tait communications

ANNUAL REPORT 2021

Tait International Limited
Annual Report
for the year ended 30 June 2021

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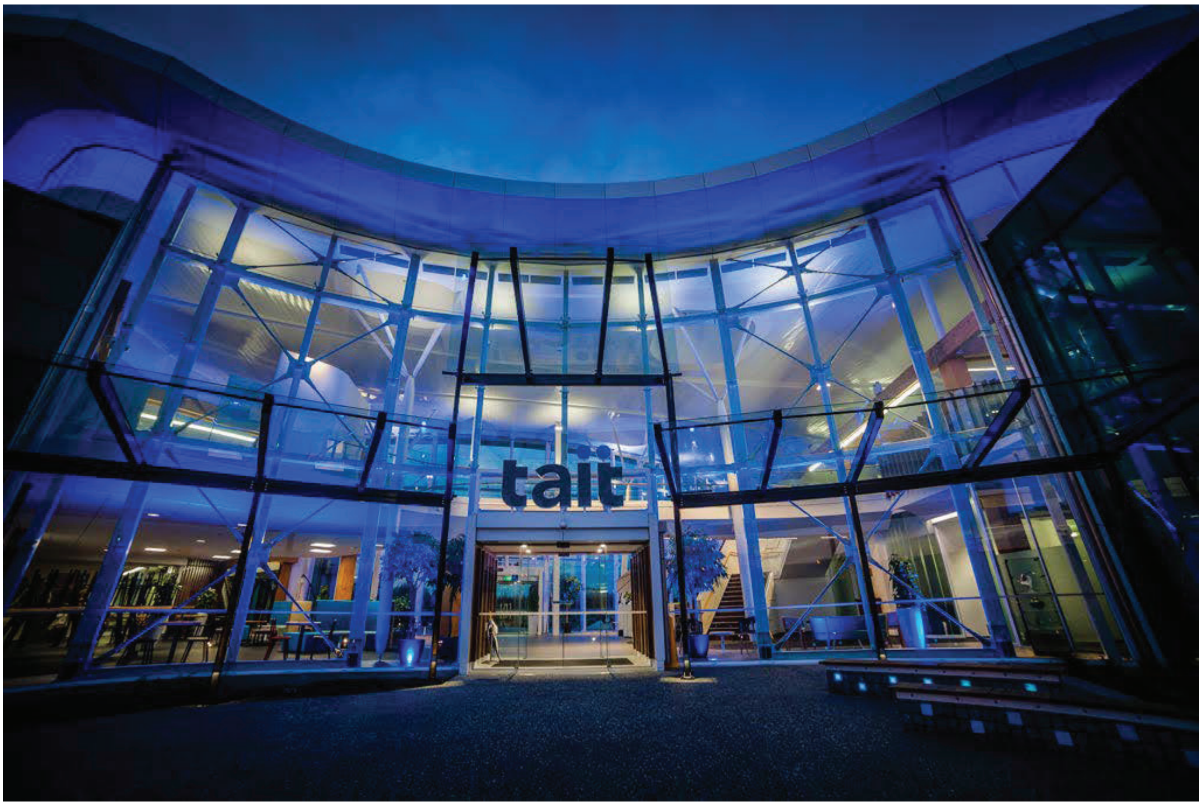

Tait International Limited
Directory
as at 30 June 2021

Parent Company

Tait International Limited	Christchurch, New Zealand

Subsidiary Companies

Tait International Holdings Ltd	Christchurch, New Zealand	100%
Tait Communications (LA) Ltd	Christchurch, New Zealand	100%
Tait Communications (NZ) Ltd	Christchurch, New Zealand	100%
Tait Radio (TRW) Ltd	Christchurch, New Zealand	100%
Tait Holdings (Brazil) Ltd	Christchurch, New Zealand	100%
Tait Holdings (BR) Ltd	Christchurch, New Zealand	100%
Tait Electronics (Aust) Pty Ltd	Brisbane, Australia	100%
Tait Electronics (Network) Pty Ltd	Brisbane, Australia	100%
Tait Electronics (Far East) Pte Ltd	Singapore	100%
Tait Mobile Radio (Hong Kong) Ltd	Hong Kong	100%
Tait North America Inc	Houston, Texas, United States of America	100%
Tait Communications North America Inc	British Columbia, Canada	100%
Tait Comunicações Brasil Ltda	Sao Paulo, Brazil	100%
Tait Europe Ltd	Cambridgeshire, United Kingdom	100%
Tait France sarl	Paris, France	100%
Tait Communications GmbH	Vienna, Austria	100%

Directors

Sir MG Daniell — JA Meyer — O Muraoka
DH Randell — Sir BJ Roche — S Takada
GJ Diack (resigned 30 June 2021)

Registered Office and Address for Service

245 Wooldridge Road
Christchurch, New Zealand

Bankers

Bank of New Zealand Ltd
Christchurch, New Zealand

Solicitors

Parry Field Lawyers
1 Rimu Street
Christchurch, New Zealand

Simpson Grierson
Auckland, New Zealand

Auditors

PricewaterhouseCoopers
60 Cashel Street
Christchurch, New Zealand

Tait International Limited
Directors' Report
for the year ended 30 June 2021

The Directors have pleasure in submitting their report and financial accounts for the year ended 30 June 2021.

Results

The results for Tait International have been satisfactory. Revenue totalled $155.4m for the twelve months to 30 June 2021. Profit after tax for the year is a profit of $3.7m with net cash from operating activities $21.4m.

Disclosures

The Directors of the company have exercised their rights under section 211 (3) of the Companies Act 1993 and agreed that this Annual Report need not comply with any of the paragraphs (e) to (j) of section 211 of the Act.

Related Party Transactions

The Group made sales and charged for services provided to Mimomax Wireless Ltd (Mimomax) of $1,865,063 (2020: $1,855,710). The Group made purchases from Mimomax of $241,606 (2020: $379,430). Mimomax is a partly owned subsidiary company of the Tait International Limited majority shareholder, Tait Contel Trust. The outstanding receivable balance is $408,917 (2020: $492,190) and the outstanding payable balance is $27,736 (2020: $76,285).

Details of other related party transactions are set out in Note 23 to the financial statements.

Directors' Insurance

The Group has arranged policies of Directors' Liability insurance which, together with a Deed of Indemnity, ensure that generally directors will incur no monetary loss 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.

Auditors

In accordance with Section 200 of the Companies Act 1993, PricewaterhouseCoopers, the auditors, continue in office. The amounts received or due and receivable by the auditors for auditing the financial statements and for other services are disclosed in Note 8 to the financial statements.

Financial Statements

The Board of Directors of Tait International Limited approved the Financial Statements presented on pages 5 to 24 on 23 September 2021.

For and on behalf of the Board

Sir BJ Roche
Chairman

DH Randell
Director

Independent auditor's report

To the shareholders of Tait International Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Tait International Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 June 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of taxation, accounting and advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, 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 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) and ISAs 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 economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

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 Nathan Wylie.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
23 September 2021

Christchurch

Tait International Limited
Consolidated Statement of Comprehensive Income for the year ended 30 June 2021

	Note	2021 $000	2020 $000
Revenue from contracts with customers	3	**155,362**	148,587
Other income	4	**6,504**	8,940
Changes in inventories of finished goods and work in progress		**(2,164)**	(1,028)
Raw materials and consumables used		**(52,934)**	(50,354)
Employee benefits expense	5	**(63,887)**	(63,439)
Depreciation and amortisation expense	7	**(12,603)**	(12,327)
Finance costs	6	**(5,155)**	(5,594)
Other expenses	7	**(19,654)**	(20,563)
Profit before income tax		**5,469**	4,222
Income tax (expense) / gain	10	**(1,807)**	121
Profit for the year		**3,662**	4,343
Other comprehensive income / (loss):			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation differences	20	**(833)**	(700)
Changes in fair value of cash-flow hedges	20	**2,028**	(477)
Other comprehensive income / (loss) for the year		**1,195**	(1,177)
Total comprehensive income for the year		**4,857**	3,166

Tait International Limited
Consolidated Statement of Change in Equity
for the year ended 30 June 2021

	Attributable to the owners of the Parent			
	Share capital	Other reserves	Retained earnings	Total equity
		(Note 20)		
	$000	$000	$000	$000
Balance at 1 July 2019	**60,925**	**91**	**(8,123)**	**52,893**
Other comprehensive loss	-	(1,177)	-	(1,177)
Profit for the year			4,343	4,343
Total comprehensive income for the year	**-**	**(1,177)**	**4,343**	**3,166**
Balance at 30 June 2020	**60,925**	**(1,086)**	**(3,780)**	**56,059**
Other comprehensive income	-	1,195	-	1,195
Profit for the year			3,662	3,662
Total comprehensive income for the year	**-**	**1,195**	**3,662**	**4,857**
Balance at 30 June 2021	**60,925**	**109**	**(118)**	**60,916**

Tait International Limited
Consolidated Balance Sheet
as at 30 June 2021

	Note	2021 $000	2020 $000
Equity			
Equity attributable to owners of the parent		**60,916**	56,059
Total equity		**60,916**	56,059
Current assets			
Cash and cash equivalents		**21,571**	21,489
Derivative financial instruments	11	**919**	285
Trade and other receivables	12	**33,815**	36,329
Contract assets	3	**1,870**	2,615
Inventories	13	**22,443**	24,176
Total current assets		**80,618**	84,894
Non-current assets			
Deferred tax assets	14	**4,712**	1,667
Derivative financial instruments	11	**1,186**	474
Property, plant and equipment	15	**45,438**	50,085
Intangible assets	16	**23,675**	25,000
Total non-current assets		**75,011**	77,226
Total assets		**155,629**	162,120
Current liabilities			
Borrowings	17	**4,325**	11,722
Derivative financial instruments	11	**22**	419
Trade and other payables	18	**20,787**	23,991
Contract liabilities	3	**10,359**	5,180
Income tax payable		**3,967**	1,541
The Tait Foundation loan	17	**15,000**	6,000
Lease liabilities		**2,199**	2,311
Provisions	19	**483**	479
Total current liabilities		**57,142**	51,643
Non-current liabilities			
Contract liabilities	3	**553**	1,034
Derivative financial instruments	11	**97**	382
Lease liabilities		**36,335**	37,492
The Tait Foundation loan	17	**-**	15,000
Provisions	19	**586**	510
Total non-current liabilities		**37,571**	54,418
Total liabilities		**94,713**	106,061
Total net assets		**60,916**	56,059

Tait International Limited
Consolidated Cash Flow Statement
for the year ended 30 June 2021

	Note	2021 $000	2020 $000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		**164,651**	147,010
Government grants received		**3,530**	8,541
Interest received		**95**	18
		168,276	155,569
Cash was applied to:			
Payments to suppliers and employees		**(139,314)**	(135,291)
Interest paid		**(5,156)**	(5,598)
Income taxes paid		**(2,426)**	(256)
		(146,896)	(141,145)
Net cash from operating activities		**21,380**	14,424
Cash flow from investing activities			
Cash was applied to:			
Purchase of property, plant and equipment	15	**(1,903)**	(3,450)
Payments for intangible assets	16	**(3,776)**	(7,432)
Net cash used in investing activities		**(5,679)**	(10,882)
Cash flow from financing activities			
Cash was provided from:			
Borrowings		**-**	4,712
The Tait Foundation loan		**-**	6,000
Cash was applied to:			
Borrowings		**(7,396)**	-
Repayment of lease liabilities		**(2,223)**	(1,787)
The Tait Foundation loan		**(6,000)**	-
Net cash from financing activities		**(15,619)**	8,925
Net increase in cash held		**82**	12,467
Opening cash balance		**21,489**	9,022
Closing cash balance		**21,571**	21,489
Comprising:			
Cash and cash equivalents		**21,571**	21,489
		21,571	21,489

1. General information

These financial statements are for Tait International Limited ("the Company") and its subsidiaries (together, "the Group"). The financial statements have been approved by the Board of Directors on 23 September 2021.

2. Summary of significant accounting policies

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

a. Basis of preparation

The financial statements for the twelve months ended 30 June 2021 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

NZ IFRS – Reduced Disclosure Regime

The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For Profit Entities Update)' ('XRB A1'). For the purposes of complying with NZ GAAP, the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

Statutory base

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Market Conducts Act 2013.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates, judgements, and assumptions

The preparation of financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Information about the significant estimates, judgements and assumptions made in the preparation of the financial statements are disclosed in the accounting policies that follow and the following notes:

Provision for doubtful debts	Note 12
Provision for stock obsolescence	Note 13
Deferred tax assets	Note 14

Intangible assets	Note 16
Provisions - warranties	Note 19

Carrying value of intangible assets

In accordance with the accounting policy stated in Note 2(o) and (p), the Group considers annually whether there is any indication the carrying value of intangible assets is impaired. The recoverable amounts of intangible assets have been determined based on a value in use calculation. These calculations require the use of estimates of future performance.

Changes in accounting policy and disclosures - New and amended standards adopted by the Group

There were no new standards or amendments to standards relevant to the Group affecting the financial statements for the current financial year.

b. Principles of consolidation

The Group financial statements comprise the financial statements of Tait International Limited and its subsidiaries as at balance date each year. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. All significant inter-company transactions and balances, including unrealised gains arising from intra-group transactions, have been eliminated on consolidation. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

c. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group financial statements are presented in NZ dollars, which is Tait International Limited's functional and presentation currency.

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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate at the balance sheet date;
- revenues and expenses of foreign operations are translated at monthly exchange rates; and
- all resulting exchange differences are recognised in the foreign currency translation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing balance sheet rate.

d. Revenue and other income

Tait recognises revenue from the following major sources:

- Sale of goods
- Rendering of design and deployment project services
- Performance of services under support contracts.

Revenue is measured based on the consideration specified in a contract with a customer and excludes returns, trade allowances and amounts collected on behalf of third parties. Tait recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

Tait sells communication equipment through third parties, a dealership channel and directly to end users.

Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped (delivery). This coincides with the significant risks and rewards of ownership of the asset passing to the customer. There is no standard right of return or refund.

Extended warranties associated with goods sold can be purchased separately and are therefore treated as support services as outlined below. Standard warranties cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, Tait accounts for standard warranties as a provision, see note 19.

Design and Deployment Services

Tait provides system design and customisation services, as well as installation, commissioning, integration, and project management services.

For contracts where both goods and services are bundled together, Tait accounts for individual products and services separately if they are distinct - if they are separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services based on their stand-alone selling prices.

Revenue for services is recognised over time, either because Tait has an enforceable right to payment, Tait creates or enhances a customer asset, or the customer receives and consumes the benefits as the service is performed. Measures of progress include time-based, input-based (based on agreed project milestones) or output-based (based on number of tasks completed).

If services rendered or goods delivered exceed payments under a project contract, a contract asset is recognised. If payments exceed services rendered or goods delivered, then a contract liability is recognised.

Support services

Included in the transaction price, or contracted separately, is an after-sales support service. This service relates to support and maintenance work, including helpdesk, software maintenance updates and extended warranties. These support contracts may be for one or more years and can be renewed after the contracted period at the stand-alone selling price at that time.

The maintenance service is considered to be a distinct service as it is both regularly supplied by Tait to other customers on a stand-alone basis and is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to the maintenance services based on the stand-alone selling price of those services.

Revenue relating to the support services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

Financing components and variable consideration

In limited circumstances, Tait has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, Tait will adjust the transaction price for the time value of money. Interest revenue is recognised using the effective interest method.

When consideration is variable, an estimate is made of the amount of consideration that Tait is entitled to in exchange for transferring the goods or services. Variable consideration is included only to the extent that it is highly probably that a significant reversal of the revenue recognised will not occur.

Incremental costs of obtaining a contract

As a practical expedient, Tait recognises the incremental costs of obtaining a contract as an expense when incurred when the amortisation period that would have been recognised is one year or less. Otherwise costs are amortised over the term of the contract.

e. Government 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. Government grants relating to income are recognised as other income in the period necessary to match them with the costs that they are intended to compensate. Grants have been received from the New Zealand government to assist with funding to undertake research and development and for the purpose of giving immediate financial support to the Group. There are no unfulfilled conditions or other contingencies attached to the government grants recognised in the financial statements.

f. Income tax

Income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction. This is then 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 changes in unused tax losses.

Income taxes are accounted for using the balance sheet liability method, whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as benefit or expense except to the extent that the tax
- relates to equity items or business combinations;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

g. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

h. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at cost, less provision for expected credit losses (ECLs).

The Group's trade receivables are all short term in nature and the Group therefore applies a simplified approach in calculating recognised allowances for ECLs. ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows expected to be received, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. As the Group uses the simplified approach it does not track changes in credit risk but instead recognises a loss allowance at each reporting date.

Trade receivables are written off when there is no reasonable expectation of recovering the contractual cash flows once there is an increase in credit risk.

i. Inventories

Inventories are stated at the lower of cost and net realisable value with due allowance made for obsolescence. Cost is determined on a standard cost basis and includes direct costs and product overheads in bringing inventory into its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

k. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses. A regular way purchase or sale of financial assets is recognised using settlement date accounting.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge its exposures to foreign currency and interest rate risks arising from operational, financing or investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value (transaction price). Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit and loss except where the derivatives qualify for hedge accounting, as described in policy (l).

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. All derivative financial instruments held by the Group have been determined to be within level 2 of the fair value hierarchy as all significant inputs used to ascertain the fair value of the derivatives are observable.

l. Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in profit and loss in the same period or periods during which the underlying exposure impacts profit and loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. The ineffective part of any gain or loss is recognised immediately in profit and loss.

m. Financial risk management

The Group does not speculatively trade in derivative instruments. The derivative transactions are undertaken to hedge the risks relating to underlying physical positions arising from business activities.

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, foreign exchange, and ageing analysis for credit to determine market risk. Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates, and hedges financial risks of the Group.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group adheres to a treasury policy approved by the Board which stipulates minimum and maximum levels of hedging required dependent on the type of exposure (general cover or specific), and timing of exposure.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from variable rate borrowings denominated in Australian dollars, Euros, Great British pounds, New Zealand dollars and US dollars. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

n. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is charged on a straight-line basis to allocate the cost of the assets over the estimated useful life of the asset as follows:

- Right-of-use assets	2 - 15 years
- Leasehold improvements	5 - 15 years
- Manufacturing equipment	10 - 15 years
- IT assets	3 - 5 years
- Other	3 - 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item), is included in profit and loss in the period the item is derecognised.

o. Intangible assets

Research and development costs

Research costs are expensed in profit and loss in the period in which they are incurred.

Development expenditure including continuous improvement and enhancement of current designs are expensed as incurred, unless that expenditure directly relates to new products and where qualification criteria in NZ IAS 38 Intangible Assets are met, in which case the expenditure is capitalised. To qualify, the product must be technically and commercially feasible with the probability of future economic benefits, and the Group has sufficient resources to complete development. Directly attributable costs capitalised include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are amortised from the commencement of commercial production on a systematic basis reflecting the period of consumption of the benefit, which varies from 4 - 8 years.

The carrying value of development costs are assessed for any indicators of impairment annually, if any such indicators exist, assets are written down to recoverable amount.

Software and other intangible assets

Intangible assets having a finite useful life are carried at cost less accumulated amortisation and impairment losses.

Amortisation is charged to allocate the cost of the assets over the estimated useful life of the asset as follows:

- Software	3 – 10 years

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Tait International Limited's interest in the fair value of the net identifiable assets and liabilities of the acquiree.

Goodwill is not amortised therefore impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

p. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that any asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in profit and loss.

q. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost with any difference between the initially recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing 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 12 months after the balance date.

r. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset. Costs associated with the arrangement of new banking facilities are amortised over the term of the facility.

s. Employee benefits

A liability for employee benefits (which includes salaries, wages, annual leave, and long service leave) is recognised when they accrue to employees. The liability is carried at the present value of the estimated cash flows. The estimated long service leave entitlement is based upon the amount accruing to employees up to the period in which long service vests and the probability of the employees completing that service period.

Contributions to the defined contribution superannuation plans are recognised in profit and loss as an expense when incurred.

t. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the value of the obligation.

u. Leases

The Group leases various properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Contracts may contain both lease and non-lease components. The contract is, or contains, a lease if the arrangement conveys a right to control the use of an identified asset or assets for a period of time in exchange for consideration.

At commencement of a lease, the Group recognises a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. The right-of-use asset is recognised at cost, being the initial measurement of the lease liability plus any lease payments made before commencement date and any initial direct costs. The lease liability is measured at the present value of the remaining lease payments, discounted at the interest rate implicit in the lease or the Group's incremental borrowing rate.

Variable lease payments linked to an index or rate are included in the calculation of the lease liability. When the index or rate changes, or there are other changes in lease payments, the lease liability is remeasured with a corresponding change to the associated right-of-use asset.

Each lease payment is allocated between the liability and finance cost. Interest on the lease liability is calculated using the effective interest rate (EIR) method and recognised as an expense in profit or loss. The Right-of-Use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has used the practical expedients permitted by NZ IFRS 16: apply a single discount rate to leases with similar characteristics; treat leases with a remaining lease term of less than 12 months as short-term leases without recognising a right-of-use asset and lease liability; and exclude initial direct costs from the measurement of the right-of-use asset at application date.

v. Events after balance sheet date

Assets and liabilities are adjusted for events occurring after the balance date that provide evidence of conditions existing at the balance date. Important events occurring after balance date which do not meet this criterion are disclosed in the notes.

w. COVID-19

At the date of signing, there has been an impact subsequent to year end on the throughput, revenue and expenses of the Group as a result of COVID-19. In the markets in which the Group operates, measures have been employed by Governments in an attempt to limit the spread of the virus.

During the 2021 financial year, the business has been able to operate during the year and the factory has been able to open. Subsequent to year end, there was a further lockdown in New Zealand in August 2021 and Group revenue was impacted by 25%.

The Directors consider the Group will be able to meets its obligations as they fall due for a period of 12 months from the date the financial statements were signed. Customers have continued to place orders due to their essential nature.

		Note	2021 $000	2020 $000
3	**Revenue from contracts with customers**			
	Sale of goods		**123,660**	118,480
	Design and deployment services		**12,101**	10,121
	Support services		**19,601**	19,986
	Total revenue from contracts with customers		**155,362**	160,554
	Revenue recognised at a point in time		**123,660**	127,875
	Revenue recognised over time		**31,702**	30,107
	Total revenue from contracts with customers		**155,362**	160,554
	Current contract assets		**1,870**	2,615
	Total contract assets		**1,870**	2,615
	Current contract liabilities		**10,359**	5,180
	Non-current contract liabilities		**553**	1,034
	Total contract liabilities		**10,912**	6,214

In addition to the contract balances disclosed above, the Group has also recognised an asset of $1.49m (2020: $nil) in relation to costs to fulfil contracts. This is presented within other receivables balance in note 12. There is no amortisation and impairment loss recognised during the year.

		2021 $000	2020 $000
4	**Other income**		
	Interest income	**95**	129
	Foreign currency gains	**1,725**	356
	Government grant income	**3,036**	4,268
	Government wage subsidy	**-**	2,876
	Rentals received	**436**	420
	Sundry income	**1,212**	891
	Total other income	**6,504**	8,940
5	**Employee benefits expense**		
	Salaries and wages	**53,875**	54,893
	Superannuation contributions	**3,016**	3,009
	Termination payments	**1,011**	1,759
	Other employee benefits	**5,985**	3,778
	Total employee benefits expense	**63,887**	63,439
6	**Finance costs**		
	Interest on bank overdrafts and loans	**180**	289
	Interest on lease liabilities	**3,775**	3,957
	Other interest expense	**1,200**	1,348
	Total finance costs	**5,155**	5,594

			2021	2020
			$000	$000
7	**Other expenses**			
	Depreciation and amortisation	15 & 16	**12,603**	12,327
	External directors' fees		**445**	386
	Foreign currency losses		**902**	1,434
	Net loss on disposal of property, plant and equipment		**73**	-
	Rental and operating lease costs		**319**	369
	Consultancy		**1,310**	2,508
	Travel costs		**457**	1,634
	Insurance		**1444**	1,471
8	**Remuneration of auditors and other firms**			
	Auditing the financial statements			
	PricewaterhouseCoopers (NZ)		**224**	204
	PricewaterhouseCoopers (SG)		**10**	10
	Other firms		**26**	30
	Assurance and advisory services			
	PricewaterhouseCoopers (NZ)		**16**	235
	PricewaterhouseCoopers (FR)		**31**	-
	Tax compliance services			
	PricewaterhouseCoopers (US)		**149**	120
	Other firms		**-**	1
9	**Research and development expenditure**			
	Research and development expenditure		**23,975**	28,103
	Research and development expenditure as a percentage of total revenue		**15.4%**	18.9%

Of this research and development expenditure incurred, $3,575,000 (2020: $7,187,000) was capitalised as an intangible asset during the year. Refer to Note 16.

Research and development expenditure is included in employee benefits, depreciation and amortisation and other expenses.

		2021	2020
10	**Income tax expense**		
	Recognised in the statement of comprehensive income		
	Current tax	**4,481**	2,676
	Deferred tax	**(3,045)**	(2,550)
	Adjustments for tax of prior periods	**371**	(247)
	Income tax expense / (gain)	**1,807**	(121)
	Reconciliation between tax expense and profit before tax		
	Profit before income tax for the year	**5,469**	4,222
	Income tax for the year at 28%	**1,531**	1,182
	Adjustments for other non-taxable income, non-deductible amounts and the effect of different tax rates in offshore jurisdictions	**276**	(1,303)
	Income tax on profit / (loss) before tax	**1,807**	(121)

11 Derivative financial instruments

	Jun 2021 $000 Assets	Jun 2021 $000 Liabilities	Jun 2020 $000 Assets	Jun 2020 $000 Liabilities
Forward foreign exchange contracts	**2,105**	**(119)**	759	(801)
Total	**2,105**	**(119)**	759	(801)
Less non-current portion	**1,186**	**(97)**	474	(382)
Current portion	**919**	**(22)**	285	(419)

Instruments used by the group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies.

Forward exchange contracts

The Group sells products and services to customers throughout the world. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to sell US dollars, Euros, Great British pounds, Canadian dollars, and Australian dollars and to buy Japanese yen.

These contracts are hedging highly probable forecast sales and purchases for the ensuing financial year. The contracts are timed to mature when the receipts/payments are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

12 Trade and other receivables

	2021 $000	2020 $000
Current assets		
Trade receivables	**30,898**	32,559
Provision for doubtful debts	**(1,912)**	(1,230)
Other receivables and prepayments	**4,829**	5,000
Total trade and other receivables	**33,815**	36,329
Provision for doubtful debts		
Opening balance	**1,230**	926
Effects of movements in exchange rates	**(27)**	8
Current year provisions made/(released)	**1,671**	666
Amounts utilised	**(962)**	(370)
Closing balance	**1,912**	1,230

13 Inventories

	2021 $000	2020 $000
Raw materials and consumables	**16,639**	17,266
Work in progress	**-**	307
Finished goods	**8,891**	10,748
Provision for stock obsolescence	**(3,087)**	(4,145)
Total inventories	**22,443**	24,176

14 Deferred tax assets and liabilities

	2021 $000 Consolidated Balance Sheet	2021 $000 Consolidated Profit & Loss	2020 $000 Consolidated Balance Sheet	2020 $000 Consolidated Profit & Loss
The balance comprises temporary differences attributable to the following:				
Property, plant and equipment and intangible assets	**66**	**1,076**	(1,010)	3,499
Receivables	**250**	**132**	118	(135)
Inventories	**499**	**214**	285	(338)
Payables, employee benefits and provisions	**1,632**	**174**	1,458	(205)
Contract liabilities	**1,545**	**1,545**	-	-
Income tax losses	**604**	**145**	459	(1,124)
Other temporary differences	**116**	**(241)**	357	853
Net deferred tax assets	**4,712**	**3,045**	1,667	2,550

Deferred tax assets include $0.4 million (2020: $0.4 million) in respect of income tax losses in Brazil. Realisation of the deferred tax assets is subject to the requirements of the local income tax legislation being met. It is considered probable that future taxable income will be available to utilise these losses.

	2021	2020
Unrecognised deferred tax assets		
Income tax losses and other temporary differences	**2,299**	1,803

Deferred tax assets have not been fully recognised in respect of these losses and temporary differences in Hong Kong and Brazil because it is not probable that taxable profit will be available in the immediate future against which the losses and temporary differences can be applied.

15 Property, plant and equipment

($000)	Leasehold improvement	Manufacturing equipment	IT assets	Other	Right-of-Use Assets	Total
At 30 June 2020						
Cost	4,246	15,125	1,784	1,781	38,518	61,454
Accumulated amortisation	(680)	(5,078)	(1,023)	(969)	(3,619)	(11,369)
	3,566	10,047	761	812	34,899	50,085
Opening net carrying amount	3,566	10,047	761	812	34,899	50,085
Additions	65	357	686	795	1,755	3,658
Disposals	(11)	(4)	-	(4)	(698)	(717)
Depreciation charge (Note 7)	(361)	(2,697)	(499)	(315)	(3,627)	(7,499)
Asset category transfers	-	-	18	(18)	-	-
Effects of movements in exchange rates	1	(4)	(3)	2	(85)	(89)
Closing net carrying amount	**3,260**	**7,699**	**963**	**1,272**	**32,244**	**45,438**
At 30 June 2021						
Cost	4,301	15,474	2,485	2,556	39,090	63,906
Accumulated amortisation	(1,041)	(7,775)	(1,522)	(1,284)	(6,846)	(18,468)
	3,260	**7,699**	**963**	**1,272**	**32,244**	**45,438**

16 Intangible assets

($000)	Development Expenditure	Software	Goodwill	Total
At 30 June 2020				
Cost	24,703	6,705	3,169	34,577
Accumulated amortisation	(7,053)	(2,524)	-	(9,577)
	17,650	4,181	3,169	25,000
Opening net Carrying amount	17,650	4,181	3,169	25,000
Additions	3,575	201	-	3,776
Amortisation charge (Note 7)	(4,217)	(884)	-	(5,101)
Transfer from property, plant and equipment	-	-	-	-
Effects of movements in exchange rates	-	-	-	-
Closing net carrying amount	**17,008**	**3,498**	**3,169**	**23,675**
At 30 June 2021				
Cost	28,278	6,906	3,169	38,353
Accumulated amortisation	(11,270)	(3,408)	-	(14,678)
	17,008	**3,498**	**3,169**	**23,675**

17 Borrowings

Current liabilities		
Secured bank - discounted receivables	**4,025**	11,281
Secured loans from The Tait Foundation	**15,000**	6,000
Other	**300**	441
	19,325	17,722

The Group has a receivables purchase agreement with the Bank of New Zealand.

The security consists of:

(a) A first ranking GSA debenture over the Charging Group of companies. The Charging Group comprises the following companies:
- Tait International Limited
- Tait Communications (NZ) Ltd
- Tait Communications (LA) Ltd
- Tait Radio (TRW) Ltd
- Tait International Holdings Ltd
- Tait Europe Ltd
- Tait North America Inc.
- Tait Electronics (Aust) Pty Ltd

(b) Cross linked unlimited corporate guarantees from all the companies within the Charging Group.
(c) Assignment of proceeds under the Atradius Receivables Insurance Policy.

The facility agreement includes certain financial covenants in respect of the equity ratio as well as assets and earnings. There were no unwaived breaches of any of these covenants either during the year or at balance date.

Non-Current liabilities		
Secured loans from The Tait Foundation	**-**	15,000
	-	15,000

The Tait Foundation loan is secured over the assets of the Group and is subordinated to the BNZ facility. The loan matures in December 2021 but it is the Group's intention to renew the loan on similar terms. Interest is charged at BKBM plus a margin.

	2021 $000	2020 $000
18 Trade and other payables		
Trade payables	**7,406**	12,107
Accrued expenses	**5,191**	4,617
Employee benefits	**8,190**	7,267
	20,787	23,991
19 Provisions - warranties		
Balance at 1 July	989	1,002
Effects of movements in exchange rates	(19)	4
Additional provisions made	1,394	1,133
Unused provisions reversed	(1,295)	(1,150)
Balance at 30 June	**1,069**	989
Comprising:		
Current	483	479
Non-current	586	510

The provision for warranties relates to sales of radio communications equipment. The amount of the provision is based on the history of warranty claims plus specific provisions for any known endemic faults. The current portion of the liability is expected to be incurred within the next twelve months.

20 Share capital and reserves

Share capital

There are 60,925,100 (2020: 60,925,100) (issued and fully paid) voting shares which carry equal voting rights and share equally in dividends and surplus on winding up.

	2021 $000	2020 $000
Foreign currency translation reserve		
Opening balance	**1,044)**	(344)
Foreign currency translation differences	**(833)**	(700)
Balance at the end of year	**(1,877)**	(1,044)

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the functional currency of the reporting entity, as well as from the translation of liabilities that hedge the net investment in a foreign operation.

	2021 $000	2020 $000
Hedging reserve		
Opening balance	**(42)**	435
Changes in fair value of cash-flow hedges	**2,028**	(477)
Balance at the end of year	**1,986**	(42)

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedge transaction affects profit and loss.

	2021 $000	2020 $000
21 Capital expenditure commitments		
Commitments for future capital expenditure, all due within one year	**2,095**	1,489

Capital expenditure commitments relate to the acquisition of property, plant and equipment.

22 Contingent liabilities

Guarantees for the Group given to bankers for performance/guarantee bonds on behalf of customers amount to $3,116,000.

Tait International Limited has guaranteed the performance of Tait Electronics (Aust) Pty Ltd under its agreement to supply equipment and services to Telstra Corporation Ltd. Tait International Limited has guaranteed the performance of Tait Communications (NZ) Limited under its agreement to supply equipment and services to the New Zealand Police.

From time to time, Tait International Limited and its subsidiary companies enter into supply agreements which include liquidated damages provisions. There are currently no outstanding claims.

23 Related parties

The Group has related party relationships with its shareholders and their subsidiary (see page 3 of the Annual Report) and with its Directors and Global Leadership Team. The Group's holding company, and ultimate holding company, is Tait Contel Charitable Trust.

Transactions with shareholders and The Tait Foundation		
Sales to shareholders and The Tait Foundation	9	704
Interest paid on The Tait Foundation loan	1,147	1,134
Contract liabilities to shareholders	2,072	-
Payables to The Tait Foundation and shareholders	6	6
Receivables from The Tait Foundation and shareholders	-	322
The Tait Foundation loan	15,000	21,000

The Tait Foundation has also provided a guarantee over the borrowing facility described in note 17. The Group has paid The Tait Foundation $72,000 for this guarantee.

Key management personnel compensation was as follows:		
Remuneration of 17 members (2020: 17) of the Global Leadership Team	**5,867**	5,667
Directors' fees	**445**	385

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