing outflows were $1.8m which include $777k of lease payments and a $984k special dividend, which was a distribution for the gain on disposal of the New Plymouth site.

The property at Lunns Road was revalued to reflect the completion of the works and to ensure alignment to market valuations. As at 30 June the valuation was $7,325,000.

AUTOMATION

Our Automation business includes the Milmeq and H&C brands.

The Automation business generated $47m revenue in the financial year, a 21% increase on the prior year.

The Milmeq product set continued its strong performance, with a number of large projects into the red meat sector in Australia delivered. We also delivered our first freezing tunnel into the US market, albeit with some difficulty given COVID restrictions.

The H&C business had a slow start to the financial year, as reported at the half year. However, it secured a number of projects during that time, which saw it have a far stronger second half. One of those projects was the rebuild of the Dulux factory in Brisbane following the floods of late 2021 – this was a site that H&C had designed and delivered a robotic system to previously.

EBITDA margins for the automation business reduced to 9% from 12% in the prior year. This was due to supply chain issues, COVID disruptions and the slow first half at H&C. As an example of the costs we had to incur, given the travel restrictions from NZ in the back half of 2021 we had to use local labour for a number of installations in the US, costing an additional $200k plus. These cost increases were a result of the border policies of the New Zealand government and were a real cost to our business. There were many other such examples. We were fortunate to have our excellent Brisbane based team continue our work in the Australian market.

FABRICATION

Our Fabrication business includes the Mercer Stainless and SCE brands.

The Fabrication business had a very good year, with revenue growing 79% to $20.4m. This was a result of a full year of SCE business. The SCE business has outperformed our expectations – it has provided us exposure to the timber and agri-business sectors and has performed well for us. In particular, our timber agency business had a good year.

We also secured the sale of six grain stackers into the Australian grain market – this IP was a large part of the rationale for the acquisition, so it has been pleasing to see the sales coming through.

This strong performance saw a 3.5x lift in EBITDA to $2.1m for the Fabrication business. Again, this shows the benefit of our diversification strategy as we seek to reduce risk and strengthen our business through exposure to related industries through leading IP.

S-CLAVE

We continue to make progress with the S-Clave.

The key highlight of the year was the S-Clave being approved for registration on the Australian Register of Therapeutic Goods by the Therapeutic Goods Administration. This clears the way for hospital tests, which we are targeting by the end of 2022.

We have continued to test and slightly modify the S-Clave system. This has been done in conjunction with trials with industry experts and our Australian partner Athertons.

OUTLOOK

We have entered the 2023 financial year with the strongest order book we have ever had – as at 30 June 2022 we had $53m of forward work contracted. This sets us up well for the 2023 financial year.

This workload is a testament to the great range of products and solutions that we design and deliver. Our focus on automation and leading IP is providing us a platform for growth.

While the economic outlook remains uncertain with slowing global growth, increasing funding costs and increasing inflation, we are confident in the year ahead.

Our business model means that we do not carry significant inventory, and as such are well positioned to pass on increasing costs to our customers on a case by case basis.

Further, issues around human resource in the markets we sell into, whether it be increasing cost of employment or health and safety issues, means that automation and modernisation of process is only moving up the priority ladder with our customers. We see automation as a mega-trend that we are well positioned to participate in.

We also continue to look for further acquisition opportunities. We have reviewed, and continue to work on a number of potential acquisitions. We have a proven track record in the successful integration of acquisitions, and with the investment in our new cloud based ERP, we have a platform to achieve results.

KEY PROJECTS

BONING ROOM TO PALLETISING SOLUTION

Midfield Group, Australia

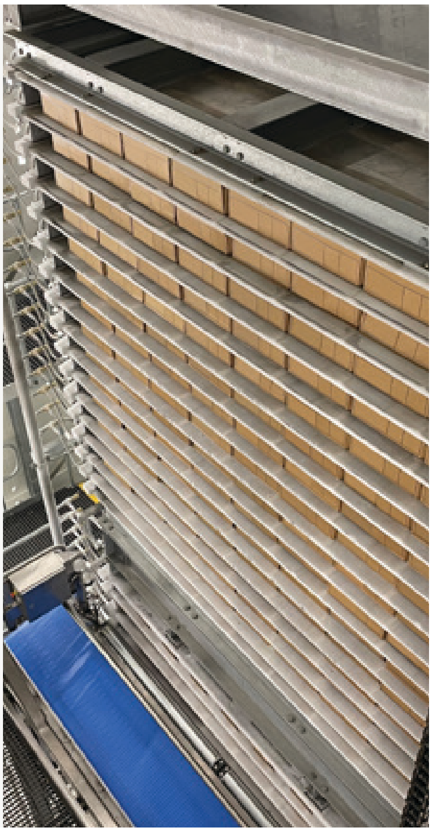
This project involves complete automation of the back-end operations at a plant processing 2,000 cattle and 14,000 sheep per day.

The product range includes 240 SKUs, with 12,000 frozen cartons and 6,200 chilled cartons produced per day.

MHM Automation automated the following processes which take place after the product is boxed and barcoded:

- A six-mag AiCo Carton Lidder
- Four Milmeq Single Station Opening (SSO) Plate Freezer stacks, each with capacity to freeze 3,072 cartons in 24 hours
- Two TGW Automated Storage Shuttle Systems (ASRS) – one for frozen and one for chilled product
- A three-cell H&C Robotic Palletising system, including auto check scanning, stretch wrapping and labelling

The lidder and plate freezers were commissioned in late 2021. The ASRS and palletising stages are expected to be complete in early 2023.



200TH MILMEQ PLATE FREEZER

Fletcher International Exports, Australia

A milestone 200th Milmeq plate freezer was commissioned, as part of a project to install two SSO plate freezers at Fletcher International Exports' sheep meat processing plant in Dubbo, NSW.

Milmeq has had a longstanding relationship with Fletchers, with 18 Milmeq plate freezers now installed in its two processing plants. The two parties collaborated to develop and install the first commercial prototype of the SSO plate freezer, installed at Fletchers' Dubbo plant in 2015.

As well as being the largest plate freezers in the world, Milmeq SSO plate freezers are the fastest and most energy efficient way to freeze cartons of meat.

The two new plate freezers at Fletchers each stand at 12 metres high, each with capacity to freeze 2,560 60lb cartons of cold boned meat product in less than 24 hours.

MEAT DE-BOXING SYSTEMS

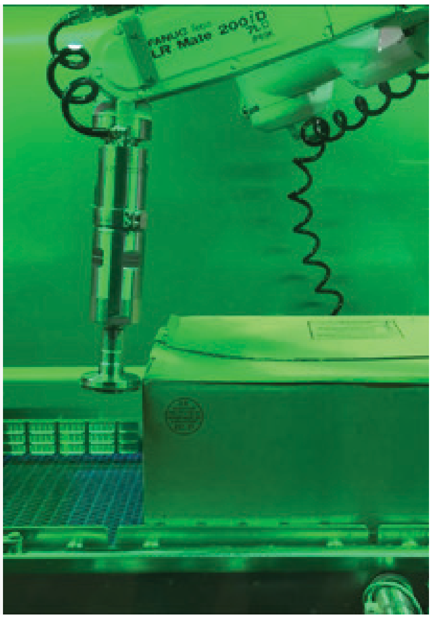
Tyson Foods & Lower Foods, USA

Three meat de-boxing systems have been sold into the US meat industry.

The de-boxing systems open and remove bulk meat product from boxes, delivering it to the production line ready for further processing into consumer-ready products.

They incorporate the H&C Universal Robotic Box Cutter (UBC), a newly developed product and the first of its kind, with the ability to open boxes of varying shapes and sizes on the fly, without operator intervention.

Two de-boxing systems were sold to Tyson Foods and one to Lower Foods. One of these was commissioned in FY 2021-22 and the other two will be commissioned in the coming financial year.



SCE GRAIN STACKERS

GrainCorp & AgStore, Australia

SCE Grain Stackers are an industry-leading product, capable of unloading a truckload of wheat onto a grain bunker in three minutes.

On the back of a bumper grain season in Australia due to weather and world events, we received orders for eight grain stackers in the last financial year. Six of these are currently in production and expected to be delivered in late 2022, with the other two to be delivered next year.

With a world shortage of grain expected to continue for the foreseeable future, we anticipate strong demand for our grain stackers to continue.

TIMBER PLANING, MOULDING AND GRINDING SYSTEM

Lockwood Group, New Zealand

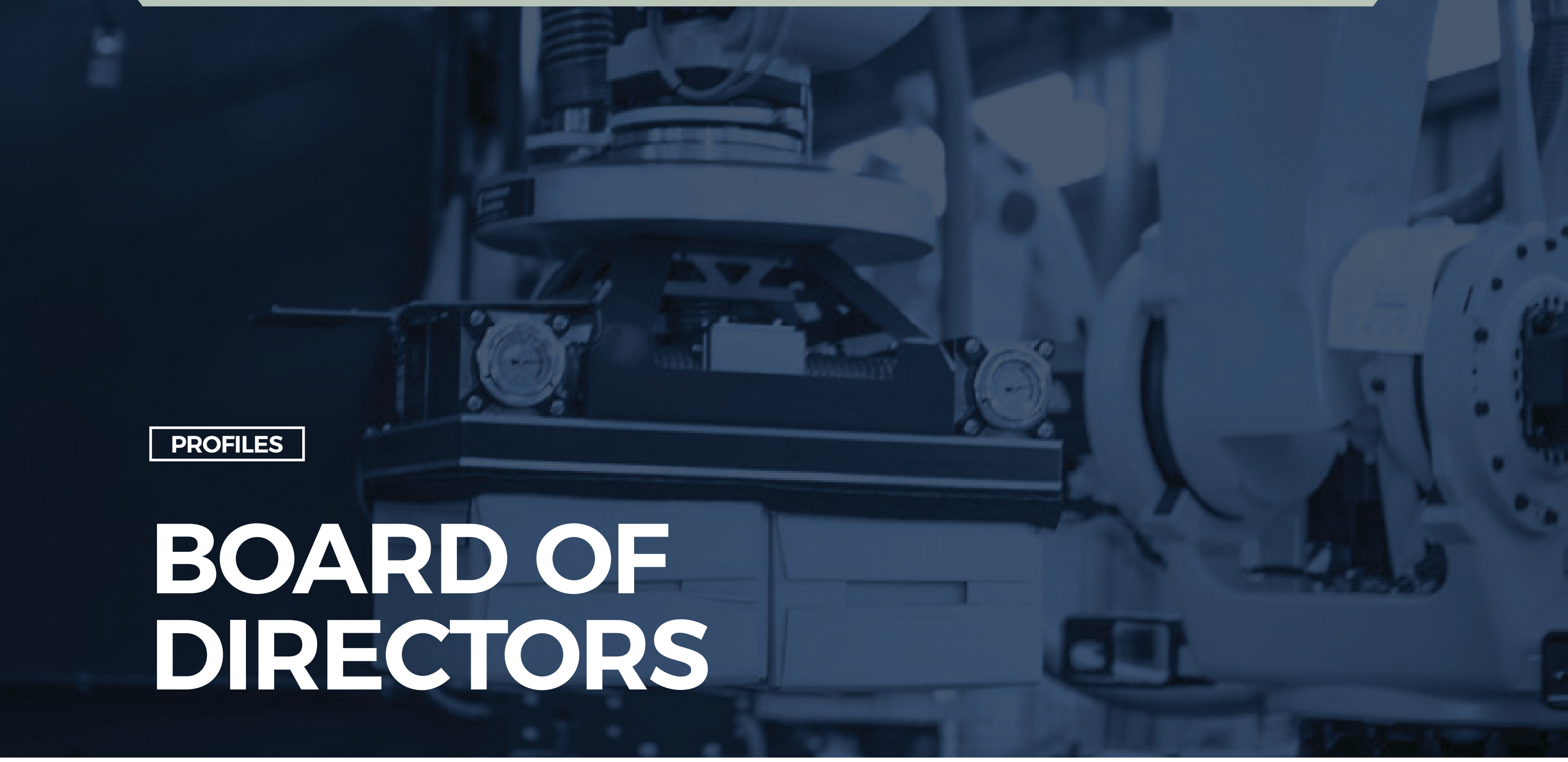
Lockwood Group builds high-performance homes from solid laminated timber planks, which are produced in its own production facility.

To assist Lockwood Group in expanding their production capacity, we provided and installed a new automated planer/moulder and grinder system.

Their requirements were complex, with specific, intricate profiles needing to be produced.

To meet these, we provided an eight-spindle Leadermac Maximac planer/moulder and a Leadermac grinder, capable of in-head profile and straight knife grinding.

It was a complex and difficult installation that resulted in a robust high-performance system that reliably finishes timber planks within tight tolerances.



PROFILES

BOARD OF DIRECTORS

TREVOR BURT

Independent Director

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.

PAUL SMART

Independent Director

Paul brings more than 30 years' experience as a senior financial executive and professional director in local and International markets. He holds a BBS (Finance), is a Chartered Accountant and a Chartered Member of the Institute of Directors.

As an executive, Paul's key experiences were as CFO of NZ's largest energy company, Meridian Energy and prior to that, founding CFO of Sky Television.

As a professional director Paul has variously acted as a director, audit and finance chair and board chair for a broad range of companies including listed, venture capital, high-net-worth family, and large private companies. He is currently a non-executive director of ArborGen Holdings, Geo40, Tamata Hauha, Vortex Power Systems, Argus Fire Systems Service and Genus ABS (NZ).

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 MHM Automation he has most recently acquired Smiths City. His private investments include supplying meal products to supermarket chains and food related industries.

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 also sits on a number of boards that span a range of industries, including Felix Group Holdings Ltd (ASX: FLX).

He has a Masters of Applied Finance and a Bachelor of Business (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, 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 fairly represents the financial position of the Group as at 30 June 2022 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 2022.

Trevor Burt, Board Chair

Paul Smart, Director

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2022	30 June 2021
Revenue			
Sale of goods and contract revenue	6	67,568	50,989
Other income		129	415
Total income		**67,697**	**51, 404**
Expenses			
Changes in inventories of finished goods and work in progress		552	(436)
Raw materials and consumables used		(40,831)	(30,268)
Salaries and wages	9	(16,722)	(11,992)
Other expenses	8	(6,776)	(4,982)
Depreciation	15/16	(1,151)	(860)
Amortisation	17	(509)	(225)
Income from operations before finance costs and taxation		**2,260**	**2,641**
Interest on financial liabilities at amortised cost		(7)	(162)
Lease interest	16	(72)	(67)
Total finance costs		**(79)**	**(229)**
Income from operations after finance costs and before taxation		**2,181**	**2,412**
Income tax credit (expense)	10	(406)	37
Profit/(loss) from continuing operations after finance costs and taxation		**1,775**	**2,449**
Profit/(loss) from discontinued operation, net of tax	30	—	1,651
Profit/(loss) for the year attributable to owners		**1,775**	**4,100**
Other comprehensive income (loss)			
Items that may be subsequently charged or credited to profit or loss			
Currency translation differences on overseas subsidiaries		(66)	1
Items that will not be classified to profit or loss			
Gain on property revaluation, net of tax		103	1,919
Other comprehensive income (loss) for the year, net of tax attributable to owners		**37**	**1,920**
Total comprehensive income (loss) for the year attributable to owners		**1,812**	**6,020**
Basic earnings per share:			
Earnings per share attributable to shareholders of the company (cents)	25	2.70	6.25
Fully diluted earnings per share:			
Earnings per share attributable to shareholders of the company (cents)	25	2.70	6.25

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 2022

IN THOUSANDS OF NEW ZEALAND DOLLARS

ASSETS	NOTE	30 June 2022	30 June 2021
Current assets			
Cash and cash equivalents	11	12,011	6,992
Accounts receivable	12	11,135	5,985
Other debtors and prepayments	12	440	1,328
Contract assets	7	1,318	1,838
Derivative financial instruments		—	8
Finance lease receivable	13	11	11
Inventories	14	1,972	1,695
Total current assets		**26,887**	**17,857**
Non current assets			
Property, plant and equipment	15	8,995	7,472
Right-of-use assets	16	1,300	890
Intangible assets	17	5,514	5,867
Finance lease receivable	13	246	264
Deferred tax asset	18	482	353
Total non current assets		**16,537**	**14,846**
Total assets		**43,424**	**32,703**
LIABILITIES			
Current liabilities			
Contract liabilities	7	19,016	14,501
Derivative financial instruments		129	—
Trade and other payables	20	7,815	4,416
Income tax payable		438	—
Warranty provision	21	522	522
Employee entitlements		2,474	1,776
Loans and borrowings	22	—	—
Lease liabilities	16	733	503
Total current liabilities		**31,127**	**21,718**
Non current liabilities			
Loans and borrowings	22	—	—
Lease liabilities	16	616	464
Total liabilities		**31,743**	**22,182**
Net assets		**11,681**	**10,521**
EQUITY			
Share capital	23	44,935	44,634
Asset revaluation reserve	23	4,123	4,020
Foreign currency translation reserve	23	(210)	(144)
Share based payments reserve	23	31	—
Accumulated losses		(37,198)	(37,989)
Total equity		**11,681**	**10,521**

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 2022

		ATTRIBUTABLE TO THE OWNERS OF THE GROUP					
IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	Share capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Asset revaluation reserve	Total equity
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) for the year		**–**	**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**
Profit or loss for the year		—	1,775	—	—	—	1,775
Other comprehensive income		—	—	—	(66)	103	37
Total comprehensive income (loss)		**–**	**1,775**	**–**	**(66)**	**103**	**1,812**
Transactions with owners in their capacity as owners							
Dividends	24	—	(984)	—	—	—	(984)
Shared based payment	28	—	—	332	—	—	332
Issue of new shares	23/28	301	—	(301)	—	—	—
Balance at 30 June 2022		**44,935**	**(37,198)**	**31**	**(210)**	**4,123**	**11,681**

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 2022

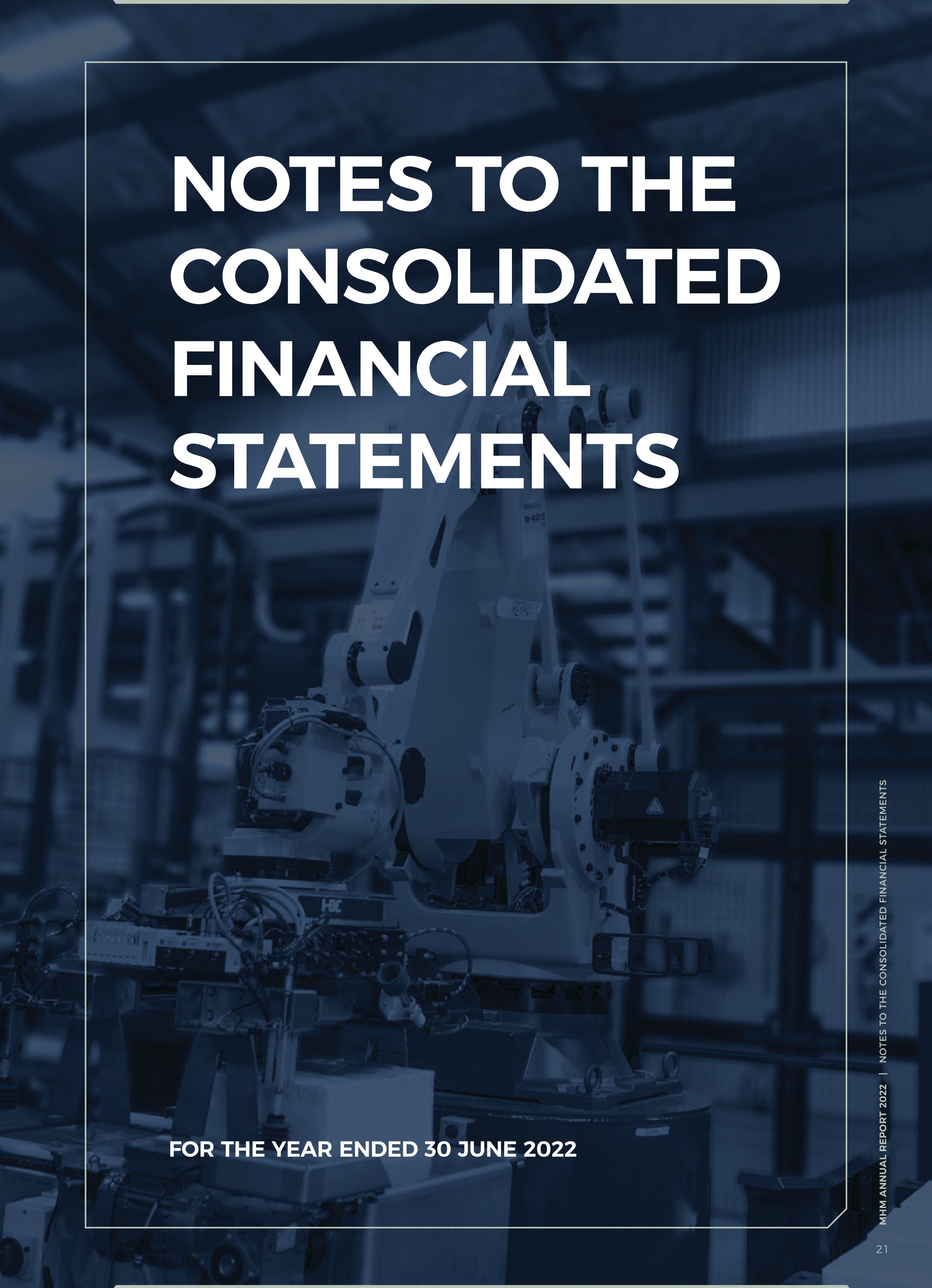
IN THOUSANDS OF NEW ZEALAND DOLLARS OPERATING ACTIVITIES	NOTE	30 June 2022	30 June 2021
Profit after tax from continuing operations		1,775	2,449
Profit/(loss) after tax from discontinued operations	30	—	1,651
Profit after tax		**1,775**	**4,100**
Income tax recognised in Profit or Loss	10	406	(144)
Tax paid		(129)	(12)
Finance costs		79	229
Depreciation and amortisation	15/17	983	574
Amortisation of right-to-use assets	16	677	524
Change in inventory provision	26	275	241
Change in expected credit loss	26	14	(81)
Change in warranty provision		—	189
(Gain) loss on sale of plant and equipment		4	(84)
Non-cash component of shares issued under employee share scheme	28	332	—
Income from discontinued operation, net of tax	30	—	(1,897)
Derivative financial instruments		137	(43)
Changes in working capital	26	4,304	2,501
Interest paid		(7)	(162)
Net cash in flow from operating activities		**8,850**	**5,935**

INVESTING ACTIVITIES			
Cash was provided (to) from:			
Purchase of property, plant and equipment	15	(1,868)	(941)
Purchase of patents and development activities	17	(156)	(227)
Acquisition of new business	29	—	(8)
Finance lease	13	18	15
Proceeds from disposal of property, plant and equipment	15	2	79
Disposal of discontinued operation	30	—	4,012
Net cash from (to) investing activities		**(2,004)**	**2,930**

FINANCING ACTIVITIES			
Cash was provided from (to):			
Lease payments	16	(777)	(598)
Dividends paid to shareholders	24	(984)	—
Repayment of borrowings	22	—	(3,599)
Net cash inflow from (to) financing activities	22	**(1,761)**	**(4,197)**

Net increase (decrease) in cash held		**5,085**	**4,668**
Cash at beginning of the period		6,992	2,323
Effect of exchange rate changes		(66)	1
Cash at the end of the period	11	**12,011**	**6,992**

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 2022

1 GENERAL INFORMATION

MHM Automation Limited (the company) is a limited liability company which is incorporated and domiciled in New Zealand.

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 25 August 2022.

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

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

Automation

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

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

Fabrication

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

Mercer Technologies

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

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 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, the Financial Reporting Act 2013 and the Companies Act 1993.

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 2023 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. The Group applies the input method to recognise revenue, using the input actual costs incurred versus forecast costs to complete.

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 did not receive any COVID-19 assistance during the year.

(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 prior 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.

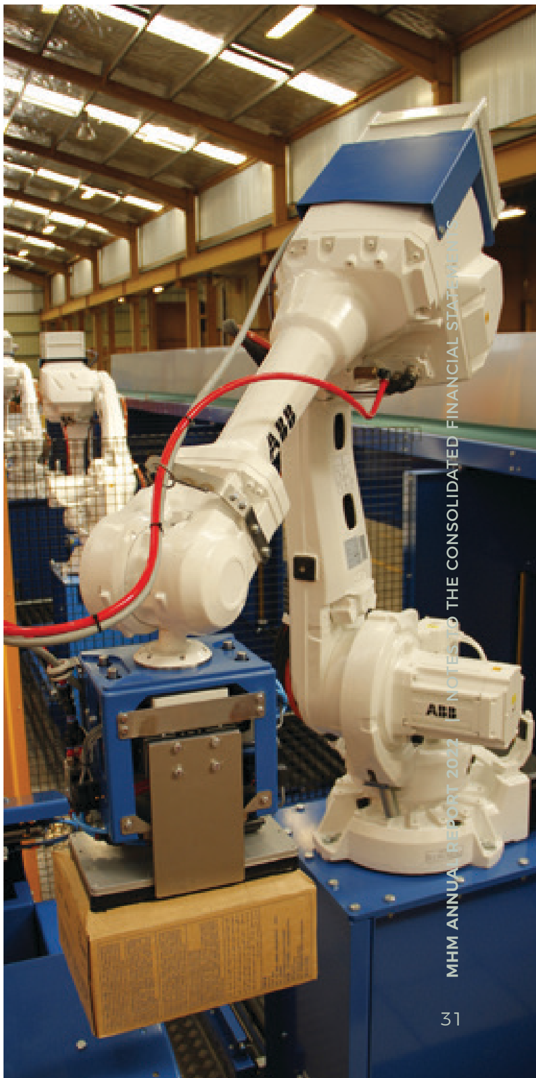
Trade payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(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 an equity-settled 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 over the vesting period is determined by reference to the fair value (at grant date) of the equity instruments granted using the 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 is 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 and the cash-settled liability.

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 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 and 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 2022 the Group recorded net income after finance costs and taxation of $1,775,000 (2021: $4,100,000).

The Company has renegotiated its banking facilities, which include covenants which are applicable as at 30 June 2022. As at 30 June 2022 the Group maintained a facility with a limit of $5,000,000 (2021: $5,000,000). This facility matures on 30 September 2023. The Company also had a total of $1,000,000 overdraft facility, which was undrawn at balance date. The Group also had cash balances of $12,011,000 on hand as at 30 June 2022 (2021: $6,992,000).

As at 30 June 2022 the Group's liquidity as measured by available facility limits and cash balances was $18,011,000 (2021: $12,992,000).

The Group continues to advance its STEP 100 strategy announced to the market in October 2021. Underlying that strategy is the continuation of increased diversity of solutions and regions that our customers operate in. During the last year some of our Automation customers delayed investment decisions to work through short term uncertainties. The strong operating cashflow and liquidity position reflect the good momentum in sales and ultimately the profitability of the Group.

As at 30 June 2022 the Group has contracted forward work of $53m which is a strong starting position for the year ahead, in particular the Automation business that is marketed under the Milmeq and H&C Automated Solutions brands. 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 2023. The Directors are comfortable that the going concern assumption is valid and have reached this conclusion having regard to the circumstances which they consider likely to affect the Group during the period of at least one year from the date these financial statements are approved.

The Directors remain confident that with the re-opening of New Zealand's borders, the strong forward sales pipeline and the ongoing diversification strategy, the businesses are well positioned for the future. Therefore the Directors believe that it continues to be appropriate to prepare financial statements on a going concern basis. Although the Group has been impacted by COVID-19 over the last financial year, the Directors are confident it is appropriate to prepare financial statements on a going concern basis as the borders are fully open and the world is operating at largely pre-pandemic levels in the industries in which the Group operates.

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

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

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

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 2022				
Cash and cash equivalents	12,011	–	–	–
Trade receivables	11,135	–	–	–
Receivable from other debtors	101	–	–	–
Finance lease receivables	257	–	–	–
Trade and other payables	–	–	–	(7,815)
Derivative financial instruments	–	–	(129)	–
Borrowings and overdraft	–	–	–	–
	23,504	**–**	**(129)**	**(7,815)**
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	–	–	–	(4,416)
Derivative financial instruments	–	8	–	–
Borrowings and overdraft	–	–	–	–
	13,357	**8**	**–**	**(4,416)**

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 2022 the Group had $12,867,000 (2021: $3,941,000) 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 2022	12,867	(643)	(643)	643	643
30 June 2021	3,941	(197)	(197)	197	197

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 2022	30 June 2021
Cash		
Australian dollar	5,533	805
United States dollar	161	23
Euro	30	—
Trade receivables		
UK pound	1	4
Australian dollar	7,240	2,517
United States dollar	1,543	739
Euro	206	2
Trade payables		
UK pound	(8)	(1)
Australian dollar	(1,471)	(134)
Canadian dollar	(7)	—
United States dollar	(195)	(19)
Euro	(37)	(3)
Derivative Financial		
Australian dollar	(66)	8
United States dollar	(65)	—
Euro	2	—
	12,867	**3,941**

(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, altough no such facilities are in use at balance date (2021: Nil).

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 (2021: Nil).

(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 27.

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

At 30 June 2022 the Group had exposure to significant debtors greater than 10% of net equity of $2,977,000 (2021: no exposure). These amounts arise from progress billing of significant projects.

(C) LIQUIDITY RISK

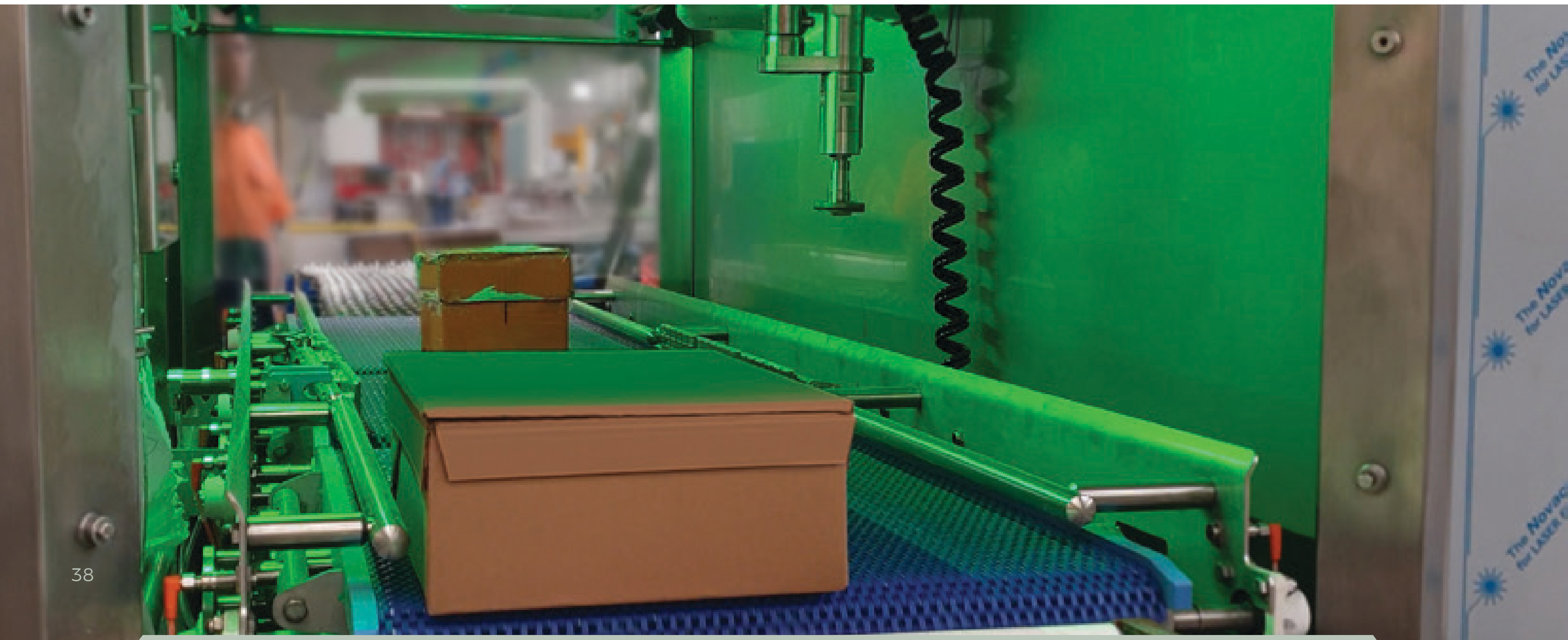
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

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 (2021: $Nil). See Note 22.

Contingent liabilities disclosed in Note 27 amount to $13,310,000 (2021: $9,953,000). 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 2022	Carrying amount at reporting date	< 3 months	3-12 months	1-2 years	2-5 years	Total cashflow
Bank loans & overdrafts	—	—	—	—	—	—
Lease obligations	1,349	197	554	348	88	1,187
Other loans	—	—	—	—	—	—
Trade and other payables	7,815	7,815	—	—	—	7,815
Total	**9,164**	**8,012**	**554**	**348**	**88**	**9,002**
30 JUNE 2021						
Bank loans & overdrafts	—	—	—	—	—	—
Lease obligations	967	148	397	458	26	1,029
Other loans	—	—	—	—	—	—
Trade and other payables	4,416	4,238	178	—	—	4,416
Total	**5,383**	**4,386**	**575**	**458**	**26**	**5,445**

The Group was compliant with banking covenants at 30 June 2022 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 2022	30 June 2021
Equity	11,681	10,521
Total assets	43,424	32,701
Equity ratio	**26.9%**	**32.2%**

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

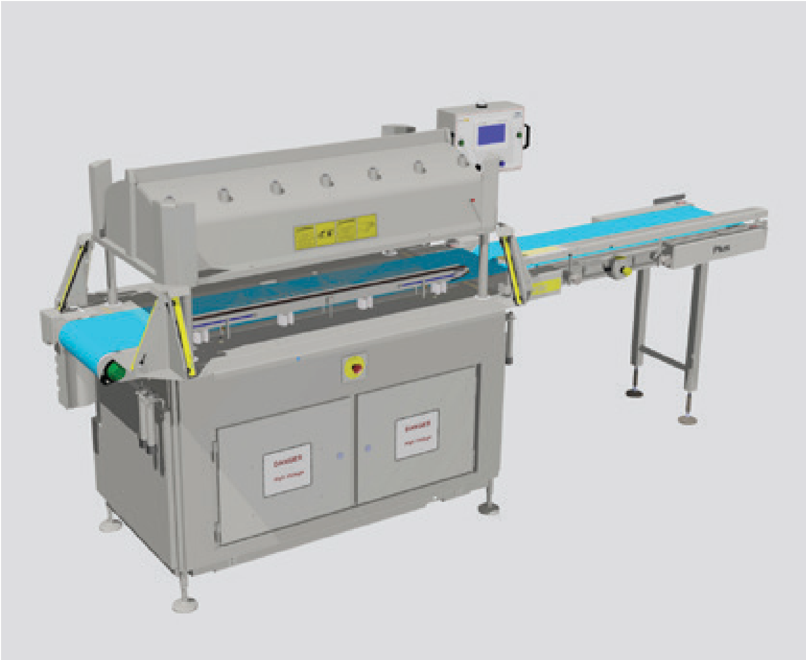
This division includes the Mercer Stainless and SCE workshops in Christchurch that sell, design and manufacture proprietary equipment for primary industries across New Zealand and Australia.

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

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

	30 JUNE 2022			30 JUNE 2021		
IN THOUSANDS OF NEW ZEALAND DOLLARS	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	24,336	2,100	9,377	13,624	597	8,797
Automation	47,122	4,243	21,610	39,043	4,835	11,445
Mercer Technologies	—	(18)	4,485	—	(49)	4,423
Corporate	—	(1,565)	7,952	—	(1,442)	8,038
Intersegment eliminations	(3,890)	—	—	(1,678)	—	—
Sales, Operating EBITDA, Assets	**67,568**	**4,760**	**43,424**	**50,989**	**3,941**	**32,703**
ERP implementation costs	—	(285)	—	—	(215)	—
Share based payments (note 28)	—	(555)	—	—	—	—
Depreciation and amortisation	—	(1,660)	—	—	(1,085)	—
Finance costs	—	(79)	—	—	(229)	—
Income tax credit (charge)	—	(406)	—	—	37	—
Discontinued operation, net of tax	—	—	—	—	1,651	—
Total sales, income (deficit) after tax, assets	**67,568**	**1,775**	**43,424**	**50,989**	**4,100**	**32,703**

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 2022	30 June 2021
Income (loss) from operations before finance costs and taxation	**2,260**	**2,641**
Add back depreciation and amortisation	1,660	1,085
Add back ERP implementation costs	285	215
Add back share based payments	555	—
Operating EBITDA	**4,760**	**3,941**

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Customers larger than 10% of total Group revenue in accordance with NZ IFRS 8.34:	**8,916**	**15,623**

Depreciation and amortisation analysed by segment was:		
Fabrication	785	162
Automation	762	688
Mercer Technologies	10	113
Corporate	103	122
Total	**1,660**	**1,085**

Liabilities analysed by segment were:		
Fabrication	7,563	5,333
Automation	22,629	14,777
Mercer Technologies	1	—
Corporate	1,550	2,072
Total	**31,743**	**22,182**

Liabilities analysed by geographical location were:		
New Zealand	30,920	21,712
Australia and USA	823	470
Total	**31,743**	**22,182**

Assets analysed by geographical location were:		
New Zealand	37,505	30,958
Australia and USA	5,919	1,745
Total	**43,424**	**32,703**

6 SALE OF GOODS AND CONTRACT REVENUE

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Sale of goods (point in time)		
Australia	1,322	1,756
USA	846	804
New Zealand	5,484	2,984
Other	653	123
Contracting service (over time)		
Australia	31,227	23,080
USA	6,455	8,093
New Zealand	20,248	12,749
Other	942	1,400
Commission only	391	—
Total	**67,568**	**50,989**

For further breakdown of revenue, see note 5.

7 CONTRACT REVENUE MOVEMENTS

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Revenue recognised included in contract liability at the beginning of the period	(12,663)	(6,508)
Construction contracts		
Contract assets	1,318	1,838
Contract liabilities	(19,016)	(14,501)
Net contract liabilities	**(17,698)**	**(12,663)**

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 2022	30 June 2021
Foreign exchange (gains)/losses		(234)	(98)
Advertising		13	19
Movement in expected credit loss	12	14	(81)
Bad debts written off (recovered)		13	107
Employee on costs			
Superannuation		654	384
Accident Compensation premiums		125	131
Directors fees	28	220	216
Rentals and low value operating leases		147	133
Research and development		24	23
Share based payments	28	555	—
Fees paid to Auditors			
Audit of financial statements - relating to prior year		—	(2)
Audit of financial statements - relating to current year		130	115

9 SALARIES AND WAGES

Salaries and wages exclude the following amounts that have been capitalised into labour for internally generated development assets: $ Nil (2021: $27,437).

10 INCOME TAX

(A) INCOME TAX (CREDIT) CHARGE

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2022	30 June 2021
Current tax		575	—
Deferred tax	18	(169)	(144)
Income tax (credit) charge		**406**	**(144)**

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

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2022	30 June 2021
Income before tax from continuing operations		2,181	2,412
Income (loss) before tax from discontinued operation	30	—	1,544
Income (loss) before tax expense		**2,181**	**3,956**
Tax at the New Zealand rate of 28%		611	1,108
Prior year tax adjustment		83	(37)
Expenses not deductible for tax purposes		123	76
Revenue not assessible for tax purposes		—	(581)
Timing differences	18	154	39
Utilisation of previously unrecognised tax losses		(565)	(749)
Income tax (credit) charge		**406**	**(144)**
Income tax reported in the statement of profit or loss		406	(37)
Income tax attributable to a discontinued operation		—	(107)
Income tax (credit) charge		**406**	**(144)**

(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 30 June 2022 there were $12,600,000 (2021: $16,806,000) of unrecognised New Zealand tax losses, representing a tax benefit of $3,528,000 (2021: $4,706,000).

(D) IMPUTATION CREDIT ACCOUNT

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Credits available to shareholders of the company	108	—

11 CASH AND BANK BALANCES

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Cash at bank and in hand	12,011	6,992
Less bank overdraft	—	—
Cash and cash equivalents per cash flow statement	**12,011**	**6,992**

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 2022	30 June 2021
Trade receivables	11,154	5,990
Less expected credit loss	(19)	(5)
Total accounts receivable	**11,135**	**5,985**
Impairment provision		
Expected credit loss at 1 July	(5)	(86)
Decrease (increase) in provision	(14)	81
Provision for expected credit loss at 30 June	**(19)**	**(5)**
Past due and impaired receivables		
1 to 3 months	—	—
Over 3 months	19	5
	19	**5**
Past due but not impaired receivables		
1 to 3 months	763	596
Over 3 months	101	9
	864	**605**

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 2022 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	10,272	759	4	120	11,154
Total expected credit loss rate	0.1%	0.5%	46.0%	0.0%	0.2%
Expected credit loss allowance	**13**	**4**	**2**	**–**	**19**

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**

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Other debtors and prepayments		
Other debtors	101	105
Prepayments	339	1,223
Total other debtors and prepayments	**440**	**1,328**

$Nil (2021: $850,000) 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 2022	30 June 2021
Current finance lease receivable	11	11
Non current finance lease receivable	246	264
Total other debtors and prepayments	**257**	**275**

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 2022	30 June 2021
Other Inventory		
Raw materials and components	661	424
Finished goods	1,311	1,271
Total inventories	**1,972**	**1,695**

The provision relating to inventories which have been written down to estimated net realisable value amounted to $1,033,000 (2021:$758,000).

15 PROPERTY, PLANT AND EQUIPMENT

IN THOUSANDS OF NEW ZEALAND DOLLARS	Freehold land	Buildings	Plant and equipment	Total
At 1 July 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	—	—	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**
Year ended 30 June 2022				
Opening net book value	2,250	4,175	1,047	7,472
Additions	—	899	969	1,868
Fair value gain recognised in other comprehensive income	—	143	—	143
Depreciation	—	(142)	(332)	(474)
Disposals	—	—	(14)	(14)
Closing net book value	**2,250**	**5,075**	**1,670**	**8,995**
At 30 June 2022				
Cost/Valuation	2,250	5,075	4,606	11,931
Accumulated depreciation	—	—	(2,936)	(2,936)
Net book value	**2,250**	**5,075**	**1,670**	**8,995**

During the financial year ended 30 June 2021, the land and building at Corbett Road, New Plymouth was sold for $3,950,000, realising a pre tax gain on disposal of $1,850,000. Refer to Note 30 Discontinued Operations for more detail.

During the 12 months to 30 June 2022 the repair and upgrade work on the building at 53 Lunns Road, Christchurch was completed and signed off. The work strengthened the building to 67% New Building Standard, and full renovation of the Group's head office. An independent valuer, CBRE, was engaged to perform a valuation as at 30 June 2022.

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 was $7,325,000 valuing the site (land and buildings) at $2,250,000 and $5,075,000 respectively.

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

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Cost	2,466	2,466
Accumulated depreciation	(1,327)	(1,253)
Net book value	**1,139**	**1,213**

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 $6,950,000	If the capitalisation rate was 6.125% the valuation would be $7,525,000
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 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 2022	Lease contracts number	Fixed Payments %	Variable Payments %	Sensitivity $'000
Property leases with fixed uplifts	2	—	30	+/- 20
Property leases with periodic uplifts to market rentals and inflation	2	—	50	+/- 20
Leases of plant and equipment	5	6	—	—
Vehicle leases	8	14	—	—
	17	**20**	**80**	**+/- 0**

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

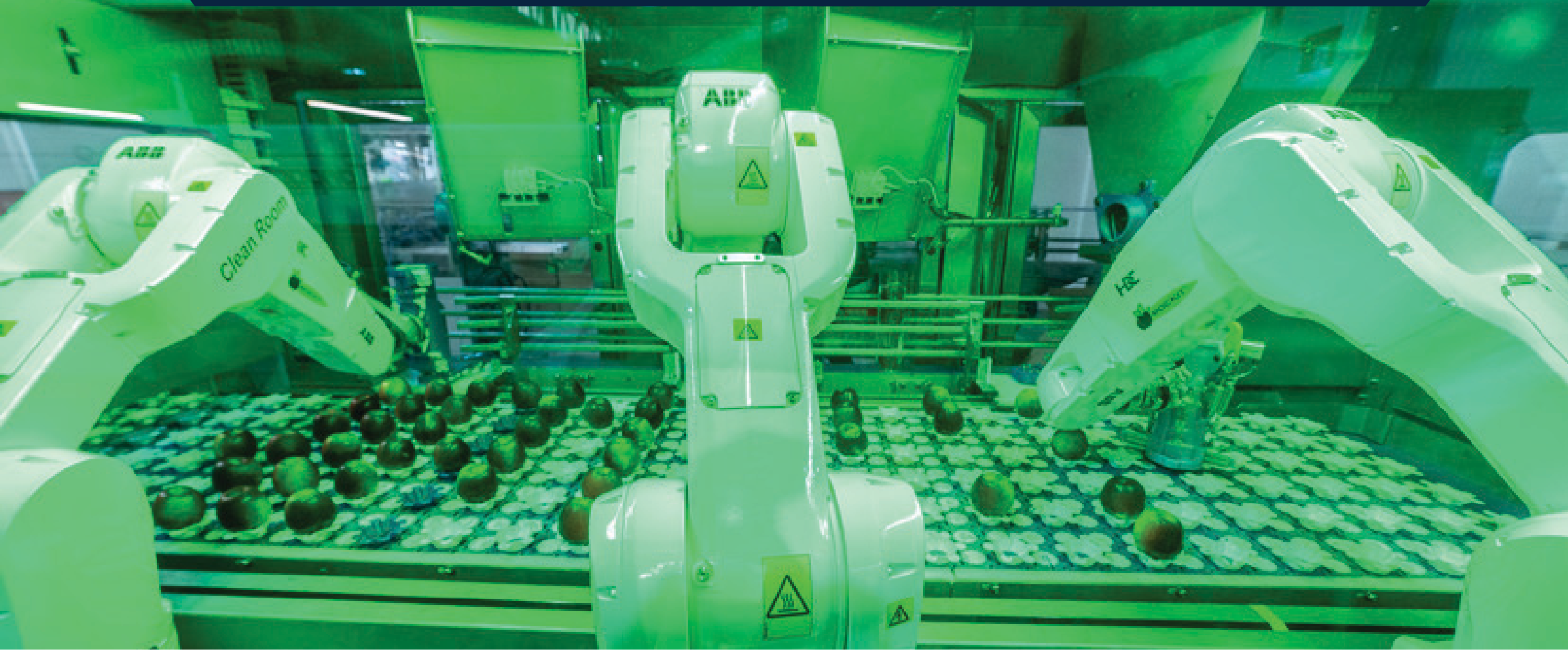
30 JUNE 2021	Lease contracts number	Fixed Payments %	Variable Payments %	Sensitivity $'000
Property leases with fixed uplifts	2	—	17	+/- 16
Property leases with periodic uplifts to market rentals and inflation	2	—	58	+/- 25
Leases of plant and equipment	8	15	—	—
Vehicle leases	8	10	—	—
	20	**25**	**75**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

IN THOUSANDS OF NEW ZEALAND DOLLARS

RIGHT-OF-USE ASSETS	Buildings	Plant and equipment and motor vehicles	Total
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**
At 1 July 2021	750	140	890
Additions	788	299	1,087
Disposals	—	—	—
Amortisation	(545)	(132)	(677)
At 30 June 2022	**993**	**307**	**1,300**

LEASE LIABILITIES	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**
At 1 July 2021	823	144	967
Additions	788	299	1,087
Disposals	—	—	—
Interest expense	57	15	72
Lease payments	(617)	(160)	(777)
At 30 June 2022	**1,051**	**298**	**1,349**

	30 June 2022	30 June 2021
Due within one year or less	733	503
Due after more than one year	616	464
	1,349	**967**



17 INTANGIBLE ASSETS

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2022	30 June 2021
Goodwill			
Cost		351	351
Impairment		—	—
Net book value		**351**	**351**
Opening balance		351	351
Impairment		—	—
Closing balance		**351**	**351**
Acquired patents, trademarks and licences			
Cost *		767	707
Accumulated amortisation and impairment charges		(270)	(270)
Net book value		**497**	**437**
Opening balance		437	440
Additions		60	—
Disposals		—	(3)
Amortisation		—	—
Closing balance		**497**	**437**
Intellectual property			
Cost *		5,641	5,545
Accumulated amortisation and impairment charges		(975)	(466)
Net book value		**4,666**	**5,079**
Opening balance		5,079	4,391
Additions		96	227
Acquired through business combinations	29	—	424
Transfer from inventory		—	262
Disposals		—	—
Amortisation		(509)	(225)
Closing balance		**4,666**	**5,079**
Total intangible assets		**5,514**	**5,867**

**$4,419,000 of patents and Intellectual property relates to the S-Clave project (2021: $4,360,000)*

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 2022	30 June 2021
Automation	351	351
Total	**351**	**351**

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 2022. 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 5.1%. 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 2022 the investment in S-Clave intellectual property was $4,419,000. At this date the S-Clave's technology was not yet available for use and has therefore been tested for impairment.

During the year two significant events occurred. Firstly, the tray technology was demonstrated by Athertons to some of their hospital and clinic customers. The feedback on the technology and methodology was positive, with interest to participate in trials once final modifications to the tray were complete. The other significant event was Athertons successfully achieved registration of the S-Clave tray by the Australian Department of Health's, Australia Registry of Therapeutic Goods (ARTG) administered by the Therapeutic Goods Administration (TGA). This means in practice that the S-Clave technology is approved from a medical device point of view and allows clinical trials to commence in due course.

The directors are comfortable with the methodology and the model (independently validated in the prior year) for the impairment testing of S-Clave. The variable inputs have also been reviewed to ensure they remain appropriate. The regulatory approval gained during the year could allow a reduction in the cost of capital input, however this has been maintained at 20%. The conclusion by directors of the reviews and events over the 12 months is that the carrying value and assumptions were appropriate and derive a $2.4m headroom for valuation purposes.

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% indicates 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 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**
Amounts charged (credited) to profit or loss	—	(154)	323	169
Recognised in other comprehensive income	(40)	—	—	(40)
Balance at 30 June 2022	**(957)**	**816**	**623**	**482**

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 2022 there were $3,528,000 (2021: $4,706,000) 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 2023. 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	2022 % Ownership	2021 % 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%
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%

20 TRADE AND OTHER PAYABLES

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Trade creditors	5,950	2,892
Fonterra settlement	—	238
Sundry creditors and accruals	1,865	1,286
Total creditors and accruals	**7,815**	**4,416**

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 2022	30 June 2021
As at 1 July	522	333
Charged to profit or loss	—	189
	522	**522**

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 2022	30 June 2021
Bank loans	—	—
Other Loans	—	—
Total borrowings	**–**	**–**
Contractual maturity		
Within one year	—	—
Later than one year	—	—
	–	**–**

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 2023. It is subject to floating interest rates. Borrowings were repaid in full during the year ended 30 June 2021.

Reconciliation to Financing activities in the cashflow:

IN THOUSANDS OF NEW ZEALAND DOLLARS	Current Loans	Non current loans	Divdends paid to shareholders	Lease Liabilities (Note 16)	Total
At 1 July 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**
Cashflows	–	–	(984)	(777)	(1,761)
Non-cashflows					
- Lease adjustments (Note 16)	–	–	–	1,159	1,159
At 30 June 2022	**–**	**–**	**(984)**	**1,349**	**365**

23 SHARE CAPITAL AND RESERVES

GROUP	SHARES 30 June 2022	30 June 2021
Issued and fully paid up capital	**66,069,067**	**65,619,067**
Balance at beginning of the year	65,619,067	65,619,067
Shares issued during the year	450,000	–
Balance at the end of the year	**66,069,067**	**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

IN THOUSANDS OF NEW ZEALAND DOLLARS CASH DIVIDEND ON ORDINARY SHARES DECLARED AND PAID	30 June 2022	30 June 2021
Special dividend for 2021: 1.5 cents per share	984	–
	984	

The special dividend was announced on 8 September 2021 for payment on 22 September 2021

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 potential dilutive instruments as at 30 June 2022, however these were not considered dilutive as tranche 2 and 3 of the senior executive plan are contingent on achievement of future performance targets (per note 28(c)(ii)), and are therefore contingently issuable shares.

Weighted average number of ordinary shares in issue:

NUMBER OF SHARES	30 June 2022	30 June 2021
Basic	65,619,067	65,619,067
Equity based remuneration	450,000	—
Total	**66,069,067**	**65,619,067**
Income (loss) attributable to the shareholders of the Company ($000)	1,775	4,100
Basic earnings per share	2.70 cents	6.25 cents
Diluted earnings per share	2.70 cents	6.25 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 2022	30 June 2021
Trade creditors and employee entitlements	4,097	(1,411)
Trade debtors and prepayments	(4,262)	(2,214)
Inventories	(277)	631
Contract assets	520	1,111
Contract liabilities	4,515	4,544
Total	**4,593**	**2,661**
Change in inventory provision	(275)	(241)
Change in expected credit loss	(14)	81
Net movement in Statement of Cashflows	**4,304**	**2,501**

27 CONTINGENT LIABILITIES

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Guarantee to bankers for credit card facilities up to a limit of $240,000	240	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	13,070	9,732
Total	**13,310**	**9,953**

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

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
Short term benefits	1,805	1,482
Long term benefits	77	48
Share based payments	555	—
Directors' fees	220	216
Total	**2,657**	**1,746**

(C) EQUITY INSTRUMENTS

(i) Share options

IN THOUSANDS OF NEW ZEALAND DOLLARS	30 June 2022	30 June 2021
At beginning of the year	—	—
Granted	1,050,000	—
Exercised	(450,000)	—
At end of the year	**600,000**	—

(ii) Share based payments

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

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

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

The share price of the options exercised during the period was $0.65.

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

The second and third tranches of options vest if the EBITDA targets for June 2023 and June 2024 are achieved and the senior executives remain employed on 31 December 2023 and 31 December 2024 respectively.

Expense and liabilty arising from the Plan are as follows:

IN THOUSANDS OF NEW ZEALAND DOLLARS	NOTE	30 June 2022	30 June 2021
Equity settled		332	
Payment in relation to tax obligation		223	–
Total share based payment expense	8	**555**	–
Cash settled liability		**223**	–

(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 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

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 were not included in the segment note 5 from December 2020.

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
Revenue	851
Expenses	(1,180)
Depreciation	(13)
Results from discontinued operation before tax	**(342)**
Tax (expense)/credit	96
Results from discontinued operation after tax	**(246)**
Gain from selling discontinued operations after tax	1,897
Income (loss) for the period from discontinued operation	**1,651**

STATEMENT OF CASH FLOWS

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

31 SUBSEQUENT EVENTS

There were no subsequent events.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MHM AUTOMATION LIMITED

OPINION

We have audited the consolidated financial statements of MHM Automation Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of movements 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 2022 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 2022, the Group has intellectual property of $4,419,000 (2021: $ 4,360,000) 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 in the prior year 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 the 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 estimation 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; › 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 weighted average cost of capital and terminal growth rate 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. › We have reviewed the disclosures in the financial statements, including sensitivity analysis, to ensure these meet the requirements of the accounting standards.

Key audit matter	How the matter was addressed in our audit
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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Chairman’s Report, CEO’s Report, Projects, Board of Directors, Directors’ Report and Statutory Information, 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 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.

WHO WE REPORT TO

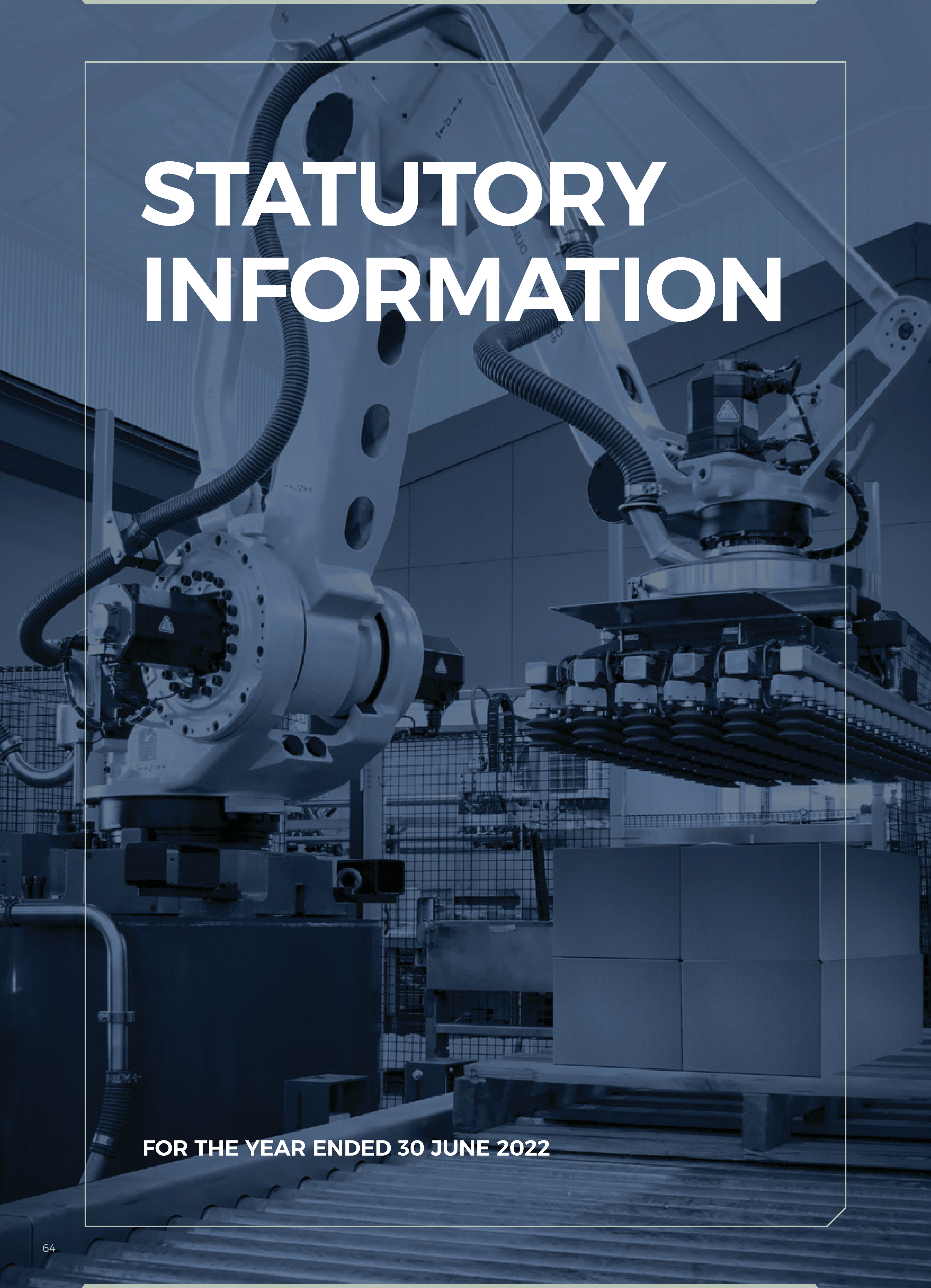
This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility 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
25 August 2022

This audit report relates to the consolidated financial statements of MHM Automation Limited (the 'Group') for the year ended 30 June 2022 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 25 August 2022 to confirm the information included in the audited consolidated financial statements presented on this website.



STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2022

MHM AUTOMATION GROUP BOARD OF DIRECTORS

PRINCIPAL ACTIVITY

The Board is the governing body of MHM Automation 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 2022 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:

Trevor Burt (Independent Chair), Paul Smart (Independent), Colin Neal, George Rolleston, Richard Rookes.

Director's remuneration

Non-executive directors received the following Director's fees from the Company as follows:

	2022	2021
Paul Smart [Independent]	$48,500	$48,500
Colin Neal	$48,500	$49,100
Trevor Burt [Independent]	$73,913	$73,913
George Rolleston	$49,022	$44,397
Total	**$219,935**	**$215,910**

Non-executive directors also receive reimbursement for reasonable travel, accommodation and other expenses incurred in the course of performing their duties. Directors' fees exclude GST, where applicable. No share options are issued to the directors. The directors receive no other benefits.

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.

The last audit partner rotation was 2020. BDO attends the Company's Annual Meeting.

AUDITOR'S REMUNERATION	REMUNERATION 2022	2021
Audit of Financial Statements	$130,000	$115,000
Audit of Financial Statements relating to prior year	$0	($2,000)
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.

CHIEF EXECUTIVE OFFICER REMUNERATION

The review and approval of the CEO's remuneration (REM) is the responsibility of the Board.

The CEO's REM includes:

- A fixed base salary, including Kiwisaver contributions by the Group
- An at-risk short-term incentive (STI) payable annually subject to agreed upon and achieved company and individual key performance indicators
- A long-term incentive (LTI) which is the periodic issue of Ordinary Shares subject to agreed conditions.

12 months to;	Salary & benefits	Short Term Incentive Earned	Long Term Incentive*
30 June 2022	428,327	100,000	370,280
30 June 2021	373,303	95,000	—

**Tax liabilities for the issue of shares is paid by the Company*
The short-term incentive is paid the year after it is earned. For the 12 months to 30 June 2022 total REM was $903,607 (2021: $373,303).

EMPLOYEE REMUNERATION

The number of employees within the Group receiving remuneration and benefits above $100,000 are indicated in the following table:

	2022	2021
$100,000 - 109,999	13	11
$110,000 - 119,999	17	8
$120,000 - 129,999	14	8
$130,000 - 139,999	4	7
$140,000 - 149,999	7	2
$150,000 - 159,999	2	3
$160,000 - 169,999	1	3
$170,000 - 179,999	1	2
$180,000 - 189,999	5	3
$190,000 - 199,999	1	2
$200,000 - 209,999	1	-
$210,000 - 219,999	1	1
$220,000 – 229,000	2	-
$250,000 - 259,999	-	1
$280,000 - 289,999	1	1
$340,000 - 349,999	1	-
$370,000 - 379,999	-	2
$560,000 – 569,999*	1	-
$900,000 – 909,999*	1	-

** Note that these figures include equity based payments amounting to $555,000 (2021: $Nil) for share payments (see note 28 of the Group Financial Statements).*

Diversity

At 30 June 2022, MHM Automation employed 168 staff, including 38 in the workshop, of which 153 (91%) were male and 15 (9%) were female. Compared to 2021 where 144 (91%) were male and 14 (9%) were female employees. MHM Automation encourages representation across both genders and all ethnicities and have a policy of hiring on merit.

The 5 directors and 5 officers of the company at 30 June 2022 are male compared to 5 male directors and 4 male officers in 2021.

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, Colin Neal sold the following parcels of shares:

	Shares	Cents
8 September 2021	1,902	65
9 September 2021	76,098	65
10 September 2021	4,809	65
13 September 2021	17,191	65
27 September 2021	100,000	63
7 October 2021	1,000	65
8 October 2021	28,918	62
11 October 2021	1,082	62
13 October 2021	50,000	62
14 October 2021	50,000	62
15 October 2021	85,683	62
18 October 2021	14,317	62
15 December 2021	2,272,727	66

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 – Genus ABS (NZ) Ltd
Director – Argus Fire Systems Service Ltd
Director – Sunrise Consulting Ltd
Chair – Vortex Power Systems Ltd
Chair – Tamata Hauha
Trustee - Bellbird Trust
Trustee - Saddleback Trust

George 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 Group Holdings 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, 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 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**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
GHD Rolleston							
Asset Management Limited		14,778,788	14,778,788	—	—	—	—
National Mortgage Underwriters		143,221	143,221	—	—	56,972	56,972
HJD Rolleston & AJ Keegan		5,799,298	5,799,298	—	—	—	—
		20,721,297	**20,721,297**	**20,701,573**	**20,701,573**	**56,972**	**56,972**
	31.45%						
P Smart							
Sunrise Consulting Ltd	327,846	327,846	327,846	—	—	—	—
	327,846	**327,846**	**327,846**	—	—	—	—
	0.53%						
R Rookes							
Richard George Rookes	2,300,861	2,000,861	2,000,861	—	—	—	—
	2,300,861	**2,000,861**	**2,000,861**	—	—	—	—
	3.48%						

DIRECTORS SHAREHOLDING CONT.

Directors Shareholding	Voting Securities Total	BENEFICIAL INTEREST 2022	BENEFICIAL INTEREST 2021	ASSOCIATED PERSONS 2022	ASSOCIATED PERSONS 2021	NON BENEFICIAL 2022	NON BENEFICIAL 2021
T Burt							
Trevor Burt	700,000	700,000	700,000	–	–	–	–
	700,000	**700,000**	**700,000**	–	–		–
	1.06%						
C Neal							
Custodial Services Ltd	9,995,303	9,995,303	12,699,030	–	–	–	–
	9,995,303	9,995,303	12,699,030	–	–	–	–
	15.13%						
Total shares in issue at 30 June 2022	**66,069,067**						

SHAREHOLDERS ANALYSIS

The shareholder information detailed in this report has been taken from the Company's Register as at 30 June 2022.

DOMICILE OF SECURITY HOLDERS	Number of holders	%	Number of shares held	%
New Zealand	717	97.02	63,314,931	95.83
Australia	13	1.76	2,286,373	3.46
United Kingdom	2	0.27	20,019	0.03
China	1	0.14	331,675	0.50
Other	5	0.81	116,069	0.18
	738	**100.0**	**66,069,097**	**100.0**

RANGE OF SHAREHOLDINGS				
1 to 1,000	282	38.21	80,301	0.12
1,001 to 5,000	151	20.46	421,919	0.64
5,001 to 10,000	82	11.11	691,433	1.05
10,001 to 100,000	170	23.04	6,260,140	9.48
100,001 and over	53	7.18	58,615,274	88.71
	738	**100.0**	**66,069,067**	**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 2022:

	Relevant Interest Voting Securities	% of Shares
HJD Rolleston	20,778,269*	31.4
C Neal	9,995,303	15.1

** The total number of voting securities of the Company on issue at 30 June 2022 was 66,069,067.*

SHAREHOLDER INFORMATION

The information in the disclosure below have been taken from the Company's register at 30 June 2022.

Twenty largest shareholders:

Holder	Number held	% of Issue Capital
Asset Management Limited	14,778,788	22.37%
Custodial Services Limited	10,117,368	15.31%
Humphry John D Rolleston	5,799,298	8.78%
Forsyth Barr Custodians	3,241,897	4.91%
Richard George Rookes	2,300,861	3.48%
John Anthony Dell	2,258,864	3.42%
Vanessa Rosemary Neal	1,957,727	2.96%
Ballynagarrick Investments	1,527,000	2.31%
New Zealand Depository Nominee	1,512,050	2.29%
William John Hedley Willis	1,250,000	1.89%
Ian Alexander McGregor	1,025,000	1.55%
FNZ Custodians Ltd	793,816	1.20%
Rodger David Shepherd	720,517	1.09%
Trevor John Burt	700,000	1.06%
Paul Hewitson & Christopher John Stark	676,801	1.02%
New Zealand Central Securities	672,163	1.02%
JB Were (NZ) Nominees Limited	576,995	0.87%
Allison Mercer Limited	558,528	0.85%
Leveraged Equities Finance	549,648	0.83%
John Francis Dennehy	528,400	0.80%
Totals	**51,546,221**	**78.01%**

COMPANY DIRECTORY

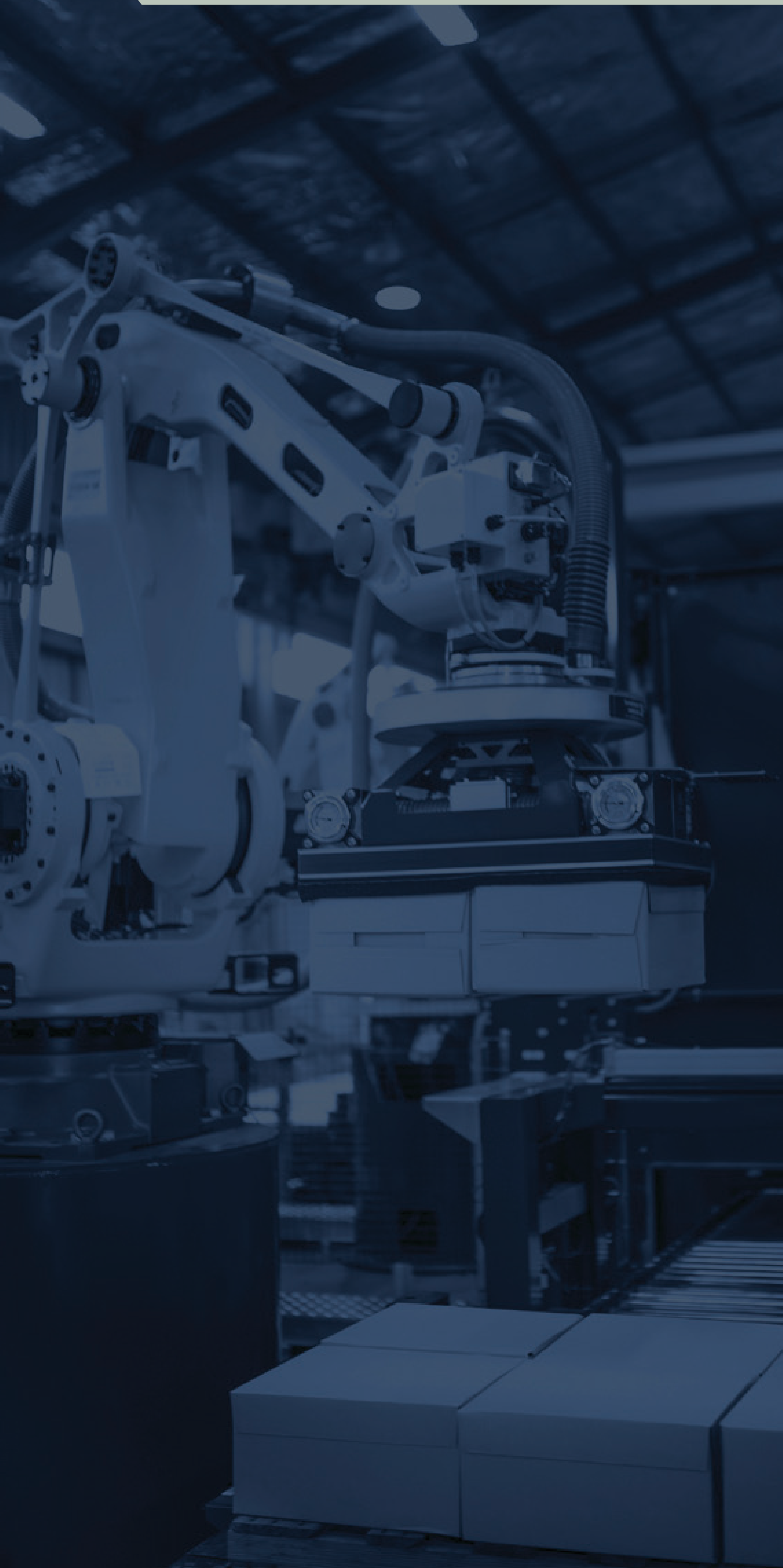
Registered Office
53 Lunns Road
Middleton
Christchurch 8042

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

CHRISTCHURCH

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AUCKLAND

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