Mercer group Ltd

Annual Report | **2017**

Our Vision

Design and supply innovative food processing and packaging systems to the world

Mercer group Ltd

Customer focus

We build long term partnerships by providing quality solutions to our customers

Responsible

We care about our people, our customers and our environment

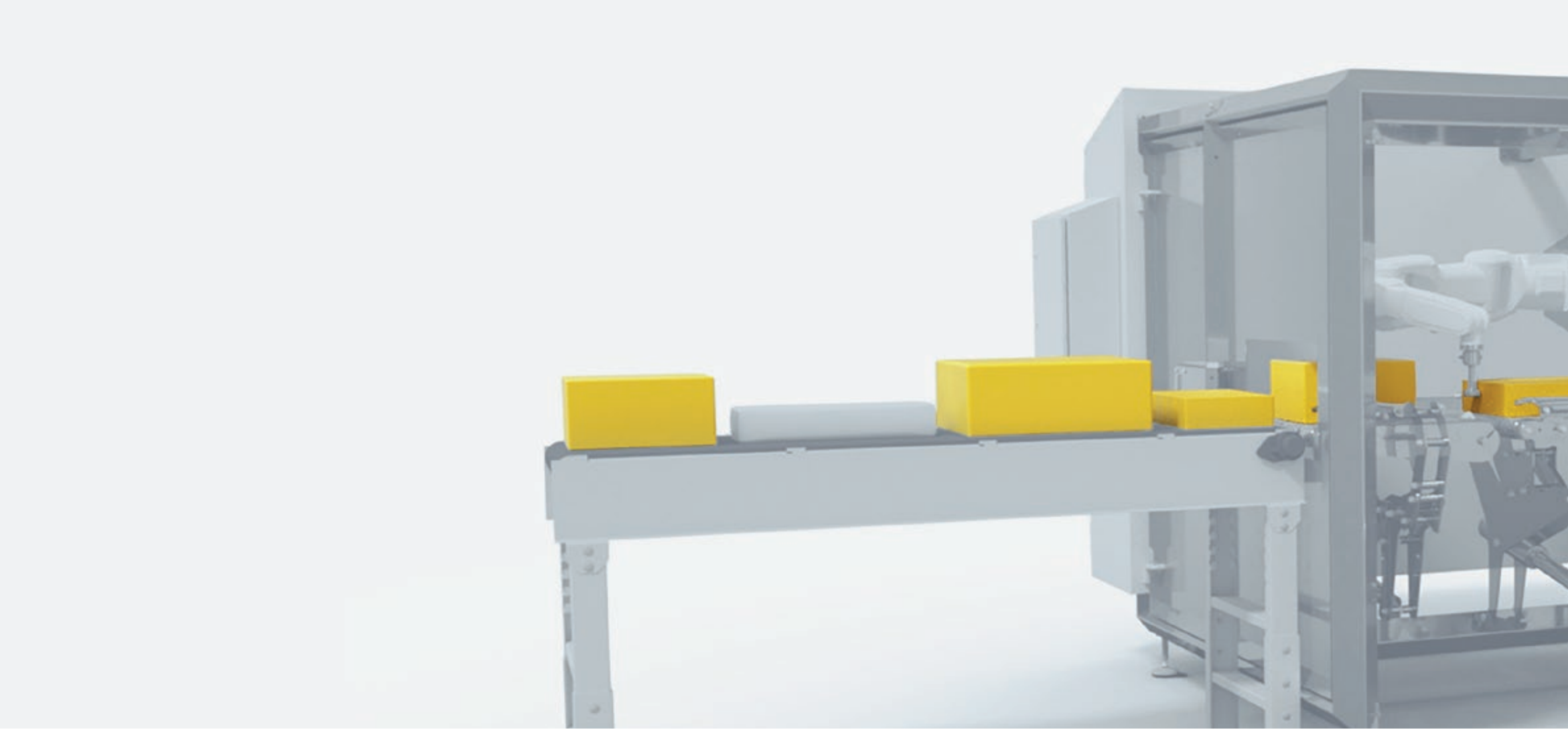
Professional

We communicate openly, act with integrity, and strive for excellence

Committed

Each of us is accountable to deliver results to all our stakeholders


ABB
ABB



Board Chair's review

Although another challenging period, we have made progress on a number of fronts including generating a verifiable positive EBITDA in the second half of the 2017 financial year, with a reduction in debt, the acquisition of Haden & Custance ("H&C") supported by a successful capital rise, and an increase in operating revenues. However, with further provisions and the write off of the tax loss asset pending the return to sustainable profitability, the final reported year's net loss after tax was $6.9m.

I am under no illusions that our shareholders deserve better. To that end, we continue to work on the encouraging signs of the last six months of FY17. That means rigorous attention to efficiencies; clear operational targets for our employees across the board; and being aware of and most importantly, being able to capitalise on, all and any relevant opportunities for growth. We will also continue to place the health and safety of our employees first and foremost and I am pleased to repeat that Mercer Stainless has now received tertiary qualification from ACC.

As previously reported to shareholders, the opportunity arose during the year to acquire the business of Haden & Custance which was completed in December 2016. This acquisition complements our strategic focus on food processing and packaging technologies and has provided us with a platform for growth and technology led development of existing products. The management teams of both businesses have concentrated their efforts on amalgamating H&C's and MGL's machinery businesses under one roof in H&C's Hawkes Bay premises. I am pleased to report that we have moved, in a relatively short period of time, towards the efficient amalgamation of Mercer's and H&C's machinery offerings.

Importantly, H&C's focus on robotics and automation is favourably positioning us in a market that is relevant, growing and at the right end of the value chain. H&C's core market is the bulk cheese and butter industry, and we are now exploring opportunities to apply their technologies in the e-commerce space. This has emphasised the need to bolster our front line sales capabilities, another area in which we will be concentrating efforts. We anticipate being able to update further on H&C at our annual meeting.

I have to again refer to the legacy issues resulting from the costly failure of Titan of which shareholders are all too well aware. At the date of the last annual report, it was our belief that having 'cleared the decks' of known issues (principally our obligation to accept the return of failed installations) that an opportunity remained for us to reinvigorate the Titan offering. While Titan remains a credible opportunity based on the technology and markets it sells into, we have to accept that the growth will be more modest in the short term than previously reported. In addition to this, we are still dealing with some legacy issues from sales made as far back as 2013. On a positive note, we now have a new team, a better operating platform at H&C and are rebuilding the brand from the ground up whilst retaining strong relationships with our existing Titan customers.

Our S-Clave medical sterilisation technology continues to advance towards commercialisation. At the time of writing, we are close to finalising the sealing mechanism following which we will move to focus on the design of the final

commercial offering. With Atherton's, our Australian partner's market knowledge and expertise, we are also clearer about where we will initially position the technology in terms of pricing and target market segment. Finally, we will be starting a search for a suitably qualified executive to lead the S-Clave to commercialisation – we will also update further on S-Clave developments at MGL's annual meeting.

Mercer Stainless has had a creditable year with a particularly strong second half, with much needed diversification into the wine industry improving the quality of earnings in this operationally geared business. The move of the 'machines' business from Mercer Stainless has had a positive impact on the business, with the cost structure improved and a clear focus on its core business of the fabrication of stainless equipment for the dairy, wine and food sectors.

We are currently working on a review of our branding and digital presence, long overdue but now highly relevant to where we want to position the individual businesses for the future and for their potential customers, investors and employees. Suffice to say that we anticipate the look of your company to be significantly changed by this time in 2018, which of course has to be accompanied by a continued improvement in performance.

As MGL's chair, I have said before that I want to see a broader based and diversified board, giving relevant support to our goals as now set out. My belief is that during FY18 we will be better placed than previously to move forward in this regard.

To summarise, both the board and management of MGL are aware that all stakeholders have been patient and loyal to the company, for many years. I make no excuse for saying that turning the fortunes of MGL around, after decades of underperformance, has been a significant challenge for all concerned. I think I can speak for all of us by saying that while the challenge has been at times exasperating and difficult, it also has had its own rewards in seeing the company now move into some clearer water, with focused goals and with some degree of excitement at the prospects ahead. Realising those prospects will require further capital, both human and financial, and we are continuing to work to ensure that we are credible to providers of both.

Finally, many reports to shareholders end with a somewhat scripted acknowledgement to its employees' contribution. But I can say that all the MGL employees, across the businesses, have been receptive and constructive to the necessary changes we have implemented in the last two years. That has been a significant contribution to placing us in a better position to realise the goals of everyone involved in MGL, and the board is grateful for their contribution and engagement.

John Dennehy
Board Chair

CEO Report

Last year we said that we were in a period of transition. We are now of the view that we have a stable platform from which to grow the broader group, albeit noting that the transition has been long and costly. The financial performance of Mercer Group ('MGL') has continued to be sub-standard and we are doing all we can to drive profitable growth going forward.

While we did see revenue increase during the year, we recorded a net after tax loss of $6.9m for the full year to 30 June 2017. As forecast at the half year MGL generated positive EBITDA, albeit minimal, for the second half of the year, signalling what we see as the start of the long awaited turnaround.

While the annual result is not where we need or want it to be, the efforts of the past year have been focused on fundamental change to our operations and strategy. Some highlights and points of note are as follows:

1 | Improved Health & Safety, resulting in tertiary qualification from ACC of Mercer Stainless

2 | Successful rights issue undertaken in November 2016

3 | Acquisition of Haden & Custance in December 2016

4 | The completion of significant restructuring across the group

5 | Positive normalised EBITDA for the second half of the financial year

We now consider MGL as a holding company with three separate business units, operating independently of each other:

HADEN & CUSTANCE

Haden & Custance ('H&C') – the design and supply of automated and robotic bulk materials handling equipment and systems for the bulk cheese, butter and e-commerce sectors. This also includes the Titan, AiCO and Beta ranges (previously within Mercer Stainless).

Sclave

S-Clave – the disruptive sterilisation technology that is in the final stages of commercialisation.

Mercer Stainless Division

Mercer Stainless – fabricator of stainless steel equipment for the dairy, wine and food sectors, predominantly in New Zealand.

Financial Performance

The operating revenue of $26.6m, was 14% up from the previous year. The revenue contribution from H&C for the machines business was 30% of the total revenue, this included seven months trading for H&C. Revenue for the stainless fabrication business was $21.6m, down 12% from the year before. Post the restructure the fabrication business is operating off a smaller cost base due to downsizing our New Plymouth site.

Group Revenue

figures 000's	**JUN 17**	**JUN 16**
Stainless Fabrication	21,570	24,548
Machines (H&C) [1]	8,222	2,820
Mercer Technologies	65	71
Corporate		
Intersegment eliminations	(3,235)	(4,131)
TOTAL REVENUE	**26,622**	**23,308**

[1] FY16 is Titan only, FY17 is H&C and Titan.

Reported EBITDA was a loss of $3.5m, versus the prior year's loss of $3.2m. However, normalised EBITDA was a loss of $0.56m for FY17 versus $3.46m for the prior year, and as noted above, was positive for the second half of the financial year.

Group EBITDA

figures 000's	**JUN 17**	**JUN 16**
Stainless Fabrication	(298)	(2,204)
Machines	(1,626)	(1,351)
Mercer Technologies	28	(64)
Corporate	(1,576)	455
REPORTED EBITDA	**(3,472)**	**(3,164)**
Insurance	-	(2,608)
Asset Impairment & Restructuring costs [1]	2,244	2,306
Capital raising [2]	392	
Other [2]	280	
NORMALISED EBITDA	**(556)**	**(3,466)**

[1] Includes items categorised in cost of sales & salaries
[2] Includes items categorised in Other Expenses

The past year has seen the completion of the restructuring announced twelve months ago and saw wages and salaries reduced by over $1.9m year on year (given timing of staff reductions, this figure is larger when annualised). The acquisition and integration of H&C into the MGL's operations brought about short term additional cost and disruption to the businesses. However, the acquisition of H&C has resulted in estimated annual cost savings of $1.2m most of which are staff related, and more importantly, has improved efficiency in our operating platforms for the future.

Titan costs and operational issues have been stabilised with a complete restructuring of resources supporting the brand. The impairment of Titan inventory of $1.16m was necessary after an assessment and the transfer of all Titan stock to H&C. There was also a $250k impairment of Titan goodwill to reflect the lower value of future revenues.

MGL borrowings reduced by $2.3m during the year. Banking facilities have been rolled over with core bank debt increasing by $1.1m due to the acquisition of Haden & Custance (note, Gresham Finance was repaid $3.5m). MGL also utilised a $1.5m temporary overdraft facility with a limit step down of $0.5m by 31 October and the balance of the limit expiring by 31 March 2018.

The reported after-tax loss of $6.9m includes a $2.1m expense for deferred tax adjustments, which is the result of derecognising tax loss assets from shareholder changes at the time of the rights issue. MGL retains an off balance sheet future tax benefit of $2.85m that can be recognised in future years when expected taxable profits are available to offset them against.

The balance sheet position has improved although we note that the deferred tax adjustment in 'Non-Current Assets' lines masks this. As explained above the off balance sheet tax asset can be capitalised in the future periods when expected taxable profits are available.

Group Balance Sheet

figures 000's

CAPITAL	JUN 17	DEBT / EQUITY	JUN 16	DEBT / EQUITY
Net Debt*	(7,919)	45%	(10,526)	56%
Equity	(9,510)	55%	(8,337)	44%
TOTAL CAPITAL EMPLOYED	**(17,429)**		**(18,863)**	

FUNDING NET ASSETS		
Current Assets	8,469	7,424
Current Liabilities	(5,686)	(5,871)
Non-Current Assets	14,646	17,310
TOTAL OTHER NET ASSETS (TNA)	**17,429**	**18,863**

* Net debt includes; cash, overdraft and borrowings

Haden & Custance

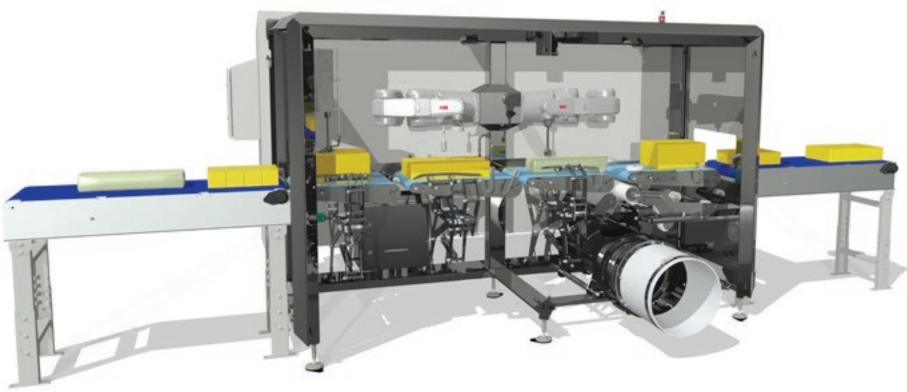
Haden & Custance (www.hadencustance.com) specialises in the design and supply of automated robotic material handling systems that prepare bulk cheese and butter for processing.

H&C's principal focus is the US where it has an established customer base of tier one cheese and butter companies, an installed base of systems and a reputation for delivering high quality solutions on time, that work. There is a significant growth opportunity in H&C's core business as the industry fundamentals are strong (cheese production increasing in the US by c.3% per annum), companies strategically want more automation in their plants given acute labour shortages in the US, the installed base provides a positive references, and the ROI of H&C systems is compelling.

In addition to the core sectors, H&C are currently working with a large global online retailer to design an automated system for their fulfilment centres. If this is successful, it will be a material short term growth opportunity that will require investment in our support services in the US market.

The Mercer machines (Titan, AiCO and Beta) have now been transferred to H&C and have a better platform from which to improve and grow. This is based on; (i) the core capability set of the H&C team being mechanical, electrical and controls design, an area where Mercer Stainless did not have the appropriate resource or skill set; and (ii) an outsourced business model that is highly cost efficient.

Given the poor performance of Titan over a long period, we have undertaken a full review of the technology. This was driven by our new Titan product manager who joined H&C from a large global slicing company. While we are still of the view that the Titan technology is good and the sectors it sells into are growing, the legacy of the previous installations, many of which resulted in returned



"We are very impressed with the quality of Haden & Custance's technology solutions. They satisfy our needs and we believe they are very good value on investment."

RISTA BRKOVIC | Group Packaging Manager
Murray Goulburn - Australia

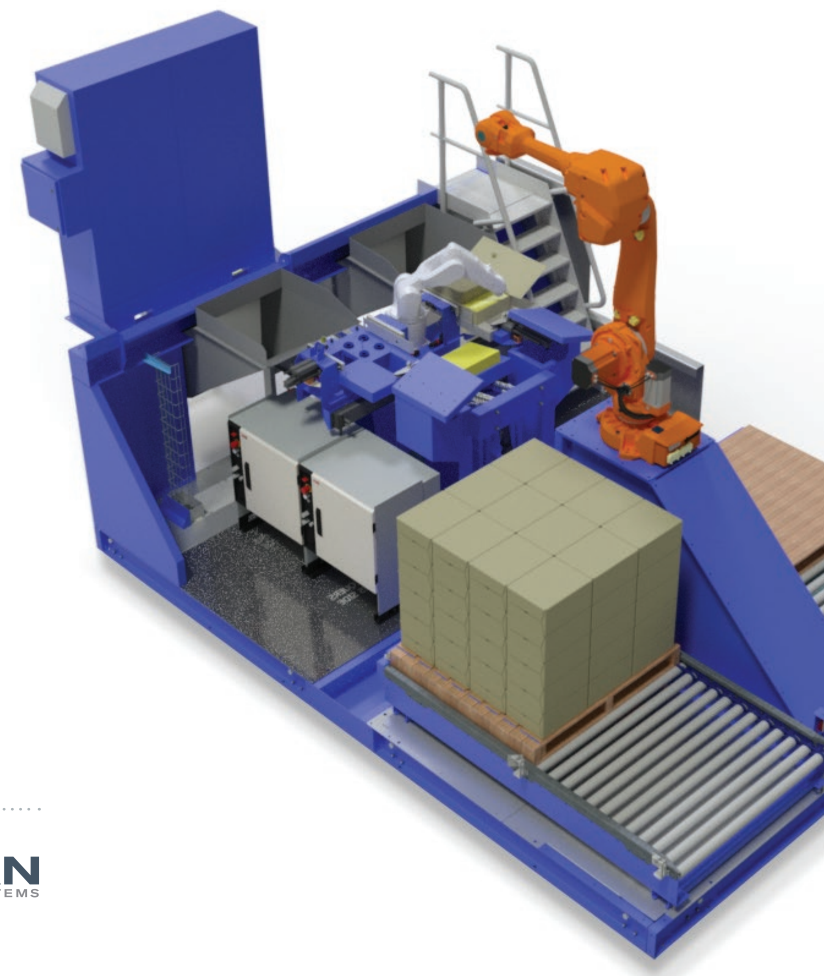
"Our experience in adopting Haden & Custance technology has been outstanding. They have provided Bega with excellent product solutions and quality service."

SEAN MORAN | Operations Manager
Bega Cheese - Australia

machines, remains. Given the new team and operating structure we remain committed to Titan and the long-term opportunity it represents but note that growth will be more moderate than previously forecast in the short term.

More encouragingly, the AiCO line of packaging equipment has a strong pipeline of opportunities in both the red meat and horticultural sectors. Both the AiCO and Beta range of equipment have benefited from the move to H&C with reduced build costs.

In the year ahead H&C are focused on execution of their existing sales pipeline, developing the online fulfilment systems and building their presence in the US. While the opportunity for H&C is strong, the business is, by its capital equipment nature, susceptible to delays in orders which is difficult from a working capital perspective. However, subject to adequately resourcing the H&C team, it is our belief that H&C can grow to $50m revenue in the next two to three years.



HADEN & CUSTANCE

Beta vac Beta turn Beta test AiCO Packaging Systems TITAN SLICING SYSTEMS

S-Clave

We continue to make solid progress with the S-Clave. During the year we considered capital raising options for the S-Clave, but ultimately made the decision that we should further develop the technology before revisiting capital structures.

Key to the final development towards a commercialised product, is our partnership with Australian sterilisation company Atherton, who have proved to be a highly credible and a positive influence on the development. Critically, working with Atherton has meant that we will now be able to sell the S-Clave as a retro-fit to existing Atherton autoclaves, which reduces the upfront cost to customers, and simplifies the approval process. We are now finalising the sealing process of the container with testing of prototypes being undertaken currently. This has been slower than we would like due to the complexities of the process and time taken to manufacture the prototypes (they need to be 3D printed out of high temperature resistant plastics). We expect the final testing to be complete within the next three months after which we will invest in the required tooling with a view to launching the S-Clave in the calendar year 2018.

Mercer and Atherton have recently presented the S-Clave to a number of hospitals and medical clinics in Australia. The feedback has been very positive and we have four major hospitals and one private hospital group that have requested to be included in the initial roll out of the S-Clave. We are currently looking to recruit a senior Australian based commercialisation officer to work with Atherton to drive the roll out of the S-Clave.

We have agreed in principal terms with Atherton for the roll out of the S-Clave in Australia. We will update shareholders on these terms once they are finalised and documented.

While the development process for the S-Clave has been slower than we would have envisaged, we have not seen anything to date that changes our view that the S-Clave represents a significant opportunity for MGL. The market feedback has been strong and we have the right partner in Atherton for an initial launch in Australia. We still have a relationship with the large US based sterilisation company, who now have a non-exclusive license rather than exclusive, which provides us with more flexibility in our international market strategy.

Mercer Stainless

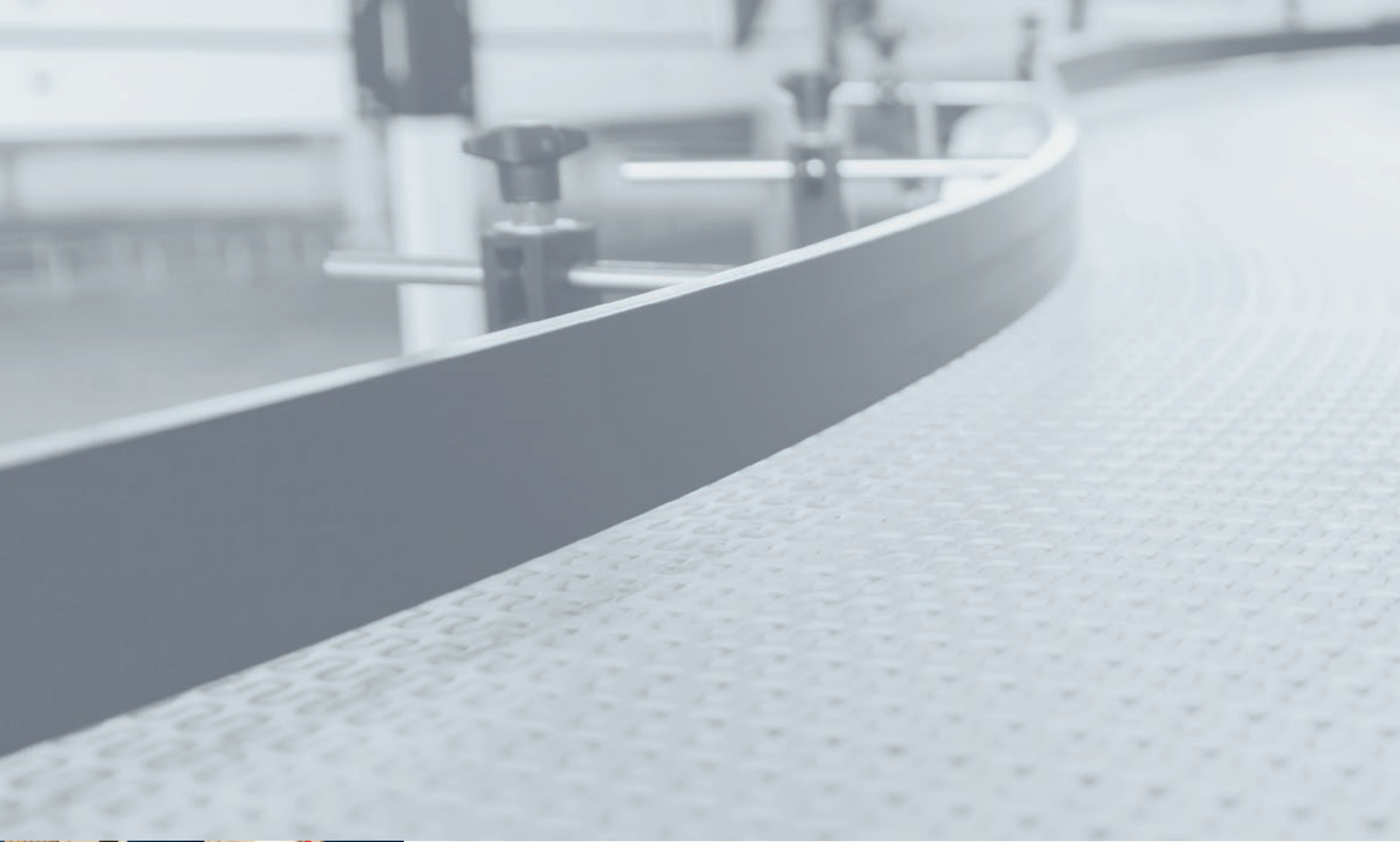
The Mercer Stainless fabrication business had a strong second half of the financial year. The acquisition of H&C and subsequent move of the Mercer machines out of the business, has allowed the business to focus on its core strengths – the fabrication of stainless steel equipment for the dairy, wine and food sectors.

The Marlborough earthquake in late 2016 opened up the opportunity to enter the wine sector. The wine sector has grown significantly over the past 20 years with exports reaching $1.6 billion in the year to March 2017 and the industry has a goal of reaching $2 billion of exports by 2020. We have now undertaken work for a number of the top wine companies including Pernod Ricard and Villa Maria and plan on continuing to build our presence in the sector. It provides much needed diversity to the dairy sector, upon which Mercer Stainless was too reliant.

While that diversification is essential for a business like Mercer Stainless, dairy remains a significant sector for us. Investment in dairy this year has increased, which has seen good workflows through both our Christchurch and New Plymouth facilities, and the medium-term outlook for the sector is strong.

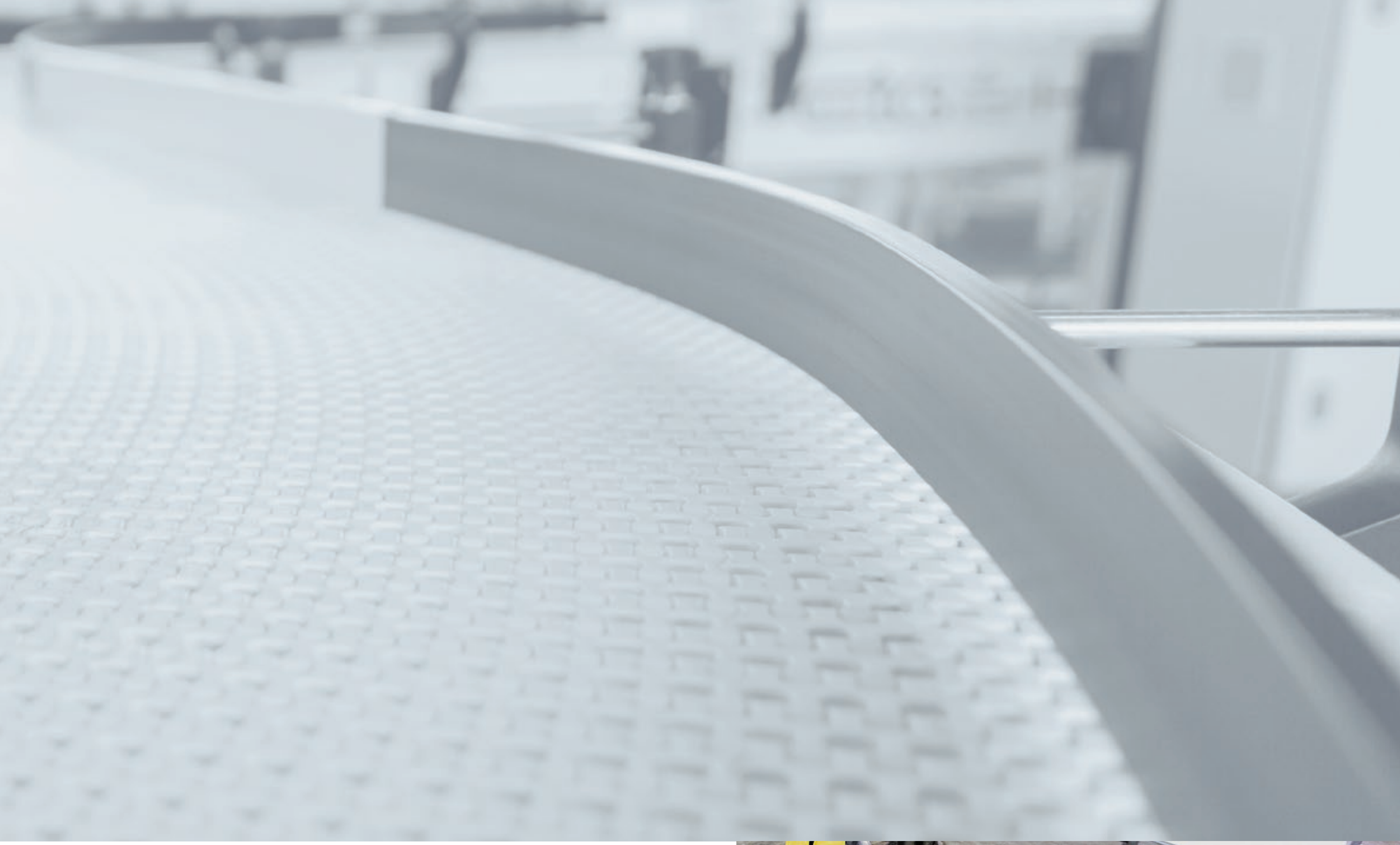
As outlined above, we are continuing to seek to diversify the Mercer Stainless business away from an over reliance on dairy, which is cyclical. We will be improving the front end sales function in the business with cultural change and a more market focused approach. The key to the success of Mercer Stainless is full workshops and while we have started the new financial year well with good workloads, we have to originate more work for the remainder of the financial year.

We were pleased to win the contract to build the replacement 500,000 litre silo for Fonterra at Edendale and which was delivered in August 2017. We continue to work closely with Fonterra and the industry on new designs and codes for the manufacture of tanks for the dairy industry. There is nothing further to update as regards insurance claims from the Edendale collapse at this point.



Outlook

We are forecasting a continuation of the improved operating performance for the 2018 financial year. H&C has a strong pipeline, but it is subject to order timing delays, so the focus is on executing the current opportunities and building momentum in the market. We are focused on launching the S-Clave in Australia this financial year, which will be a significant milestone for the group. Mercer Stainless is currently busy and has a decent outlook for the current financial year.



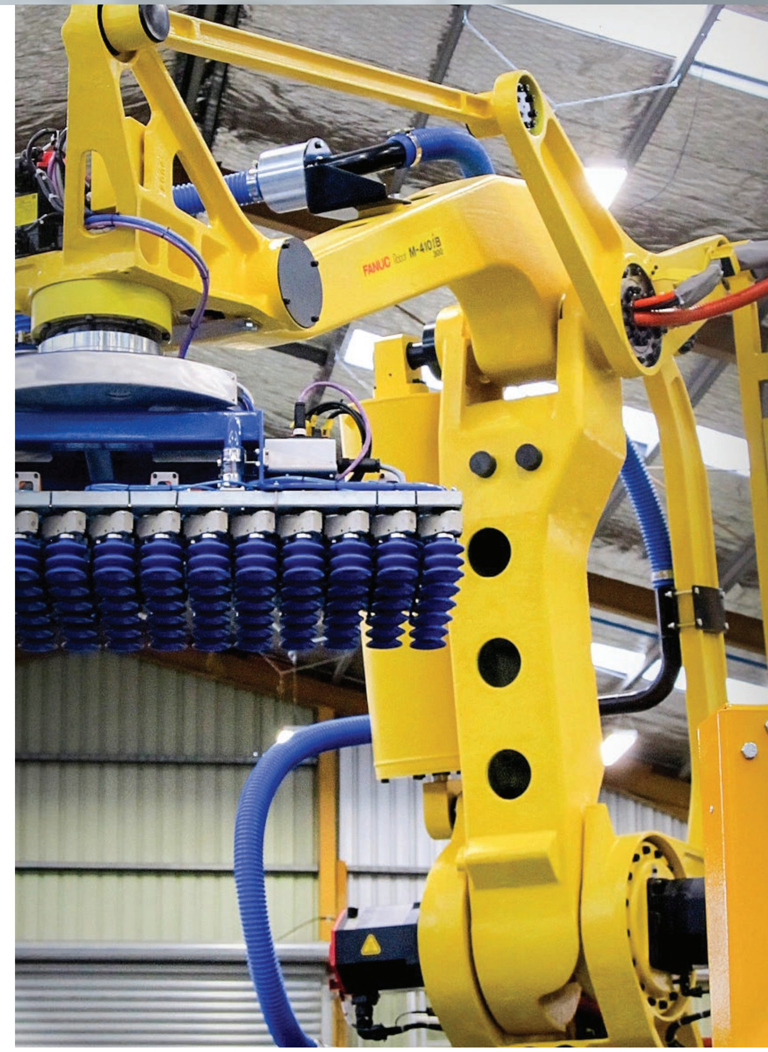
At a strategic level, we are comfortable with the businesses. Robotics and automation (H&C) and medical technology (S-Clave) are highly relevant in today's world and we now have a settled structure and platform from which to grow in both of these spaces.

Execution of the growth plans may well require further capital, which we are constantly reviewing. In addition, while each of the three businesses have opportunities as described, we will also remain open to further possible and relevant acquisitions and partnerships.

We would like to thank our customers, shareholders and bankers for their continued support of MGL.

I would also personally like to thank all of the employees across the group who have worked hard, shown commitment and professionalism through a period of significant change in the company.

Richard Rookes
CEO



Board of Directors

John Dennehy

Chairman

John joined the Mercer board in February 2015. He has served on a number of boards in the UK and New Zealand, most recently at Simcro Ltd, a Hamilton based R&D export led agritech business. John is also a director of Kiwi Rail Holdings and a member of their Risk and Audit Committee. He holds an honours degree in Economics and Accounting.

Paul Smart

Independent Director

Paul is a professional director and experienced finance professional. He is a Chartered Accountant and a long-standing member of the Institute of Directors and is currently a director of Intercity Group, Solarcity and a number of other private companies. Paul has had executive experience in start-ups, public companies, multi nationals and an SOE.

Richard Rookes

CEO

Richard was appointed CEO in July 2015 having been on the board since 2011. Since being appointed as CEO, Richard has driven the strategic and operational change in the business. Prior to taking the executive role at Mercer, Richard was an investment banker in NZ & UK. Richard holds a BCom, Diploma for Graduates and a Post Graduate Diploma in Commerce, all from the University of Otago.

Executive Team

Ian McGregor

Mercer Group Limited CFO

Ian joined Mercer in April 2016 having previously been CFO at Fisher & Paykel Finance and Manager Group Treasury at Fonterra, amongst other key commercial roles. Ian brings commercial acumen to the finance team and is implementing financial and operational improvements across the business. Ian holds a Bachelor of Business Studies and is a CPA.

Ross Coppard

General Manager Mercer Stainless

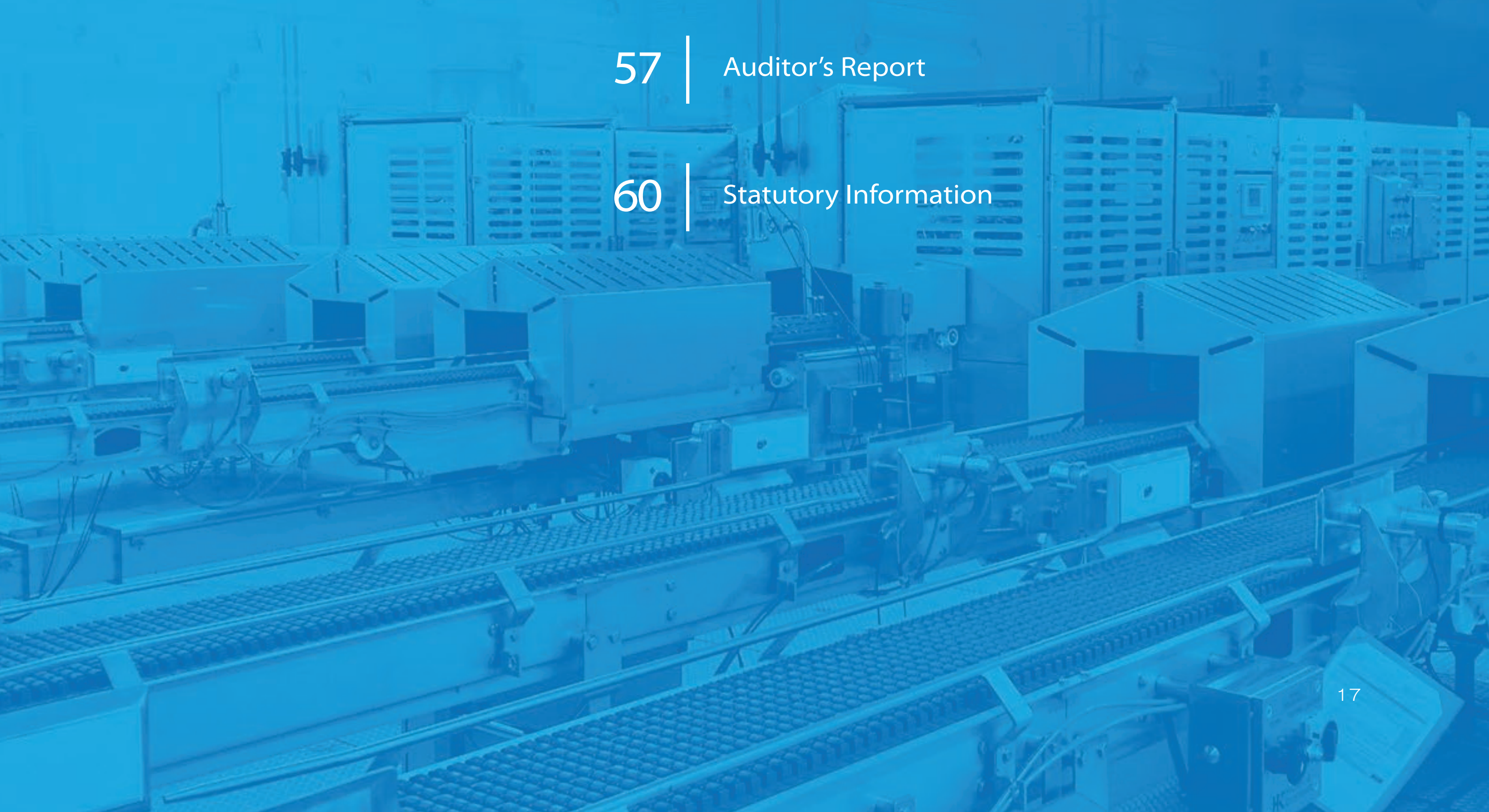
Ross has been at Mercer since 1987 and in 2017 stepped into the role of General Manager at Mercer Stainless. He brings to this role his experience as Operations Manager and Key Relationship Manager. Ross holds a NZ Certificate in Mechanical Engineering.

Stuart Dykes

General Manager Haden & Custance

Stuart joined H&C in 2014. He has over 25 years of international experience in diverse and demanding technical service environments, ranging from oil and gas exploration to wine production. Stuart holds a Bachelor of Mechanical Engineering and a PhD both from the University of Auckland.

Mercer Group Limited
Group Financial Statements
Year ended 30 June 2017



Directors' Report

In the opinion of the directors of Mercer Group Limited, the financial statements and the notes, on pages 19 to 56:

- comply with New Zealand Equivalents to International Financial Reporting Standards and fairly represents the financial position of the Group as at 30 June 2017 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 Mercer Group Limited for the year ended 30 June 2017.

The Annual Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 29 August 2017.

John Dennehy, Chairman.

Paul Smart, Director.

Group Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	30 June 2017 $000	30 June 2016 $000
Continuing Operations			
Revenue			
Sale of goods and contract revenue	6	**26,622**	23,308
Other income	7	**234**	2,796
Total income		**26,856**	26,104
Expenses			
Changes in inventories of finished goods and work in progress		**(14,835)**	(10,775)
Salaries and wages		**(9,636)**	(11,577)
Rental and operating leases		**(439)**	(486)
Other expenses	8	**(3,747)**	(4,551)
Depreciation	14	**(437)**	(546)
Amortisation	15	**(22)**	(68)
Impairment of intangible assets	15	**(250)**	-
Restructuring costs		**(1,421)**	(1,656)
Development costs		**-**	(223)
Continuing operations deficit before finance costs		**(3,931)**	(3,778)
Finance costs		**(723)**	(801)
Continuing operations deficit after finance costs and before taxation		**(4,654)**	(4,579)
Income tax credit (expense)	10	**(2,308)**	(573)
Continuing operations deficit after finance costs and taxation		**(6,962)**	(5,152)
Discontinued operations			
Deficit from discontinued operations		**-**	(1,576)
Deficit after taxation		**(6,962)**	**(6,728)**
Attributable to:			
- Owners of the parent	21	**(6,962)**	(6,467)
- Non-controlling interest		**-**	(261)
		(6,962)	(6,728)
Other comprehensive (loss) income			
Items that may be subsequently charged or credited to profit and loss			
Currency translation differences	21	**(13)**	(69)
Reversal of FCTR	21	**-**	367
Items that will not be subsequently charged or credited to profit and loss			
Asset revaluation reserve movement	21	**-**	57
Other comprehensive (loss) income for the year, net of tax		**(13)**	355
Total comprehensive (loss) income for the year		**(6,975)**	(6,373)
Attributable to:			
- Owners of the parent		**(6,975)**	(6,112)
- Non-controlling interest		**-**	(261)
Total		**(6,975)**	(6,373)
Basic earnings per share:			
Deficit per share attributable to shareholders of the company (cents)	23	**(16.96)**	(39.15)
Fully diluted earnings per share:			
Deficit per share attributable to shareholders of the company (cents)	23	**(16.96)**	(39.15)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Group Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 $000	30 June 2016 $000
ASSETS			
Current assets			
Cash and bank balances	11	**827**	13
Accounts receivable	12	**3,750**	2,311
Other debtors and prepayments	12	**1,229**	868
Inventories	13	**3,490**	4,245
Total current assets		**9,296**	7,437
Non current assets			
Other debtors and prepayments	12	**816**	1,211
Property, plant and equipment	14	**6,683**	6,781
Intangible assets	15	**4,685**	4,548
Deferred tax asset	16	**2,446**	4,754
Investment in associate		**16**	16
Total non current assets		**14,646**	17,310
Total assets		**23,942**	24,747
LIABILITIES			
Current liabilities			
Bank overdraft	11	**1,064**	492
Trade and other payables	18	**4,595**	5,069
Employee entitlements		**1,091**	802
Borrowings	19	**1,309**	4,200
Total current liabilities		**8,059**	10,563
Non current liabilities			
Borrowings	19	**6,373**	5,847
Total liabilities		**14,432**	16,410
Net assets		**9,510**	8,337
EQUITY			
Share capital	20	**41,522**	33,475
Other reserves	21	**3,069**	2,981
Retained earnings	21	**(35,081)**	(28,119)
Total equity		**9,510**	**8,337**

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

Group Statement of Movements in Equity

For the year ended 30 June 2017

	Notes	Attributable to the owners of the Group							
		Share capital $'000	Retained earnings $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Asset revaluation reserve $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 30 June 2015		33,475	(21,063)	10	(298)	2,814	14,938	(328)	14,610
Foreign currency translation reserve movement	**21**	-	-	-	(69)	-	(69)	-	(69)
Transfer of FCTR to profit and loss	**21**	-	-	-	367	-	367	-	367
Asset revaluation reserve movement	**21**	-	-	-	-	57	57	-	57
Deficit for the year	**21**	-	(6,467)	-	-	-	(6,467)	(261)	(6,728)
Total comprehensive income for the year		-	(6,467)	-	298	57	(6,112)	(261)	(6,373)
Value of employee services	**21**	-	-	100	-	-	100	-	100
Acquisition of non-controlling interest		-	(589)	-	-	-	(589)	589	-
Balance at 30 June 2016		33,475	(28,119)	110	-	2,871	8,337	-	8,337
Foreign currency translation reserve movement	**21**	-	-	-	**(13)**	-	**(13)**	**-**	**(13)**
Deficit for the year	**21**	-	**(6,962)**	-	-	-	**(6,962)**	**-**	**(6,962)**
Total comprehensive income for the year		**-**	**(6,962)**	**-**	**(13)**	**-**	**(6,975)**	**-**	**(6,975)**
Value of employee services	**21**	-	-	**101**	-	-	**101**	**-**	**101**
Capital raising costs		**(352)**	-	**-**	-	-	**(352)**	**-**	**(352)**
Issue of new shares	**20,21**	**8,399**	**-**	**-**	-	-	**8,399**	**-**	**8,399**
Balance at 30 June 2017		**41,522**	**(35,081)**	**211**	**(13)**	**2,871**	**9,510**	**-**	**9,510**

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

Group Statement of Cash Flow

For the year ended 30 June 2017

	Notes	30 June 2017 $000	30 June 2016 $000
Operating activities			
Deficit after tax		**(6,962)**	(6,728)
Income tax recognised in Statement of Comprehensive Income		**2,308**	573
Finance costs		**723**	801
Depreciation and amortisation	14,15	**459**	814
Inventory provision		**983**	-
Provision (cost) for restructuring continuing operations		**(618)**	618
Loss on sale of discontinued operations		**-**	350
Loss(gain)on sale of plant & equipment		**-**	268
Reversal of FCTR	21	**-**	367
Share based payment	27	**101**	100
Impairment of intangible assets	15	**250**	-
Other non-cash items		**-**	(13)
Changes in working capital	24	**(1,227)**	2,025
Net cash outflow before finance costs		**(3,983)**	(825)
Interest paid		**(723)**	(801)
Net cash outflow by operating activities		**(4,706)**	(1,626)
Investing activities			
Cash was provided (to) from :			
Purchase of property, plant and equipment	14	**(143)**	(332)
Purchase of patents and development activities	15	**(58)**	(727)
Proceeds from disposal of property, plant and equipment	14	**51**	-
Purchase of Haden & Custance*		**(1,500)**	-
Cash from Haden & Custance	28	**1,679**	-
Proceeds from sale of discontinued divisions		**-**	3,153
Net cash from investing activities		**29**	2,094
Financing activities			
Cash was provided from (to):			
New borrowings		**-**	4,250
Capital raising costs*		**(72)**	-
Issue of new shares*	20	**3,869**	-
Drawdown (repayment) of borrowings	19	**1,135**	(2,500)
Net cash inflow from financing activities		**4,932**	1,750
Net (decrease) increase in cash held		**255**	2,218
Cash (Overdraft) at beginning of the year		**(479)**	(2,628)
Effect of exchange rate changes		**(13)**	(69)
Cash (overdraft) at the end of the year	11	**(237)**	(479)

* The cash generated from issue of new shares has been netted against the following transactions as a result of the cash not being received by the Group. Instead cash was settled directly with the following counter parties in settlement of the Group's obligations:

- $3,500,000 paid to Gresham Finance to settle the loan balance from the rights issue proceeds.
- $280,000 paid to Gresham Finance for the underwriting fee of the rights issue from the rights issue proceeds.
- $750,000 paid in settlement of the Haden & Custance acquisition out of the proceeds of the placement.

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

The Statement of Cash Flow is exclusive of GST.

Notes to the Group Financial Statements

For the year ended 30 June 2017

1. General information

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

Mercer Group Limited is a public company registered under the Companies Act 1993 and is listed with the New Zealand Stock Exchange (NZX).

The Group comprises Mercer Group Limited and its wholly owned subsidiaries as disclosed in Note 17. The core activities of Mercer Group are:

- **Stainless Fabrication:** This division includes workshops in Christchurch and New Plymouth operated by Mercer Stainless Limited. The primary business is the design and manufacture of proprietary equipment mainly for dairy and wine sectors. It has also operated the group's food processing and packaging brands.

- **Machines:** This division designs and manufactures automated robotic handling systems which prepare bulk cheese and butter for further processing. The existing Titan Slicer business and the Haden & Custance business acquired in December 2016 (see Acquisition Note 28) form this division.

- **Mercer Technologies:** The division manages the research and development of the Mercer Group. Currently focused on commercialing the S-Clave.

The Group is designated as a profit oriented entity for financial reporting purposes.

The financial statements have been approved for issue by the Board of Directors on 29 August 2017.

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 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 Mercer Group Limited and its subsidiaries (together “the Group”).

Statutory base
The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013. In accordance with the Financial Markets Conduct Act 2013 separate financial statements for the parent company are no longer required.

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), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities.

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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

(b) 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

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 other comprehensive income from the date the Company gains control until the date when the company ceases to control the subsidiary.

Profit or loss is attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Costs of acquisitions are expensed as incurred.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount increased or decreased to recognise the investors' share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Segment reporting

NZ IFRS 8 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 Board of Directors who review 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.

(d) 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 Mercer Group Limited's functional currency and the Group's presentation currency. All financial information presented in New Zealand dollars 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.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods
Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and the revenue can be measured reliably.

(ii) Construction contracts
Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of the contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

For fixed price contracts, the stage of completion is measured by reference to costs incurred to date as a percentage of estimated total contract costs for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. The percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

(iii) 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.

(iv) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(v) Dividend income
Dividend income is recognised when the right to receive payment is established.

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

(f) 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 and associates, 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. The associated current or deferred tax balances are recognised in these accounts as usual.

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.

(g) 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.

(h) Leases

Leases of property, plant and equipment (PPE) where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE under finance leases are depreciated on the same basis as equivalent property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight line basis over the period of the lease.

(i) Impairment of non-financial assets

Tangible and intangible 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).

(j) 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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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 an allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the profit or loss.

Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are initially recognised at fair value on trade date plus transaction costs. Trade date is the date on which the Group commits to purchase or sell the asset. They are subsequently carried at amortised cost using the effective interest method. They are 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.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in the profit or loss.

(l) Inventories

(i) 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.

(ii) Contract work in progress
Contract work in progress is stated at the aggregate of contract costs incurred to date, plus recognised profits, less recognised losses and progress billings. Cost includes all expenses directly related to specific contracts including direct materials, labour and production overheads.

(m) Investments and other financial assets

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

(n) Derivatives

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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

(o) 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 balance 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.

(p) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least every five year valuations by external independent valuers, less subsequent depreciation for buildings. 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 asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance 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.

(q) 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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

(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.

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.

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.

(r) 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 and subsequently measured at amortised cost using the effective interest method.

(s) 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 balance 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.

(t) 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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

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.

(u) 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.

(v) 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 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.

(iii) Short-term employee benefits
Employee entitlements to salaries and wages, annual leave and sick leave to be settled within 12 months of balance date represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

(w) Dividends

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

(x) 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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

(y) Share based payments

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

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

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

(z) Changes in accounting policies

There have been no changes in accounting policies from those applied by the Group in the financial statements as at 30 June 2017.

(aa) New accounting standards and interpretations

The accounting policies set out in these financial statements are consistent for all periods presented in these financial statements.

New or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the group for the annual reporting period ended 30 June 2017. The adoption of these standards and interpretations is not expected to have a material recognition or measurement impact on the group’s financial statements unless otherwise stated below. These will be applied when they become mandatory. The significant items are:

• NZ IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess NZ IFRS 9’s full impact. The group intends to apply this standard from 1 July 2018.

• NZ IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The group is yet to assess NZ IFRS 15's full impact, however point of revenue recognition for construction contract revenue could change under this new standard which may result in significant measurement differences between years. The group will apply this standard from 1 July 2018.

• NZ IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. NZ IFRS 16 addresses recognition of leases. It replaces the current lease guidance in NZ IAS 17 Leases and is applicable to all entities with leases. It removes the distinction between operating and finance leases with the right to use an asset under operating leases along with the associated obligations to pay rentals recorded as assets and liabilities respectively. However, there are some exemptions for short term leases and leases of low value assets. The group is yet to assess NZ IFRS 16's full impact. The group will apply this standard from 1 July 2018.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

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 as disclosed in Note 15. 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.

Work in Progress
Construction revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the project cannot be reliably measured. 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. Work in progress is detailed in Note 13.

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 16. 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 based on the higher of value in use or fair value less costs to sell. Determining value in use and fair value less costs to sell 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 15.

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. Where Level 1 inputs are not 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 14.

Cash flow forecasts and capital adequacy considerations
The financial statements have been prepared using the going concern assumption. For the year ended 30 June 2017 the Group recorded a net deficit after finance costs and taxation of $6,962,000. The net loss includes a number of costs relating to the rationalisation of the business including restructuring of the machines division. The net loss also includes capital raising costs related to the rights issue and placement, derecognition of tax losses, acquisition costs for Haden & Custance and impairment and write-down costs as a result of the review of the Titan business.

As at 30 June 2017 the Company had banking facilities, which included covenants that first become applicable at 31 December 2017. Subsequent to balance date the Company has renegotiated these facilities which includes a deferral of certain principal repayments and no change to the covenants which first become applicable at 31 December 2017.The Company maintains two term facilities with limits of $5,000,000 and $1,601,000. These mature on 31 October 2018 and on 17 June 2019 respectively. The Company also has a total of $2,500,000 overdraft facilities with $1,436,000 available limit at balance date. The Group also had cash balances of $827,000 on hand as at balance date.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

Included in the overdraft facilities is a temporary facility of $1,500,000 which has been used for costs associated with integrating Haden & Custance and working capital. The Temporary Overdraft limit is to reduce by $500,000 by 31 October 2017, with the balance of the temporary facility expiring on the 31 March 2018. Subsequent to year end the Company plans to raise, by way of a placement, up to $1.4m with $1.0m settling by 31 August 2017. The Company is planning to review capital requirements in the first quarter of 2018 depending on growth requirements to support its businesses. During the year the Company repaid $3,500,000 loan to Gresham Finance Limited. Gresham Finance is an affiliated company of Humphry Rolleston, a former director and a majority shareholder.

Several key events have occurred; the banking facilities have been renegotiated, a placement is to settle by 31 August 2017 and the successful integration of Haden & Custance is completed. The last point has aligned the groups productive assets to their respective areas of expertise. The board has approved a budget and cash flow forecast that shows the Group returning to profitability and positive operating cash flow for the year ended 30 June 2018. The forecast sales opportunities for Haden & Custance particularly in North America remain strong. The Directors believe the going concern assumption is valid and have reached this conclusion having regard to the circumstances which they consider likely to affect the Group during the period of at least one year from the date these financial statements are approved.

The Directors remain confident that the factors above, and an improved operating cashflow, will support the business in the future. Therefore the Directors believe that it continues to be appropriate to prepare financial statements on a going concern basis.

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

4. Financial risk management

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

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

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

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

The Group holds the following financial instruments:

	Cash / Loans and receivables $000	Financial assets at fair value through profit and loss $000	Financial liabilities at fair value through profit and loss $000	Financial liabilities held at amortised cost $000
Group 2017				
Cash and cash equivalents	**827**	**-**	**-**	**-**
Trade receivables	**3,750**	**-**	**-**	**-**
Receivable from associate and other debtors	**1,243**	**-**	**-**	**-**
Deferred consideration for sale of Interiors	**370**	**-**	**-**	**-**
Trade and other payables	**-**	**-**	**-**	**(4,595)**
Borrowings and overdraft	**-**	**-**	**-**	**(8,746)**
	6,190	**-**	**-**	**(13,341)**
Group 2016				
Cash and cash equivalents	13	-	-	-
Trade and other receivables	2,311	-	-	-
Receivable from associate and other debtors	856	-	-	-
Deferred consideration for sale of Interiors	820	-	-	
Trade and other payables	-	-	(20)	(4,431)
Borrowings and overdraft	-	-	-	(10,539)
	4,000	-	(20)	(14,970)

(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 hedge these risks as they arise. The Group uses forward foreign exchange currency contracts to manage these exposures. As at 30 June 2017 the Group had no forward exchange contracts in place.

The following table shows the sensitivity of the Group's after tax profit and equity to a movement in the exchange rate of +/-10% with all other variables held constant, which the directors consider reasonably possible.

Group - $000		**+10% and $000**		**-10% and $000**	
	Foreign currency amount assets (liabilities)	**Post tax Profit Increase (decrease)**	**Equity**	**Post tax Profit Increase (decrease)**	**Equity**
30 June 2017	**1,017**	**(102)**	**(102)**	**102**	**102**
30 June 2016	551	(55)	(55)	55	55

Concentrations of foreign currency exposure

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

	30 June 2017 $000	**30 June 2016 $000**
Cash		
Australian dollar	**-**	3
Trade receivables		
UK Pound	**76**	-
Australian dollar	**401**	347
United States dollar	**408**	317
Canadian dollar	**199**	287
Euro	**41**	-
Trade payables		
Australian dollar	**(108)**	(319)
United States dollar	**-**	(20)
Euro	**-**	(14)
Loan		
Australian dollar	**-**	(50)
	1,017	551

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

(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.

Mercer Group 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 (2016: Nil).

The following table shows the sensitivity of the Group's after tax profit and equity to a movement in interest rates of +/-1 percentage point (pp) which the directors consider reasonably possible. The total amount of interest bearing debt at balance date of the Group on which interest is not fixed is $7,693,000 (2016: $6,194,000).

Group	**$'000**	**+1 pp and $'000**		**-1 pp and $'000**	
	Carrying amount	**Post tax profit**	**Equity**	**Post tax profit**	**Equity**
Financial liabilities					
30 June 2017	**7,693**	**(54)**	**(54)**	**54**	**54**
30 June 2016	6,194	(43)	(43)	43	43

(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 25.

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

At 30 June 2017 the Group had no exposure to any significant debtor greater than 10% of net equity (2016: NIL exposure).

(c) Liquidity risk

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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

All financial liabilities are due in less than 12 months with the exception of liabilities associated with:

• BNZ Bank Loans. $8,216,000 (including interest and principle) is due between one and two years. The principle balance is $6,629,000 (2016: $5,449,000). See Note 19.

Contingent liabilities disclosed in Note 25 amount to $5,069,000 (2016: $1,048,000). 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 on the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual non-discounted cash flows and include interest.

	Effective interest rate	Balance at 30 June	Less than one year $000	Between one and two years $000	Between two and five years $000	Total cashflow $000
30 June 2017						
Bank loans & Overdrafts	6.07%	7,693	1,405	6,811	-	8,216
Other loans	4.63%	349	358	-	-	358
Trade and other payables		4,595	4,595	-	-	4,595
Gresham deferred payable	13.10%	398	450	-	-	450
Gresham Finance loan	12.00%	306	306	-	-	306
Total		**13,341**	**7,114**	**6,811**	**-**	**13,925**
30 June 2016						
Bank loans & Overdrafts	4.90%	5,991	569	3,716	2,250	6,535
Other loans	12.00%	3,703	4,147	-	-	4,147
Hire purchase loans	7.60%	95	102	-	-	102
Trade and other payables		5,069	5,069	-	-	5,069
Gresham Finance Payable	13.10%	750	450	450	-	900
Total		15,608	10,337	4,166	2,250	16,754

The group was not subject to banking covenants at 30 June 2017.

(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.

	30 June 2017 $000	30 June 2016 $000
Equity $'000	**9,510**	8,337
Total assets $'000	**23,942**	24,747
Equity Ratio	**39.7%**	33.7%

(e) Fair value hierarchy

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

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

5. Segment information

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

Stainless Fabrication: This division includes workshops in Christchurch and New Plymouth operated by Mercer Stainless Limited. The primary business is the design and manufacture of proprietary equipment mainly for dairy and wine sectors. It has also operated the groups food processing and packaging brands.

Machines: This division designs and manufactures automated robotic handling systems which prepare bulk cheese and butter for further processing. The existing Titan Slicer business and the Haden & Custance business acquired in December 2016 (see acquisition Note 28) form this division .

Mercer Technologies: The division holds the S-clave technology which the group is commercialising.

Corporate: This division includes Mercer Group Limited, the Parent Company and the head office activities within Mercer Stainless Limited. The segment result includes rental received from other segments in respect of properties owned and occupied by Mercer Stainless Limited. Goodwill previously included in Corporate has been allocated to the relevant reportable segment.

Segment information in this note does not include any amounts for the discontinued operations.

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

	30 June 2017			30 June 2016		
	Total sales of goods and contract revenue $000	**Segment result (EBITDA) $000**	**Segment assets $000**	**Total sales of goods and contract revenue $000**	**Segment result (EBITDA) $000**	**Segment assets $000**
Stainless Fabrication	**21,570**	**(298)**	**892**	24,548	(2,204)	3,326
Machines	**8,222**	**(1,626)**	**5,697**	2,820	(1,351)	5,694
Mercer Technologies	**65**	**28**	**3,877**	71	(64)	2,167
Corporate	**-**	**(1,576)**	**13,476**	-	455	13,560
Intersegment eliminations	**(3,235)**	**-**	**-**	(4,131)	-	-
Total sales, EBITDA, assets	**26,622**	**(3,472)**	**23,942**	23,308	(3,164)	24,747
Depreciation and amortisation	**-**	**(459)**	**-**	-	(614)	-
Finance costs	**-**	**(723)**	**-**	-	(801)	-
Income tax credit (charge)	**-**	**(2,308)**	**-**	-	(573)	-
Total sales, deficit after tax, assets for continuing operations	**26,622**	**(6,962)**	**23,942**	23,308	(5,152)	24,747

	30 June 2017 $000	30 June 2016 $000
Major Stainless Fabrication customers contributed revenue of :		
Customer A	**3,792**	**2,157**
Customer B	**3,479**	**-**
Customer C	**-**	**2,109**

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

Transactions between segments are accounted for using the same accounting policies as set out in these financial statements. The intersegment eliminations are predominately sales between Stainless Fabrication and Machines.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

Depreciation and amortisation analysed by segment was:

	30 June 2017 $000	30 June 2016 $000
Stainless Fabrication	**312**	397
Machines	**67**	54
Mercer Technologies	**19**	49
Corporate	**61**	114
Total	**459**	614

Non-current assets, excluding the deferred tax asset, analysed by segment was:

	30 June 2017 $000	30 June 2016 $000
Stainless Fabrication	**939**	1,129
Machines	**706**	1,843
Mercer Technologies	**3,855**	1,828
Corporate	**6,700**	7,756
Total	**12,200**	12,556

Non-current assets, excluding the deferred tax asset, analysed by geographical location was:

	30 June 2017 $000	30 June 2016 $000
New Zealand	**12,200**	12,556
Australia	**-**	-
Total	**12,200**	12,556

6. Sale of goods and contract revenue

	30 June 2017 $000	30 June 2016 $000
Sale of goods	**216**	302
Construction contract revenue	**26,406**	23,006
Total	**26,622**	23,308

7. Other Income

	30 June 2017 $000	30 June 2016 $000
Insurance proceeds	**-**	2,608
Other	**234**	188
Total	**234**	**2,796**

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

8. Other expenses

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

	Notes	30 June 2017 $000	30 June 2016 $000
Foreign exchange (gains) losses		**(170)**	35
Advertising		**73**	48
Movement in doubtful debts provision	12	**51**	502
Communication costs		**101**	175
Postage, printing and stationery		**111**	78
Bank charges		**147**	257
Electricity costs		**108**	146
Employee on-costs			
Superannuation		**97**	254
Accident Compensation premiums		**50**	70
Insurance		**341**	248
Vehicle expenses		**112**	149
Directors fees		**104**	144
Consultancy fees		**490**	148
Legal		**81**	180
Repairs and maintenance		**634**	685
Recruitment		**43**	28
Staff amenities, safety & training		**187**	247
Share-based payment expense		**101**	100
Research and development		**121**	52
Subcontractors		**26**	36
Travel and accommodation		**452**	479
Entertainment		**16**	43
Fees paid to Auditors (Deloitte Limited)			
Taxation services		**6**	-
Advisory services		**2**	-
Other assurance services		**7**	-
Audit of financial statements - relating to prior year		**25**	-
Audit of financial statements - relating to current year		**90**	85
Other expenses		**341**	362
Other expenses from continuing operations		**3,747**	4,551

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

9. Salaries and wages

Salaries and wages exclude the following amounts that have been recovered into labour for internally generated development assets $156,000 (2016: $647,000).

10. Income tax

	Notes	30 June 2017 $000	30 June 2016 $000
(a) Income tax (credit) charge			
Current tax		-	-
Deferred tax	16	**2,308**	573
Income tax (credit) charge		**2,308**	573
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Deficit before tax expense for continuing operations		**(4,654)**	(4,579)
Tax at the New Zealand rate of 28%		**(1,303)**	(1,283)
Prior year tax adjustment		**314**	-
Tax losses forfeited		**2,118**	-
Expenditure not deductible for tax		**116**	106
Current year tax losses in Australia not recognised		**81**	303
Tax losses not recognised		**982**	1,425
Other		**-**	22
Income tax (credit) charge for continuing operations		**2,308**	573
Deficit before tax expense on discontinued operations		**-**	(1,576)
Tax at the New Zealand rate of 28%		**-**	(441)
Tax losses and other temporary differences not recognised		**-**	441
Deficit before tax expense on discontinued operations		**-**	-
Total Income tax (credit) charge		**2,308**	573

(c) Tax Losses

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

The Group's shareholding continuity for the 2010 and earlier income years is less than the required threshold of 49% following the rights issue in November 2016. Therefore the Group's tax losses for the 2010 and earlier income years have been forfeited.

At 30 June 2017 there were $12,171,000 (2016:$11,880,000) of unrecognised Australian tax losses, representing a tax benefit of $3,651,000 (2016: $3,564,000).

At 30 June 2017 there were $10,171,000 (2016: 6,665,000) of unrecognised New Zealand tax losses, representing a tax benefit of $2,848,000 (2016: 1,886,000).

(d) Imputation credit account

	30 June 2017 $000	30 June 2016 $000
Credits available to shareholders of the company	-	-

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

11. Cash and bank balances

	30 June 2017 $000	30 June 2016 $000
Cash at bank and in hand	**827**	13
Total cash and bank balances	**827**	13
Less bank overdrafts	**(1,064)**	(492)
Cash and cash equivalents per cash flow statement	**(237)**	(479)

Bank overdrafts

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

12. Accounts receivable, other debtors and prepayments

	30 June 2017 $000	30 June 2016 $000
Current		
Trade receivables	**4,286**	2,796
Less provision for doubtful receivables	**(536)**	(485)
Total accounts receivables	**3,750**	2,311
Impairment provision		
Provision for doubtful debts at 1 July	**(485)**	(251)
Increase in provision	**(51)**	(502)
Bad debts written off	**-**	268
Provision for doubtful debts at 30 June	**(536)**	(485)
Past due and impaired receivables		
1 to 3 months	**-**	-
Over 3 months	**536**	485
	536	485
Past due but not impaired receivables		
1 to 3 months	**3,686**	2,311
Over 3 months	**64**	-
	3,750	2,311

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

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

	30 June 2017 $000	30 June 2016 $000
Current		
Other debtors and prepayments		
Other debtors	**602**	215
Deferred consideration for sale of Interiors	**370**	450
Receivables from Associate	**114**	114
Prepayments	**143**	89
Total	**1,229**	868
Long term		
Other debtors and prepayments		
Receivables from Associate	**527**	527
Deferred consideration for sale of Interiors	**-**	370
Prepayments	**289**	314
Total	**816**	1,211

Included in long term other debtors and prepayments are $188,000 (2016: $213,000) of prepayments which fall due 5 years after balance date.

The first installment of $450,000 for the deferred consideration for the sale of interiors was paid direct to Gresham Finance.

13. Inventories

	30 June 2017 $000	30 June 2016 $000
Construction contracts		
Total aggregate costs incurred and recognised profits (less recognised losses) to date	**1,015**	335
Less: progressive billings	**(1,386)**	(715)
Net work in progress for ongoing contracts	**(371)**	(380)
Raw materials and components	**1,022**	1,195
Finished goods	**2,839**	3,430
Total inventories	**3,490**	4,245

The provision relating to inventories which have been written down to estimated net realisable value amounted to $1,082,000 (2016: $99,000). The write down of inventory recognised as an expense during the period was $983,000.

14. Property, plant and equipment

	Notes	Freehold land $000	Buildings $000	Plant and equipment $000	Total $000
Group					
At 1 July 2015					
Cost/Valuation		2,149	3,709	16,480	22,338
Accumulated depreciation		-	(297)	(13,426)	(13,723)
Net book value		2,149	3,412	3,054	8,615
Year ended 30 June 2016					
Opening net book value		2,149	3,412	3,054	8,615
Additions		-	8	324	332
Revaluation		505	(448)	-	57
Depreciation		-	(109)	(639)	(748)
Disposals		-	(26)	(1,449)	(1,475)
Closing net book value		2,654	2,837	1,290	6,781
At 30 June 2016					
Cost/Valuation		2,654	2,837	8,731	14,222
Accumulated depreciation		-	-	(7,441)	(7,441)
Net book value		2,654	2,837	1,290	6,781
Year ended 30 June 2017					
Opening net book value		2,654	2,837	1,290	**6,781**
Additions		-	-	143	**143**
Additions from Haden and Custance acquisition	28	-	-	247	**247**
Depreciation		-	(86)	(351)	**(437)**
Disposals		-	-	(51)	**(51)**
Closing net book value		**2,654**	**2,751**	**1,278**	**6,683**
At 30 June 2017					
Cost/Valuation		2,654	2,837	8,921	**14,412**
Accumulated depreciation		-	(86)	(7,643)	**(7,729)**
Net book value		**2,654**	**2,751**	**1,278**	**6,683**

Land and buildings at 53 Lunns Road, Christchurch was revalued to $4,250,000, less $857,000 worth of estimate earthquake repair costs on 30 June 2016. Land and buildings at Corbett Rd, Bell Block was revalued to $2,100,000 on 30 June 2016. The values were determined by independent registered valuers, CBRE (Christchurch) Limited and Telfer Young (Taranaki) Limited, on the basis of open market value for the highest and best use for the properties. 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 carrying amounts of land and buildings are not significantly different from their fair value at 30 June 2017.

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.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

The table below summarises the valuation approach and the principle assumptions used in establishing the fair values in 2016:

Asset classification description and valuation approach	Valuer	Fair value at 30 June 2016 $000	Inputs used to measure fair value	Range of significant unobservable inputs	Weighted average
Land					
Income	Telfer Young CBRE	2,654	Rental Growth	**2.00%**	
			Discount rate	11.10%	11.10%
Capitalisation approach and discounted cashflow approach			Terminal Yield	7.50% -9.00%	8.27%
			Net market income per m2	**$50-$122**	**$86**
			Capitalisation rate	7.00% - 9.75%	8.27%
Buildings					
Income	Telfer Young CBRE	2,837*	Rental Growth	**2.00%**	
			Discount rate	11.10%	11.10%
Capitalisation approach and discounted cashflow approach			Terminal Yield	7.50% -9.00%	8.27%
			Net market income per m2	**$50-$122**	**$86**
			Capitalisation rate	7.00% - 9.75%	8.27%
			Earthquake repair costs	**$ 857,000**	**$ 857,000**

*Includes a deduction of $857,000 for costs to repair earthquake damage.

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

		Fair value measurement sensitivity to significant unobservable inputs:	
Unobservable inputs within the discounted cashflow analysis		**Increase in input**	**Decrease in input**
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.	**Decrease**	Increase
Net market income per m2	The valuer's assessment of the net market income attributable to the property.	**Increase**	Decrease
Unobservable inputs within the capitalisation and discounted cashflow approach			
Earthquake repair costs	Specialist estimate of earthquake repair costs to bring building to required standard.	**Decrease**	Increase

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

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

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

	Notes	30 June 2017 $000	30 June 2016 $000
Cost		**3,026**	3,026
Accumulated depreciation		**(1,080)**	(989)
Net book value		**1,946**	2,037

15. Intangible assets

	Notes	30 June 2017 $000	30 June 2016 $000
Goodwill			
Cost		**1,375**	1,024
Impairment		**(250)**	-
Net book value		**1,125**	1,024
Opening balance		**1,024**	1,024
Acquisition	28	**351**	-
Impairment		**(250)**	-
Closing balance		**1,125**	1,024
Acquired patents, trademarks and licences			
Cost		**560**	567
Accumulated amortisation and impairment charges		**(262)**	(278)
Net book value		**298**	289
Opening balance		**289**	312
Additions		**10**	-
Amortisation		**(1)**	(23)
Closing balance		**298**	289
Intellectual property			
Cost *		**3,484**	3,469
Accumulated amortisation and impairment charges		**(222)**	(234)
Net book value		**3,262**	3,235
Opening balance		**3,235**	2,665
Additions		**54**	727
Disposals		**(6)**	(112)
Amortisation		**(21)**	(45)
Closing balance		**3,262**	3,235
Total intangible assets		**4,685**	4,548

*$3,130,000 relates to the S-Clave project (2016: $3,200,000)

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.

	30 June 2017 $000	30 June 2016 $000
Haden & Custance	**351**	-
Titan Slicer	**774**	1,024
Total	**1,125**	1,024

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

On an annual basis, the recoverable amount of the goodwill is determined based on value in use calculations for the cash generating unit that the intangible relates to. These calculations use cash flow projections based on management budgets approved by the directors. The goodwill allocated to Titan Slicer relates to the acquisition and subsequent integration of Titan Slicer Limited in July 2012. The goodwill allocated to Haden & Custance relates to the acquisition in December 2016 (refer Note 28).

Goodwill has been tested for impairment as at 30 June 2017. Each cash generating unit 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 in revenues used in the impairment calculation for Titan Slicer is 10% (2016: 40%). The terminal growth rate used was 2% (2016: 2%) and the cash flows were discounted at a discount rate of 13% (2016: 13%) The valuation models used are most sensitive to changes in the terminal year earnings and cash flows. The goodwill would start to be impaired if the revenue growth rate was less than 6% (2016: 17%); or the discount rate would have to be greater than 14% (2016: 23%). Goodwill associated with Titan Slicer has been impaired by $250,000 based on the sales performance and the more modest growth forecasts when compared to recent experience. Goodwill of $351,000 was recognised on acquisition of Haden & Custance. The forecasted future cash flows have been determined to support the carrying value of this cash generating unit, including the allocated goodwill.

S-Clave, which represents $3,130,000 of intellectual property, was not yet available for use as at 30 June 2017 and has therefore been tested for impairment. There has been increased confidence in the ability to commercialise S-Clave. A five year cash flow forecast has been used to estimate the asset's value in use, discounted at a rate of 18%. On this basis the carrying value of the asset has been deemed to be unimpaired. S-Clave is anticipated to begin commercialisation in the 2018 financial year.

16. Deferred tax asset

	Buildings $000	Other Temporary Differences $000	Tax Losses $000	Total $000
Balance at 1 July 2015	(989)	1,808	4,508	5,327
Amounts charged (credited) to profit and loss	700	(1,063)	(210)	(573)
Balance at 30 June 2016	(289)	745	4,298	4,754
Balance at 1 July 2016	(289)	745	4,298	**4,754**
Amounts charged (credited) to profit and loss	24	(214)	(2,118)	**(2,308)**
Balance at 30 June 2017	**(265)**	**531**	**2,180**	**2,446**

Other Temporary Differences arise from provisions for working capital and plant and equipment. $302,000 (2016:$848,000) of the deferred tax asset is expected to be realised over the next 12 months.

The Group has recorded $7,785,700 of tax losses representing $2,180,000 of the deferred tax asset, including the derecognition of $7,565,000 of tax losses forfeited. Remaining losses have been 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 2018 and forecasts for the following two years. These forecasts indicate that there will be sufficient future taxable profits available for the Group to utilise the tax losses.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

17. Investment in subsidiaries and associates

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

Subsidiaries	Activities	Location	2017 % ownership	2016 % ownership
Mercer Stainless Limited	Stainless steel fabricator and equipment manufacture	New Zealand	**Amalgamated***	100%
Mercer Technologies Limited	Holds Intellectual Property	New Zealand	**100%**	100%
Mercer Middle East Limited	Non-trading subsidiary, formerly a distributor of medical equipment and products	New Zealand	**Amalgamated***	100%
Mercer Products Pty Limited	Non-trading subsidiary, formerly a distributor of kitchen products	Australia	**100%**	100%
Mercer Technologies Pty Limited	Non-trading subsidiary, formerly a supplier of stainless steel products	Australia	**100%**	100%
Mercer Stainless Pty Limited	Non-trading subsidiary, formerly a stainless steel fabricator and equipment manufacturer	Australia	**100%**	100%
Haden and Custance 2016 Limited (formerly Old HEP Ltd)	Designs and manufactures automated handling systems	New Zealand	**100%**	100%
Sulray Limited. (Renamed Mercer Stainless Limited on amalgamation)	Stainless steel fabricator and equipment manufacture	New Zealand	**100%**	100%
Duratech Wholesale Limited	Non-trading holding company	New Zealand	**Amalgamated***	100%
Kuaka Holdings Limited	Non-trading holding company of Mercer Stainless Pty Limited	New Zealand	**Amalgamated***	100%
Mercer North America Limited	Non-trading stainless steel equipment sales and service	United States	**100%**	100%
Titan Slicer Limited	Specialised food cutting equipment sales and service	New Zealand	**100%**	100%
Bisonne New Zealand Limited	Non-trading company	New Zealand	**Amalgamated***	100%
Mercerinmotion Limited	Non-trading company	New Zealand	**Amalgamated***	100%
Reginox NZ Limited	Non-trading company	New Zealand	**Amalgamated***	100%
Associate				
Stainless Alliance Group Ltd	Funds a Trade NZ person for sourcing leads in Australia.	New Zealand	**25%**	25%
Titan Design Limited	Intellectual Property company	New Zealand	**25%**	25%

Investment in associate

Titan Design Limited was established on 3 July 2012. The Group has a 25% investment in Titan Design Limited and has been accounted for as an Associate. The share of profits from the associate was $Nil (2016: $Nil) recognised in the Group Statement of Comprehensive Income.

Amalgamation of subsidiaries*

On The 30 June 2017 the companies Bisonne New Zealand Limited, Duratech Wholesale Limited, Kuaka Holdings Limited, Mercerinmotion Limited, Mercer Middle East Limited, Mercer Stainless Limited, Reginox NZ Limited and Sulray Holdings Limited amalgamated to become Sulray Holdings Limited which changed its name on amalgamation to Mercer Stainless Limited.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

18. Trade and other payables

	30 June 2017 $000	30 June 2016 $000
Trade creditors	**4,442**	3,735
Sundry creditors and accruals	**153**	716
Restructure Provision	**-**	618
Total creditors and accruals	**4,595**	5,069

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

19. Borrowings

	30 June 2017 $000	30 June 2016 $000
Bank loans	**6,629**	5,499
Gresham Finance loan balance	**306**	3,500
Gresham Finance payable for deferred consideration	**398**	750
Other Loans	**349**	203
Hire purchase loans	**-**	95
Total borrowings	**7,682**	10,047
Contractual maturity		
Within one year	**1,309**	4,200
Later than one year	**6,373**	5,847
	7,682	10,047

During the year a $3,500,000 loan with Gresham Finance Ltd (a company owned by former Director HJD Rolleston) was repaid in full. The loan was settled directly with Gresham Finance from the proceeds of the rights issue. There is an outstanding payable financial arrangement with Gresham Finance for $398,000 which relates to the deferred consideration from the sale of interiors.

The other loans balance includes a loan agreement in place with Monument Finance for insurance financing. This loan held an interest rate of 4.63% and is being repaid at $31,000 per month.

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

The Group has secured banking facilities with BNZ comprised of the following:

- A committed cash advance facility of $5,000,000, maturing 31 October 2018 with $1,000,000 repayable 15 September 2018; and
- A loans facility of $1,600,980 with regular repayments of $28,450 per month falling due from June 2017, maturing 17 June 2019; and
- An overdraft facility of $1,000,000 repayable on demand; and
- A temporary overdraft facility of $1,500,000 repayable on demand. This facility limit reduces by $500,000 on 31 October, with the balance of the facility limit expiring 31 March 2018.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

The total facility including overdraft is $9,100,000 at 30 June 2017 (2016: $6,500,000). Interest on the committed cash advance facility is 5.52% - 5.55% (2016: 4.27% - 4.47%) and the interest rate on the loan is 5.6% (2016: 5.5%). The overdraft facility at 30 June 2017 of $2,500,000 (2016: $1,000,000) was drawn down to the amount of $1,064,000 (2016:$492,000). The committed cash advance facility was fully drawn at 30 June 2017 (2016: fully drawn). There is a line fee of 1% on the committed cash advance facility.

Hire purchase loans

	30 June 2017 $000	30 June 2016 $000
Less than one year	-	98
Total minimum lease payments	-	98
Less: future interest	-	(3)
Present value of future liability	-	95

20. Share Capital

Group	Shares 30 June 2017 # of shares	30 June 2016 # of shares	30 June 2017 $000	30 June 2016 $000
Issued and fully paid up capital	**57,595,206**	311,970,446	**41,522**	33,475
Balance at beginning of the year	**311,970,446**	311,970,446	**33,475**	33,475
Shares issued during the year	**839,933,504**	-	**8,399**	-
Capital raising costs	**-**	-	**(352)**	-
Share consolidation 20:1	**(1,094,308,744)**	-	**-**	-
Balance at the end of the year	**57,595,206**	311,970,446	**41,522**	33,475

Shares issued during the year were in cash. Part of the proceeds were used to repay the $3,500,000 Gresham Finance Limited loan and $280,000 for payment of the share issue underwriters fee.

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

21. Retained earnings and other reserves

	30 June 2017 $000	30 June 2016 $000
Foreign currency translation reserve		
Balance at beginning of the year	**-**	(298)
Net exchange difference on translation of overseas subsidiaries	**(13)**	(69)
Reversal of FCTR on divestment of Australian operations	**-**	367
Balance at the end of the year	**(13)**	-
Share based payment reserves		
Balance at beginning of year	**110**	10
Value of employee services	**101**	100
Transfers to share capital	**-**	-
Balance at the end of the year	**211**	110
Asset revaluation reserve		
Balance at beginning of the year	**2,871**	2,814
Revaluation	**-**	57
Balance at the end of the year	**2,871**	2,871
Total other reserves	**3,069**	2,981
Retained earnings		
Balance at beginning of the year	**(28,119)**	(21,063)
Transfer from non-controlling interest	**-**	(589)
Deficit for the year	**(6,962)**	(6,467)
Balance at end of the year	**(35,081)**	(28,119)

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. Due to the 25% non-controlling interest of Titan Slicer being acquired in the 2016 year the balance of the non-controlling interest was transferred to the retained earnings balance in the prior year.

22. Dividends

No dividend was paid or declared (2016: Nil).

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

23. Earnings per share

Basic and diluted

Basic earnings per share are calculated by dividing the profit/(loss) attribute 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.

	30 June 2017 # of shares	30 June 2016 # of shares
Weighted average number of ordinary shares in issue:		
Basic	**40,282,847**	15,598,522
Warrants	**-**	-
Options	**755,401**	921,429
Equity based remuneration	**-**	-
Total	**41,038,248**	16,519,951
Deficit attributable to the shareholders of the Company ($000)	**(6,962)**	(6,467)
Basic earnings per share	**(16.96) cents**	(39.15) cents
Diluted earnings per share	**(16.96) cents**	(39.15) cents

Given the deficit in 2016 and 2017 the instruments above are anti-dilutive. Accordingly the number of shares used in the diluted earnings per share calculation reflects both the basic number of ordinary shares. On 9 January 2017 the company completed share consolidation, for every 20 ordinary shares held by shareholders these were consolidated into 1 ordinary share. As a result the number of ordinary shares outstanding have been adjusted proportionately as if the share consolidation took place at the start of 2016.

24. Change in working capital

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

	30 June 2017 $000	30 June 2016 $000
Trade creditors and accruals	**(185)**	(4,419)
Trade debtors and prepayments	**(1,775)**	6,155
Inventories	**755**	3,090
Total	**(1,205)**	4,826
Less : Purchase of Haden & Custance negative working capital	**(27)**	-
Less: working capital disposed with sale of business assets	**-**	(3,003)
Add: deferred consideration for sale of business assets	**370**	820
Less: inventory provision	**(983)**	-
Plus (Less): restructure provision released (provided)	**618**	(618)
Net movement in Statement of Cashflows	**(1,227)**	**2,025**

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

25. Contingent liabilities

	30 June 2017 $000	30 June 2016 $000
Guarantee to bankers for credit card facilities up to a limit of	**99**	180
Guarantees to bankers for bank guarantees issued to third parties from which it is anticipated that no material liabilities will arise	**4,970**	868
	5,069	1,048

26. Commitments

	30 June 2017 $000	30 June 2016 $000
Non-cancellable sublease receivables		
Non-cancellable		
Commitments for minimum lease payments in relation to non-cancellable operating leases are receivable as follows		
Within one year	**193**	234
Later than one year but not later than five years	**170**	378
Later than five years	**-**	-
	363	612
Operating lease commitments		
Non-cancellable		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows		
Within one year	**495**	380
Later than one year but not later than five years	**1,133**	409
Later than five years	**220**	-
	1,848	789

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a rental review by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating lease.

27. 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: J F Dennehy, HJD Rolleston (resigned July 2016), R Rookes and P Smart.

(b) Key management personnel compensation

Key management personnel compensation for the year ended 30 June 2017 and the year ended 30 June 2016 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.

	30 June 2017 $000	30 June 2016 $000
Short term benefits	**800**	1,371
Long term benefits	**15**	20
Share based payments	**101**	100
Directors' fees	**104**	144
Total	**1,020**	1,635

(c) Equity instruments

(i) Share options

In November 2015, Mr J Dennehy, Director and Board Chair, was issued options as follows:
a) to subscribe for 4,000,000 ordinary shares in the capital of the Company at an exercise price of $0.05 per share exercisable in August 2016, these options have expired out of the money; and
b) to subscribe for 3,571,429 ordinary shares in the capital of the Company at an exercise price of $0.07 per share exercisable in August 2017.

In November 2015, Mr R Rookes, CEO, was issued options as follows:
a) to subscribe for 5,500,000 ordinary shares in the capital of the Company exercisable at $0.05 per share exercisable in August 2017; and
b) to subscribe for 5,357,143 ordinary shares in the capital of the Company at an exercise price of $0.07 per share exercisable in August 2018.

(ii) Other shares

The weighted average fair value of shares and options was determined based on an equity valuation of the business at the date these arrangements were entered into. The significant inputs into the model at the date of the share based arrangements were an assumed share price of 30c per share and risk free interest rate of 3.00%. For the share options volatility, was determined based on industry norms, of 30%.

Share options are granted to selected employees. The option price increases the further forward dated the vesting date is. Options are exercisable only on the vesting date. Options are conditional on the employee being in service on the vesting date. The vesting date can be brought forward if agreed to by the Shareholders at a Special General Meeting.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	30 June 2017		30 June 2016	
	Average exercise price in cents per share option	**Options ('000)**	**Average exercise price in cents per share option**	**Options ('000)**
At 1 July 2016	**5.97**	**18,429**	14.00	1,786
Granted	**5.00**	**-**	5.00	9,500
Granted	**7.00**	**-**	7.00	8,929
Expired	**14.00**	**(4,000)**	14.00	(1,786)
At 30 June 3017	**10.36**	**14,429**	5.97	18,429

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-date	**Vesting expiry date**	**Exercise price in cents per share option**	**Shares ('000) 2017**	**Shares ('000) 2016**
November 2015	August 2016	**5.00**	**-**	4,000
November 2015	August 2017	**7.00**	**3,572**	3,572
November 2015	August 2017	**5.00**	**5,500**	5,500
November 2015	August 2018	**7.00**	**5,357**	5,357
			14,429	18,429

No new share options were issued in year. The expense recognised in the Statement of Comprehensive Income $101,000 (2016: $100,000). During the year the company performed a share consolidation of 20 ordinary shares for 1 ordinary share. The table above does not reflect the impact of the share consolidation. The directors have confirmed the share options will be reissued so they are reflective of the above share consolidation.

(d) Balances owed (to) from associates and related parties

	30 June 2017 $000	**30 June 2016 $000**
Advances owed from associates	**641**	641
Gresham Finance payable for deferred consideration	**(398)**	(750)
Gresham Finance loan balance	**(306)**	(3,500)

(e) Terms and conditions of related party transactions

Intellectual property is held by associates and recovered by way of a royalty on sales of the equipment concerned.

The interest free advance to the associate is repayable by way of future royalty payments due from the sale of certain Titan Slicer equipment.

$398,000 payable is owed to Gresham Finance Limited as part of a financing arrangement in which cash was received in advance for the deferred consideration for the sale of Interiors. The balance of this is expected to unwind by 2 February 2018 on final settlement of the deferred consideration.

On 28 November 2016 Mercer Group Limited repaid $3,500,000 loan to Gresham Finance Limited . As at 30 June 2017 Mercer Group had a payable of $306,000 to Gresham Finance Limited which incurs and interest charge of 12% p.a.

Gresham Finance Limited is related to Mercer through Humphry Rolleston who is a former director and major shareholder of Mercer. Humphry Rolleston is a director of Gresham Finance Limited and is the ultimate shareholder of Gresham Finance Limited.

Notes to the Group Financial Statements cont.

For the year ended 30 June 2017

28. Acquisition

a) Business acquired

Entity	Principal Activity	Date of Acquisition	Voting Equity interests	Consideration Transferred
Haden & Custance Limited	**Machine Manufacturing**	**1/12/2016**	**100%**	**2,250,000**

The business and assets of Haden & Custance Limited were acquired so as to continue the expansion and recognition of the Group activities in machine manufacturing.

b) Assets Acquired and Liabilities recognised at the date of acquisition

	1 December 2016 $000
Current Assets	
Cash and bank balances	1,679
Accounts receivable	1,464
Other debtors and prepayments	280
Inventories	355
	3,778
Non Current Assets	
Property, plant and equipment	247
	247
Current Liabilities	
Trade and Other payables	1,618
Employee entitlements	508
	2,126
Fair value of assets and liabilities acquired	1,899
Consideration transferred settled in cash	2,250
Goodwill arising on acquisition	351

On 1 December 2016 the company acquired the net assets of Haden & Custance Limited, a business specialising in robotic engineering solutions for the bulk handling of goods for warehousing and manufacturing facilities. Haden & Custance principal market is North American customers operating large scale facilities with continuous through put. Haden & Custance core products include; Depalletising and Repalletising, Robotic De-Baggers, Robotic De-Cartoner System and Defect and Foreign Object Detection. Haden & Custance also provides a strategic platform for Mercer's existing brands of machines, which include Aico, Beta range and Titan. The accounting for the acquisition of Haden & Custance Limited has been finalised as at 30 June 2017. For valuation purposes, the acquisition value of Haden & Custance assets and liabilities are required to be at fair value. $750,000 of the consideration transferred was directly settled in cash from the proceeds of the December share placement (Note 20).

c) Impact of acquisition on the result of the Group

Had Haden & Custance been acquired on the 1st July 2016, the revenue of the group would have been $34,900,000 and the deficit after taxation would have been $3,900,000. From the date of acquisition Haden & Custance have contributed $7,100,000 of revenue and incurred a deficit after taxation of $97,000.

29. Subsequent events

Mercer Group proposed to issue up to 3,621,677 ordinary shares to selected investors at an issue price of $0.40 per share on 24 August 2017. The funding arrangement with the BNZ was renegotiated on 18 August 2017 as referred to in Note 3.
Refer Note 19 for the terms of the funding arrangement.

Deloitte.

Independent Auditor's Report

To the Shareholders of Mercer Group Limited

Opinion

We have audited the consolidated financial statements of Mercer Group Limited ('the Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, statement of movements in equity and 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, on pages 19 to 56, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice and advisory services, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $399,000.

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 our audit addressed the key audit matter
Cashflow forecasts and capital adequacy considerations (Note 3) The Group has reported losses and net cash outflows from operating activities over recent years. For the year ended 30 June 2017, the Group incurred a deficit after finance costs and taxation from continuing operations of $7.0m ($5.2m) and net cash outflows by operating activities was $4.7m (2016: $1.6m). The Group has prepared a cash flow forecast that supports its conclusion on the future viability of the Group's business operations as a going concern. The forecast includes key assumptions as to revenue growth; available debt facilities; operating expenditure requirements; capital expenditure requirements and expected funding arrangements. Note 3 to the consolidated financial statements discloses the key assumptions relating to the	We assessed the current funding arrangements in place for the Group by: • obtaining relevant loan documentation and confirming the outstanding loan balances; • assessing whether there were any applicable covenant requirements; and • identifying any scheduled repayments or maturity of borrowings impacting the Group's cash outlays. We evaluated the appropriateness of the going concern assessment prepared by the Group by: • challenging the reasonableness of the underlying assumptions used by the Group in preparing the Board approved cash flow forecast;

Group's going concern assessment.

The going concern assessment involves significant management judgement and achievement of these assumptions is critical to the ongoing business viability. For these reasons, we have included this as a Key Audit Matter.

- assessing the impact from the Group's private placement of shares subsequent to balance date;
- performing sensitivity analysis to determine the robustness of the cash flow forecasts and the impact of changing key assumptions;
- evaluating the support for the Group's forecast sales and ability to fulfil customer orders; and
- determining whether the forecasted cash flow and profitability was sufficient to meet the requirements of the funding arrangements.

We also assessed the adequacy of the disclosures made by the Group in the financial statements.

Capitalisation of unutilised tax losses - (policy (f) & Notes 3, 10 & 16)

At 30 June 2017, the Group recognised deferred tax assets of $2.4m (2016: $4.8m) mainly relating to previously unutilised tax losses. During the year, the Group wrote off $7.6m (tax effect of $2.1m) of pre-2010 tax losses previously capitalised due to loss of shareholder continuity and did not recognise a further $3.5m (tax effect $1m) in current year tax losses as deferred tax assets in line with the Group's accounting policies below.

The recognition of deferred tax assets is subject to certain criteria, which includes:

- the Group generating future taxable profits to utilise the said tax losses; and
- shareholder continuity rules under New Zealand tax legislation.

We have included this as a Key Audit Matter in our report as:

- deferred tax asset is quantitatively material to the financial statements;
- the Group issued rights and shares during the year;
- the Group did not generate taxable profits in recent years; and
- the significant level of judgement exercised by management in evaluating the above criteria.

We performed procedures to evaluate the Group's assessment for recognition of unutilised tax losses as deferred tax assets by:

- challenging the reasonableness of the underlying assumptions used by the Group in preparing the Board approved forecasts that support the ability of the Group to generate sufficient future taxable profits;
- performing sensitivity analysis to determine the robustness of the forecasts and the impact of changing key assumptions;
- reviewing the Group's assessment of shareholder continuity and tax losses carried forward; and
- utilising our internal tax specialists to assess the Group's position relating to the shareholder continuity rules.

Impairment assessment of goodwill and intellectual property - (policy (i) & (q)(i); (ii) & (iii) Notes 3 & 15)

At 30 June 2017, the Group has goodwill of $1.1m and intellectual property of $3.6m. During the year, the Group has recognised $0.3m in impairment loss on goodwill previously arising from the acquisition of the Titan Slicer business which made up 69% of goodwill at year-end (Note 15). The Group is required to assess, at least annually, whether these intangible assets are impaired.

The recoverable amounts of these intangible assets are highly dependent on the expected future cash flows generated by the underlying businesses, and in the case of intellectual property, its viability for commercialisation. Should these expected future cash flows not eventuate, these intangible assets would be impaired.

We have included impairment assessments of goodwill and intellectual property as a Key Audit Matter due to the significance of these assets to the financial statements and the level of management estimates involved in determining the recoverable amounts.

We performed procedures to evaluate the Group's impairment assessment of goodwill and intellectual property by:

- challenging the reasonableness of the underlying assumptions used by the Group in preparing the Board approved valuation models that supports the recoverability of the recognised intangible assets. 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 valuation models and the impact of changing key assumptions; and
- utilising our internal valuation specalists to assess the Group's estimates used in the valuation models.

We also assessed the audit evidence for the technical and commercial feasibility of the Group's intellectual property assets.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

Our responsibility is to read the other information identified above when it becomes available and 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.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

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 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 and 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 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 on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Bryden, Partner
for Deloitte Limited
Christchurch, New Zealand
29 August 2017

Statutory Information
For the year ended 30 June 2017

Mercer Board of Directors

Principal Activity

The Board is the governing body of Mercer Group Limited and currently has three 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 2017 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:

Directors Holding Office	**Remuneration**	
	2017	**2016**
John Dennehy [Independent Chairman]	$65,000	$52,000
Humphry Rolleston [Resigned]	$0	$38,000
Paul Smart [Independent]	$38,000	$38,000
Richard Rookes	$0	$0

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 1993. In particular, to ensure that management maintains sound accounting practices, policies and controls, and to review and make appropriate inquiry into the audits of the Group's financial statements by the external auditors.

The committee members are:

- Paul Smart [Chairman]
- Richard Rookes
- John Dennehy

External Auditors
The board ensures the auditor has fair remuneration for the agreed scope of the statutory audit and audit-related services. This year the audit was performed by Deloitte.

Auditor's Remuneration	**Remuneration**	
	2017	**2016**
Audit of Financial Statements	$90,000	$85,000
Audit of Financial Statements relating to prior year	$25,000	$0
Other assurance services	$7,000	$0

Remuneration Committee

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

The committee members are:

- Paul Smart
- John Dennehy.

Statutory Information
For the year ended 30 June 2017

Employee Remuneration

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

	2017	2016
$100,000 - 109,999	3	5
$110,000 - 119,999	3	5
$120,000 - 129,999	1	1
$130,000 - 139,999	-	-
$140,000 - 149,999	1	-
$150,000 - 159,999	-	1
$160,000 - 169,999	-	1
$170,000 - 179,999	-	1
$180,000 - 219,999	1	1
$220,000 - 280,000	1	-
$281,000 - 349,999	1	1

Note that these figures include equity based payments amounting to $Nil (2016: $Nil) for share payments (see note 20) of the Group Financial Statements.

Diversity

At 30 June 2017, Mercer employed 133 staff, including 55 in the workshop, of which 121 (92%) were male and 11 (8%) were female. Compared to 2016 where 110 (92%) were male and 9 (8%) were female employees. MGL encourages representation across both genders and all ethnicities but have a policy hiring on merit.

The 3 directors and 2 officers of the company at 30 June 2017 are male compared to 4 male directors and 2 male officers in 2016.

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 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.

Statutory Information

For the year ended 30 June 2017

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.

Name of Director	Appointed	Appointment	Description of interest
John Dennehy	26-Feb-15	Non-executive Independent Chairman and a member of the Audit Committee	Director - Zagato Limited Director - Marketing File Limited Director - Kiwirail Holdings Limited
Richard Rookes	21-Feb-11	Executive and member of the Audit Committee	
Paul Smart	31-Jul-12	Non-executive and independent Chairman of the Audit Committee	Director & Chair Audit Committee - Intercity Group Limited Director - Solar City Limited Director - Berwick Holdings Limited Director - Sunrise Consulting Ltd Trustee - Bellbird Trust Trustee - Saddleback Trust

Directors Shareholding

Directors Shareholding	Voting Securities Total	Beneficial Interest		Associated Persons		Non Beneficial	
		2017	2016	2017	2016	2017	2016
J Dennehy							
Zagato Limited	500,000	500,000	-	-	-	-	-
John Francis Dennehy	30,000	30,000	-	-	-	-	-
	530,000	530,000	-	-	-	-	-
	0.92%						
P Smart							
Sunrise Consulting Ltd	257,500	257,500	-	-	-	-	-
	257,500	257,500	-	-	-	-	-
	0.45%						
R Rookes							
Richard George Rookes	602,500	602,500	-	-	-	-	-
	602,500	602,500	-	-	-	-	-
	1.05%						
Total Shares in issue at 30 June 2017	57,595,206						

Directors Notice

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

Statutory Information
For the year ended 30 June 2017

Directors' Indemnity and Insurance

Mercer Group Limited has arranged a policy of directors' liability insurance that ensures that officers and directors will not generally incur 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. The total cost of this insurance for the financial year was $19,176.

Donations

Mercer made no donations during either year.

Shareholders Analysis

The shareholder information detailed in this report has been taken from the Company's Register as at 26 August 2016

Domicile of security holders

	Number of holders	%	Number of shares held	%
New Zealand	581	97.32	57,119,151	99.17
Australia	11	1.84	31,092	0.05
United Kingdom	2	0.34	69	0.00
China	1	0.17	331,675	0.58
Other	2	0.33	113,219	0.20
	597	100.0	57,595,206	100.0

Range of shareholdings

	Number of holders	%	Number of shares held	%
1 to 1,000	308	51.59	81,759	0.14
1,001 to 5,000	115	19.26	286,844	0.50
5,001 to 10,000	40	6.70	288,090	0.50
10,001 to 100,000	94	15.75	3,663,213	6.36
100,001 and over	40	6.70	53,275,300	92.50
	597	100.0	57,595,206	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 30th June 2017:

	Relevant Interest Voting Securities	% of Shares
HJD Rolleston	33,578,086*	58.30
RD Shepperd	1,753,532*	3.04
AM Nelson	1,750,000*	3.04

* The total number of voting securities of the Company on issue at 30th June 2017 was 57,595,206

Statutory Information

For the year ended 30 June 2017

Shareholder information

The information in the disclosures below have been taken from the Company's register at 30 June 2017.

Twenty largest shareholders:

Holder	Number held	% of Issue Capital
Asset Management Limited	27,778,788	48.23
Humphry John D Rolleston & Graham William Riley	5,799,298	10.07
New Zealand Central Securities Depository Limited	4,199,178	7.29
Angela Margaret Nelson	1,750,000	3.04
JB Were (NZ) Nominees Limited	1,360,346	2.36
Custodial Services Limited	895,119	1.55
Ian Alexander Mcgregor	875,500	1.52
FNZ Custodians Limited	864,552	1.50
Rodger David Shepherd	720,517	1.25
Whitford Equity Investments Limited	714,286	1.24
Paul Hewitson & Christopher John Stark	676,801	1.18
Richard George Rookes	602,500	1.05
Zagato Limited	500,000	0.87
Richard Robson & AS Robson	500,000	0.87
Spence Investment Holdings Limited	497,512	0.86
Stuart John Nattrass	447,919	0.78
K One W One Limited	375,000	0.65
Barry David Lobb	350,016	0.61
Vienna Investments Limited	331,675	0.58
RD & TR Shepherd Limited	318,729	0.55
Totals	49,557,736	86.05

Statutory Information

For the year ended 30 June 2017

Company Directory

REGISTERED OFFICE
53 Lunns Road
Middleton
Christchurch

SOLICITORS
Buddle Finlay
188 Quay Street
Auckland

SHARE REGISTRY
Link Market Services
PO Box 91976
Auckland 1142

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

AUDITORS
Deloitte
Levels 13- 18
80 Queen Street
Auckland

Sites

CHRISTCHURCH
53 Lunns Road, Christchurch
Ph: +64 (3) 348 7039

HASTINGS
210 Wilson Rd, Woolwich, Hastings
Ph: +64 (6) 872 7140

NEW PLYMOUTH
Corbett Road, Bell Block New Plymouth
Ph: +64 (6) 755 1276

Our Vision

Design and supply innovative food processing and packaging systems to the world

Customer focus

We build long term partnerships by providing quality solutions to our customers

Professional

We communicate openly, act with integrity, and strive for excellence

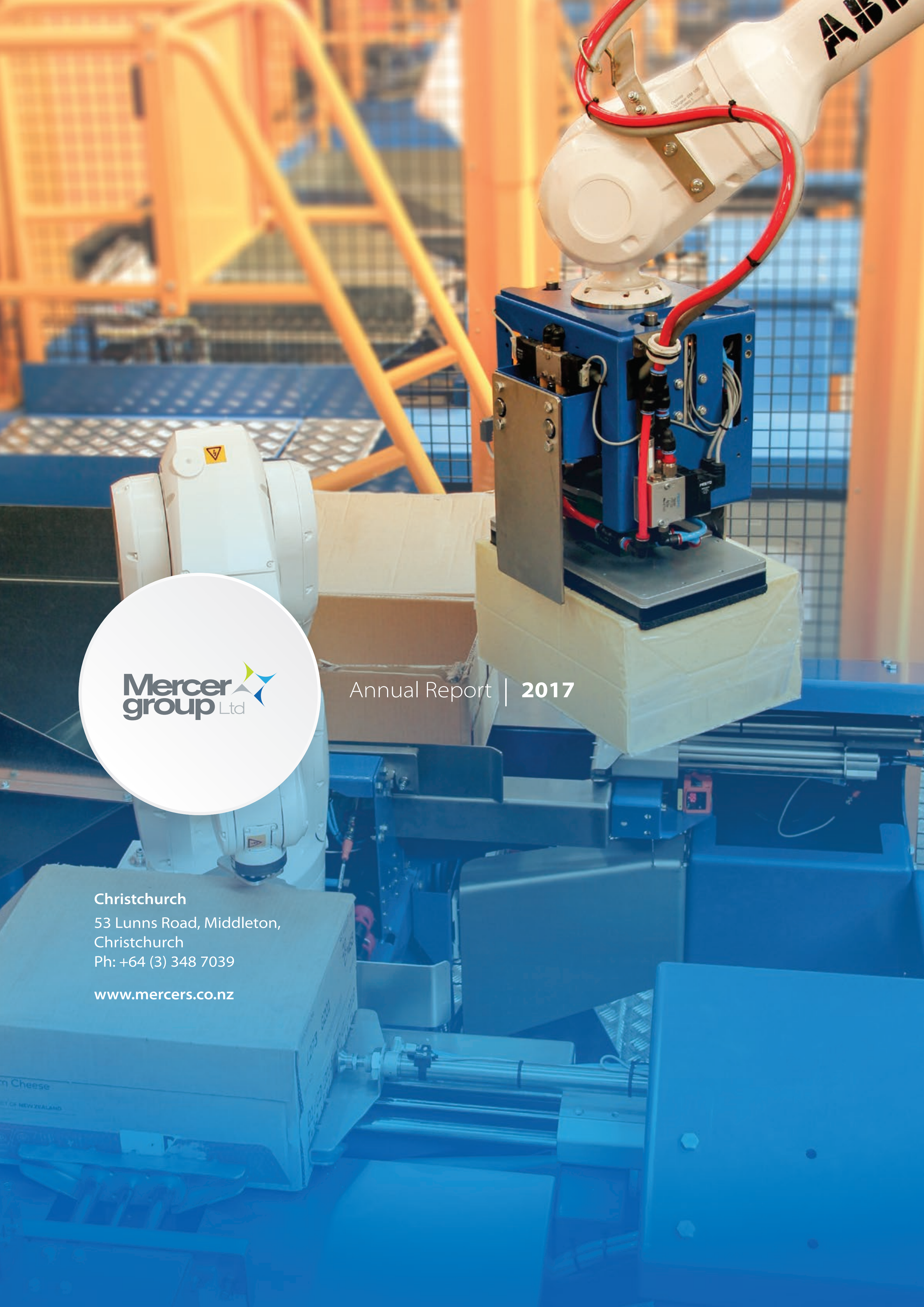
Responsible

We care about our people, our customers and our environment

Committed

Each of us is accountable to deliver results to all our stakeholders


ABB
ABB



Mercer group Ltd

Annual Report | **2017**

Christchurch
53 Lunns Road, Middleton,
Christchurch
Ph: +64 (3) 348 7039

www.mercers.co.nz