Mercer group Ltd

Interim Report | 2018

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

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

16th February 2018

Mercer Group records strong revenue growth and positive EBITDA

Mercer Group is announcing 107% revenue growth to $16.4m and EBITDA profit of $96k for the six months to 31 December 2017.

Key points for the six months ending 31 December 2017:

1. Total Group sales revenue of $16.4m, an increase of 107% vs. prior comparative period (pcp).
2. The Group achieved an EBITDA[1] profit of $96k vs. pcp loss of $1.48m.
3. The Stainless business performed strongly with sales revenue of $10.6m and EBITDA of $1.04m, a 35% and 254% improvement on the pcp respectively.
4. Haden & Custance sales momentum has been slower than previously projected, reporting $6.3m of revenue for the six months and generating an EBITDA loss of $618k.
5. The Group After Tax loss was $0.37m loss vs. pcp $2.6m loss.
6. During the period, the Group raised $2.9m in two placements.

While the performance of the Group is not where it needs to be, we are pleased to have recorded a positive group EBITDA for the half year. We remain confident that H&C can generate profitable growth going forward through a greater focus on sales origination in its markets.

[1]EBITDA is a non-GAAP measure of earnings or losses before interest expense, Taxation, Depreciation and Amortisation

MGL is a holding company with three separate business units, operating independently of each other.

Mercer Stainless

Mercer Stainless had a strong six months, with revenue increasing 35% to $10.6m on pcp and generating strong profitability, with an EBITDA of $1.04m. This was achieved on the back of strong workflows in both the Christchurch and New Plymouth plants, and also as a result of the restructuring initiatives of the past two years. We continue to focus on broadening the customer base and improving operational performance.

Haden & Custance

H&C had a disappointing six months, generating revenue of $6.3m and an EBITDA loss of $618k. This was the result of a number of contracts being delayed and increased costs from the transfer of the Mercer machines business to H&C. We remain confident of the growth opportunity for H&C based on the core capability of the business and the fundamental demand drivers of automation.

We have completed a strategic plan to grow the business in North America based initially on H&C's specialist de-palletising, de-boxing and de-bagging technology in the cheese, butter, meat and poultry sectors with the further goal of then growing into the logistics industry. In Australia and New Zealand H&C will focus on its specialist solutions as well as general automation solutions.

In December 2017 H&C welcomed a new VP of Sales in the US. He comes with 20-years' experience of selling solutions to food companies in the US and is already opening up new opportunities in the red meat and poultry sectors. Demand for H&C's automated solutions is strong, based on increasing costs of labour, labour shortages, food safety issues and health and safety concerns.

In New Zealand and Australia, H&C is reconnecting to its customer base having effectively exited the market a number of years ago. The same dynamics around automation exist in these markets and we have already seen a growing pipeline of opportunities.

S-Clave

S-Clave is entering the next step as we await delivery of the tooling which we are now expecting in March 2018, when we will commence the manufacture of the single use containers for market trials. Our partnership with Atherton remains strong as we enter this critical phase in the commercialisation.

Edendale

We are in discussions with the various parties involved in and related to the Edendale silo collapse, with a target to having an outcome by the end of March 2018. We will continue to keep shareholders updated as these discussions progress.

Outlook

We are now focusing on continuing to grow the scale of the Mercer Group.

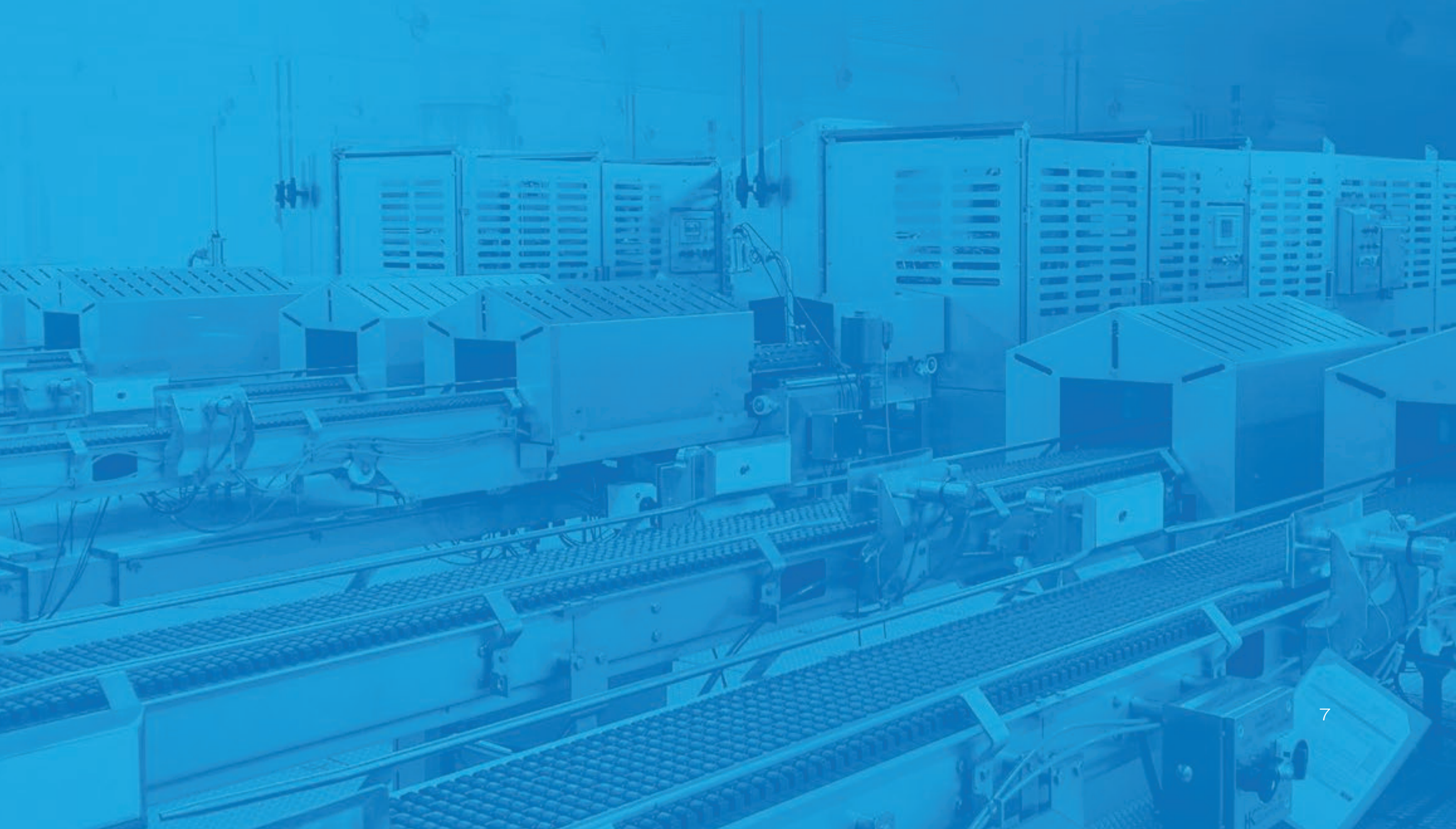
H&C provides us with a significant growth opportunity in the medium term and we are investing in the market and its operating platform to achieve this. In the short term, the business has decent workflows that should result in a stronger second half of the financial year.

We are targeting trials for the S-Clave in this financial year. While this will be a significant milestone for the Group, its growth, if successful, will occur over the years ahead.

Mercer Stainless has adequate workflows for the second half of the financial year but continues to operate in a competitive, cyclical environment.

Richard Rookes	John Dennehy
CEO	Chairman

Mercer Group Limited
Interim Report
6 months ended
31 December 2017



Condensed Group Statement of Comprehensive Income

For the half year ended 31 December 2017

	Unaudited Six Months to December 2017 $000	Unaudited Six Months to December 2016 $000	Audited Twelve Months to June 2017 $000
Continuing Operations			
Revenue			
Sale of goods and contract revenue	**16,383**	7,878	26,622
Other income	**-**	18	234
Total income	**16,383**	7,896	26,856
Expenses			
Changes in inventories of finished goods and work in progress	**(9,123)**	(3,411)	(14,835)
Salaries and wages	**(4,659)**	(4,352)	(9,636)
Rental and operating leases	**(224)**	(132)	(439)
Other expenses	**(2,280)**	(1,478)	(3,747)
Depreciation	**(190)**	(216)	(437)
Amortisation	**-**	(29)	(22)
Impairment of intangible assets	**-**	-	(250)
Restructuring costs	**-**	(475)	(1,421)
Operations deficit before finance costs	**(94)**	(2,197)	(3,931)
Finance costs	**(283)**	(382)	(723)
Operations deficit after finance costs and before taxation	**(377)**	(2,579)	(4,654)
Income tax credit (expense)	**-**	(25)	(2,308)
Operations deficit after finance costs and taxation	**(377)**	(2,604)	(6,962)
Attributable to:			
- Owners of the parent	**(377)**	(2,604)	(6,946)
	(377)	(2,604)	(6,962)
Other comprehensive (loss) income			
Items that may be subsequently charged or credited			
Currency translation differences	**12**	14	(13)
Other comprehensive (loss) income net of tax	**12**	14	(13)
Total comprehensive loss	**(365)**	(2,590)	(6,975)
Attributable to:			
- Owners of the parent	**(365)**	(2,590)	(6,975)
Total	**(365)**	(2,590)	(6,975)
Basic earnings per share:			
Deficit per share attributable to shareholders of the company (cents)	**(0.58)**	(3.62)	(16.96)
Fully diluted earnings per share:			
Deficit per share attributable to shareholders of the company (cents)	**(0.58)**	(3.62)	(16.96)

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

Condensed Group Statement of Financial Position

As at 31 December 2017

	Notes	Unaudited 31 December 2017 $000	Unaudited 31 December 2016 $000	Audited 30 June 2017 $000
ASSETS				
Current assets				
Cash and bank balances		**1,123**	848	827
Accounts receivable		**3,460**	3,895	3,750
Other debtors and prepayments		**1,161**	745	1,229
Inventories		**4,818**	2,729	3,490
Total current assets		**10,562**	8,217	9,296
Non current assets				
Other debtors and prepayments		**803**	1,117	816
Property, plant and equipment		**6,610**	6,806	6,683
Intangible assets		**4,867**	5,150	4,685
Deferred tax asset		**2,443**	4,728	2,446
Investment in associate		**16**	16	16
Total non current assets		**14,739**	**17,817**	14,646
Total assets		**25,301**	26,034	23,942
LIABILITIES				
Current liabilities				
Bank overdraft		**1,412**	1,030	1,064
Trade and other payables		**3,953**	4,239	4,595
Employee entitlements		**905**	1,238	1,091
Borrowings		**838**	3,591	1,309
Total current liabilities		**7,108**	10,098	8,059
Non current liabilities				
Borrowings		**6,205**	1,790	6,373
Total liabilities		**13,313**	11,888	14,432
Net assets		**11,988**	14,146	9,510
EQUITY				
Share capital		**44,365**	41,874	41,522
Other reserves		**3,081**	2,980	3,069
Retained earnings		**(35,458)**	(30,708)	(35,081)
Total equity		**11,988**	**14,146**	**9,510**

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

Condensed Group Statement of Movements in Equity

For the half year ended 31 December 2017

	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 1 July 2016	33,475	(28,119)	110	-	2,871	8,337	-	8,337
Foreign currency translation reserve movement	-	-	-	14	-	14	-	14
Deficit for the half year	-	(2,604)	-	-	-	(2,604)	-	(2,604)
Total comprehensive income for the half year	-	(2,604)	-	14	-	(2,590)	-	(2,590)
Value of employee services		15	(15)			-		-
Issue of new shares	8,399	-	-	-	-	8,399	-	8,399
Unaudited Balance at 31 December 2016	41,874	(30,708)	95	14	2,871	14,146	-	14,146
Balance at 1 July 2017	41,522	(35,081)	211	**(13)**	2,871	**9,510**	**-**	**9,510**
Foreign currency translation reserve movement	-	-	-	**12**	-	**12**	**-**	**12**
Deficit for the half year	-	**(377)**	-	-	-	**(377)**	**-**	**(377)**
Total comprehensive income for the half year	**-**	**(377)**	**-**	**12**	**-**	**(365)**	**-**	**(365)**
Value of employee services	-	-	**-**	-	-	**-**	**-**	**-**
Capital raising costs	**(121)**	-	**-**	-	-	**(121)**	**-**	**(121)**
Issue of new shares	**2,964**	**-**	**-**	-	-	**2,964**	**-**	**2,964**
Unaudited Balance at 31 December 2017	**44,365**	(35,458)	**211**	(1)	**2,871**	**11,988**	-	**11,988**

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

Condensed Group Statement of Cash Flow

For the half year ended 31 December 2017

	Unaudited Six Months to December 2017	Unaudited Six Months to December 2016	Audited Twelve Months to June 2017
	$000	$000	$000
Operating activities			
Deficit after tax	**(377)**	(2,604)	(6,962)
Income tax recognised in Statement of Comprehensive Income	**-**	25	2,308
Finance costs	**283**	382	723
Depreciation and amortisation	**190**	245	459
Inventory provision	**1**	-	983
Provision (cost) for restructuring continuing operations	**-**	350	(618)
Share based payment	**-**	-	101
Impairment of intangible assets	**-**	-	250
Other non-cash items	**-**	14	-
Changes in working capital	**(1,786)**	(622)	(1,227)
Net cash outflow before finance costs	**(1,689)**	(2,210)	(3,983)
Interest paid	**(283)**	(382)	(723)
Net cash outflow by operating activities	**(1,972)**	(2,592)	(4,706)
Investing activities			
Cash was provided (to) from :			
Purchase of property, plant and equipment	**(115)**	18	(143)
Purchase of patents and development activities	**(181)**	(291)	(58)
Proceeds from disposal of property, plant and equipment	**-**	-	51
Purchase of Haden & Custance	**-**	(2,250)	(1,500)
Cash from Haden & Custance	**-**	1,679	1,679
Net cash from investing activities	**(296)**	(844)	29
Financing activities			
Cash was provided from (to):			
New borrowings	**-**	1,500	-
Capital raising costs	**(121)**	-	(72)
Issue of new shares	**2,964**	8,399	3,869
Drawdown (repayment) of borrowings	**(639)**	(6,166)	1,135
Net cash inflow from financing activities	**2,204**	3,733	4,932
Net (decrease) increase in cash held	**(64)**	297	255
Cash (Overdraft) at beginning of the half year	**(237)**	(479)	(479)
Effect of exchange rate changes	**12**	-	(13)
Cash (overdraft) at the end of the half year	**(289)**	(182)	(237)

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 Condensed Group Financial Statements

For the half year ended 31 December 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. 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.
- **Haden & Custance**: This division designs, manufactures, delivers and services automated robotic handling systems to a range of industries. The existing Aico, Beta and Titan Slicer product ranges as well as H&C's own solutions form this division.
- **Mercer Technologies:** The division manages the research and development of the Mercer Group. Currently focused on commercialising 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 16 February 2018.

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 in the 30 June 2017 Annual Report. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The condensed consolidated interim financial information for the six months ended 31 December 2017 has been prepared in accordance with New Zealand equivalent to International Accounting Standards NZ IAS34 and IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the Annual Financial Statements for the year ended 30 June 2017, which were prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting standards (IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities.

(b) Changes in accounting polices

There have been no significant changes in accounting policies from those applied by the Group in the financial statements as at 30 June 2017. Those accounting policies are set out in the Mercer Group Limited 2017 Annual Report.

(c) New standards and amendments

New standards and amendments to standards which are effective for the first time for the financial year beginning 1 July 2017 and which are relevant to the Group are set out in the Annual Report for the year ended 30 June 2017. These amendments have not resulted in material accounting or disclosure changes for the Group.

Standards and interpretations of relevance to the Group which were in issue but not yet effective and had not been early adopted are also set out in the Annual Report for the year ended 30 June 2017. The Company has yet to determine the impact of these new standards.

Notes to the Condensed Group Financial Statements cont.

For the half year ended 31 December 2017

3. 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.

Haden and Custance: This division designs, manufactures, delivers and services automated robotic handling systems to a range of industries. The existing Aico, Beta and Titan Slicer product ranges as well as H&C's own solutions 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.

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

	31 December 2017 (Unaudited)			31 December 2016 (Unaudited)		
	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	**10,610**	**1,042**	**2,133**	7,842	(953)	10,147
Haden & Custance	**6,287**	**(618)**	**5,856**	-	-	2,438
Mercer Technologies	**6**	**(7)**	**3,940**	36	(6)	2,220
Corporate	**-**	**(321)**	**13,372**	-	(518)	11,229
Intersegment eliminations	**(520)**	**-**	**-**	-	-	-
Total sales, EBITDA, assets	**16,383**	**96**	**25,301**	7,878	(1,477)	26,034
Depreciation and amortisation	**-**	**(190)**	**-**	-	(245)	-
Provision for Restructure	**-**	**-**	**-**	-	(475)	-
Finance costs	**-**	**(283)**	**-**	-	(382)	-
Income tax credit (charge)	**-**	**-**	**-**	-	(25)	-
Total sales, deficit after tax, assets for continuing operations	**16,383**	**(377)**	**25,301**	7,878	(2,604)	26,034

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 the 2017 June financial statements. The intersegment eliminations are predominately sales between Stainless Fabrication and Haden & Custance.

Notes to the Condensed Group Financial Statements cont.

For the half year ended 31 December 2017

4. Contingent liabilities

	Unaudited 31 December 2017 $000	Unaudited 31 December 2016 $000	Audited 30 June 2017 $000
Guarantee to bankers for credit card facilities up to a limit of	**99**	99	99
Guarantees to bankers for bank guarantees issued to third parties from which it is anticipated that no material liabilities will arise	**4,970**	4,970	4,970
	5,069	5,069	5,069

5. Commitments

	Unaudited 31 December 2017 $000	Unaudited 31 December 2016 $000	Audited 30 June 2017 $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	**185**	201	193
Later than one year but not later than five years	**77**	263	170
Later than five years	**-**	-	-
	262	464	363
Operating lease commitments			
Non-cancellable			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows			
Within one year	**452**	538	495
Later than one year but not later than five years	**1,031**	1,235	1,133
Later than five years	**99**	341	220
	1,583	2,113	1,848

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.

6. Dividends

No dividend was paid or declared (2017: Nil).

Notes to the Condensed Group Financial Statements cont.

For the half year ended 31 December 2017

7. Related party transactions

(a) Directors

The names of persons who were directors of the company at any time during the half year are as follows: J F Dennehy, R Rookes and P Smart.

(b) Key management personnel compensation

Key management personnel compensation 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.

	Unaudited Six Months to December 2017	Unaudited Six Months to December 2016	Audited Twelve Months to June 2017
	$000	$000	$000
Short term benefits	445	344	800
Long term benefits	15	6	15
Share based payments	-		101
Directors' fees	51	55	104
Total	511	404	1,020

(c) Equity instruments

(i) Share options
These options have replaced previous options mentioned in June 2017 Annual Financial Statements. In November 2017, Mr J Dennehy, Director and Board Chair, was issued options as follows:
a) to subscribe for 625,000 ordinary shares in the capital of the Company at an exercise price of $0.40 per share exercisable in August 2018.

These options have replaced previous options mentioned in June 2017 Annual Financial Statements. In November 2017, Mr R Rookes, CEO, was issued options as follows:
a) to subscribe for 833,333 ordinary shares in the capital of the Company exercisable at $0.30 per share exercisable in August 2018; and
b) to subscribe for 777,777 ordinary shares in the capital of the Company at an exercise price of $0.45 per share exercisable in August 2019.

In November 2017, Mr I McGregor, CFO, was issued options as follows:
a) to subscribe for 166,667 ordinary shares in the capital of the Company exercisable at $0.30 per share exercisable in August 2018; and
b) to subscribe for 111,111 ordinary shares in the capital of the Company at an exercise price of $0.45 per share exercisable in August 2019.

(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 Condensed Group Financial Statements cont.

For the half year ended 31 December 2017

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

	Unaudited 31 December 2017 Average exercise price in cents per share option		Unaudited 31 December 2016 Average exercise price in cents per		Audited 30 June 2017 Average exercise price in cents per	
At 1 July 2017	**10.36**	**14,429**	5.97	18,429	5.97	18,429
Expired	**5.00**	**(14,429)**	14.00	(4,000)	14.00	(4,000)
Issued	**2.65**	**2,514**				
	2.65	**2,514**	10.36	14,429	10.36	14,429

Share options outstanding 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	Shares ('000) 2017
November 2017	August 2018	**40.0**	**625**	3,572	3,572
November 2017	August 2018	**30.0**	**1,000**	5,500	5,500
November 2017	August 2019	**45.0**	**889**	5,357	5,357
			2,514	14,429	14,429

In November 2017 shareholders approved to replace those previously issue share options and outstanding at the 30 June 2017. These were updated with a new series updated as above.

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

	Unaudited 31 December 2017 $000	Unaudited 31 December 2016 $000	Audited 30 June 2017 $000
Advances owed from associates	**641**	641	641
Gresham Finance payable for deferred consideration	**(398)**	(750)	(398)
Gresham Finance loan balance	**-**	(288)	(306)

(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.

The $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.

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 Condensed Group Financial Statements cont.

For the half year ended 31 December 2017

8. 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 the 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.

	Unaudited	Unaudited	Audited
	31 December 2017 # of shares	31 December 2016 # of shares	30 June 2017 # of shares
Weighted average number of			
Basic	**64,520,706**	57,595,206	40,282,847
Warrants	**-**	-	-
Options	**2,514,000**	14,428,572	755,401
Equity based remuneration	**-**	-	-
Total	**67,034,706**	72,023,778	41,038,248
Deficit attributable to the shareholders of the Company ($000)	**(377)**	(2,604)	(6,962)
Basic earnings per share	**(0.56) cents**	(3.62) cents	(16.96) cents
Diluted earnings per share	**(0.56) cents**	(3.62) cents	(16.96) 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 and diluted number of ordinary shares. On 9 January 2017 the company completed a 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. The Basic and Dilluted earnings per share for December 2016 have been adjusted to reflect the share consolidation.

9. Share Capital

	December 2017 # of shares	31 December 2016 # of shares	30 June 2017 # of shares	December 2017 $000	December 2016 $000	30 June 2017 $000
Issued and fully paid up capital	**64,520,706**	**57,595,206**	57,595,206	**44,365**	41,874	41,522
Balance at beginning of the year	**57,595,206**	311,970,446	311,970,446	**41,522**	33,475	33,475
Shares issued during the year	**6,925,500**	839,933,504	839,933,504	**2,964**	8,399	8,399
Capital raising costs	**-**	**-**	-	**(121)**	-	(352)
Share consolidation 20:1	**-**	(1,094,308,744)	(1,094,308,744)	**-**	-	-
Balance at the end of the period	**64,520,706**	57,595,206	57,595,206	**44,365**	41,874	41,522

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.

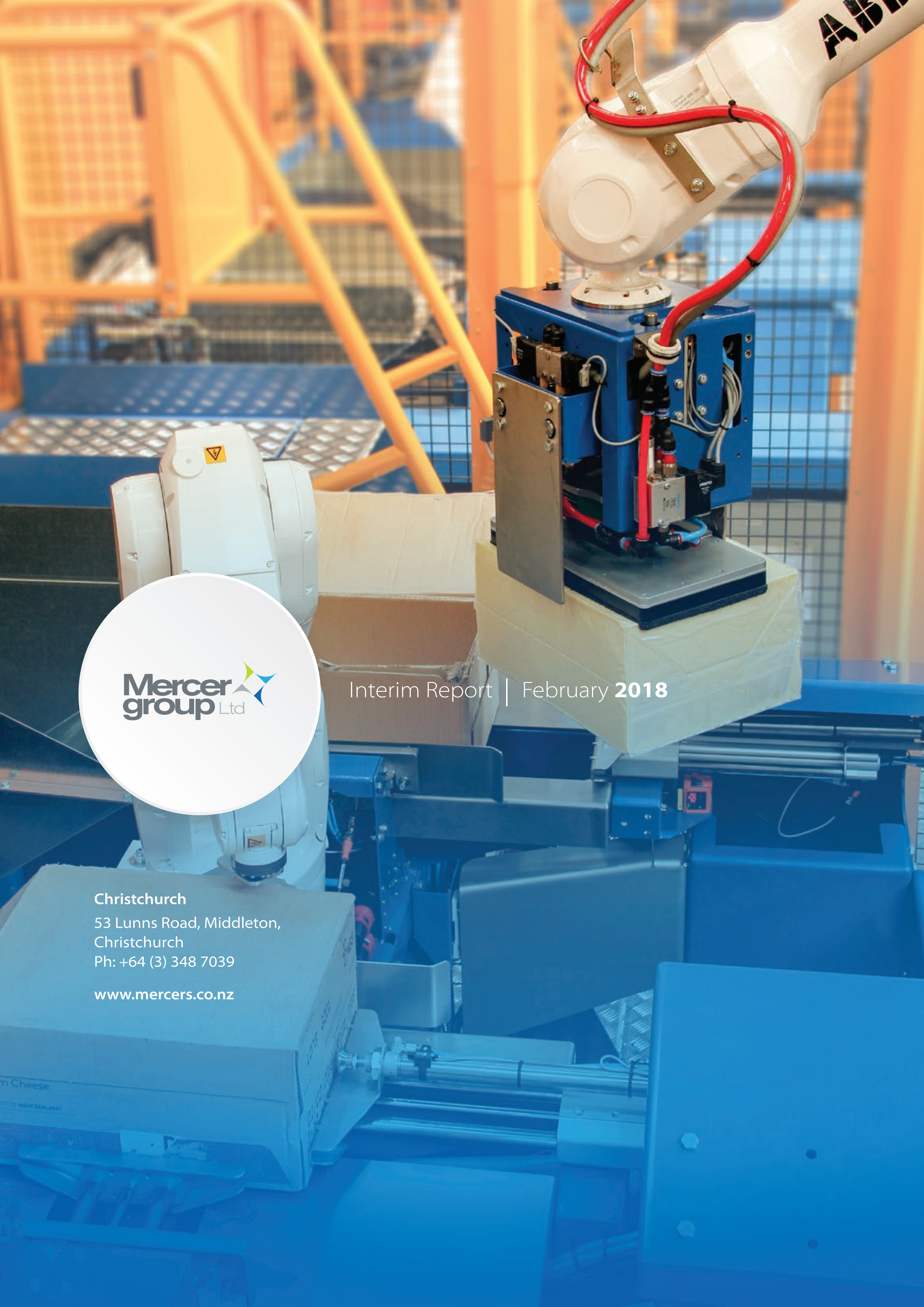
All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. Shares have no par value.

Notes to the Condensed Group Financial Statements cont.

For the half year ended 31 December 2017

10. Going Concern

The Condensed Financial statements have been prepared using the going concern assumption. For the half year ended 31 December 2017 the Group recorded a net loss of $377,000. The group had renegotiated its banking facilities at 30 November 2017 with the new covenants becoming applicable on 30 November 2017. With the banking facilities in place and forecast profit for the second half of the current financial year, the Directors believe the going concern assumption remains valid. If the Group was unable to continue in operational existence, and pay debts as and when they became due and payable, 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 in the statement of financial position.



Mercer group Ltd

Interim Report | February **2018**

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