

MERCER GROUP LIMITED & SUBSIDIARIES
APPENDIX 1
UNAUDITED

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
TOTAL INCOME FROM OPERATIONS	33,310	30,528
Expenses	34,046	40,024
Deficit before finance costs	(736)	(9,496)
Finance costs – net	400	730
Deficit before taxation	(1,136)	(10,226)
Income tax credit	(174)	(874)
DEFICIT AFTER TAX ATTRIBUTABLE	(962)	(9,352)
TO SHAREHOLDERS		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
Deficit for the year	(962)	(9,352)
Other comprehensive income		
Currency translation differences	(46)	218
Asset revaluation reserve movement	-	11
Other comprehensive income for the year, net of tax	(46)	229
Total comprehensive income attributable to the	(1,008)	(9,123)
shareholders		

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CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
EQUITY AT BEGINNING OF PERIOD	16,417	16,996
Foreign currency translation reserve movement	(46)	218
Asset revaluation reserve movement	-	11
Deficit for the period	(962)	<u>(9,352)</u>
Total comprehensive income	(1,008)	(9,123)
Issue of new shares	1,000	<u>8,544</u>
EQUITY AT END OF PERIOD	16,409	<u>16,417</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	2012	2011
	\$000	\$000
EQUITY		
Contributed equity	28,981	27,981
Other reserves	1,932	2,034
Accumulated losses	(14,504)	(13,598)
TOTAL EQUITY	16,409	16,417
NON CURRENT LIABILITIES		
Borrowings	4,367	230
CURRENT LIABILITIES		
Bank overdrafts	-	219
Creditors and accruals	4,982	5,676
Employee entitlements	852	949
Derivative financial instruments	-	26
Borrowings due within 12 months	600	6,304
TOTAL CURRENT LIABILITIES	6,434	13,174
TOTAL LIABILITIES	10,801	13,404
TOTAL LIABILITIES AND EQUITY	27,210	29,821
NON CURRENT ASSETS		
Land	1,557	1,557
Buildings	3,394	3,515
Plant and equipment	3,976	4,264
Intangible assets	3,637	3,589
Deferred tax	4,367	4,225
TOTAL NON CURRENT ASSETS	16,931	17,150
CURRENT ASSETS		
Cash	648	-
Accounts receivable	5,925	6,846
Other debtors and prepayments	374	1,053
Derivative financial instruments	-	6
Taxation refund	-	5
Inventories	3,332	4,761
TOTAL CURRENT ASSETS	10,279	12,671
TOTAL ASSETS	27,210	29,821

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	34,231	31,639
Cash was disbursed to:		
Payments to suppliers and employees	31,942	33,078
Interest on fixed term borrowings	270	806
Other interest	130	59
	32,342	33,943
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	1,889	(2,304)
INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant & equipment	40	7
Cash was applied to:		
Purchase of property, plant & equipment	425	427
Patents and development activities	70	159
	495	586
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(455)	(579)
FINANCING ACTIVITIES		
Cash was provided from:		
Share issue	1,000	3,976
New borrowings	5,850	1,500
	6,850	5,476
Cash was applied to:		
Repayment of borrowings	7,417	2,540
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	(567)	2,936
NET INCREASE IN CASH HELD	867	53
Cash at beginning of period	(219)	(261)
Effect of exchange rate changes	-	(11)
CASH AT END OF PERIOD	648	(219)

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SEGMENTAL REPORTING

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

Stainless Fabrication

This division includes the fabrication workshops in Christchurch and New Plymouth operated by Mercer Stainless Limited and the office in Brisbane, Australia operated by Mercer Technologies Pty Limited. The division is a fabricator of equipment, predominantly in stainless steel and also designs and manufactures proprietary equipment.

Mercer Interiors (formerly Products)

This Australasian division manufactures, in Christchurch, and supplies sinks, basins, tubs, toilets, laminate, solid surface material and other similar products to merchants, fabricators and to other manufacturers.

Mercer Medical

This division supplies equipment and related products / services for sterilization, washing and disinfection.

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.

Primary reporting format – operating segments

	2012 \$'000			2011 \$'000		
	Total sales revenue	Segment result	Segment assets	Total sales revenue	Segment result	Segment assets
Stainless Fabrication	21,067	762	5,260	18,287	(7,152)	6,274
Mercer Interiors	8,578	(273)	7,213	9,050	(826)	9,603
Mercer Medical	3,895	149	1,137	3,261	(131)	1,244
Corporate	30	(1,374)	13,600	95	(1,340)	12,700
Intersegment eliminations	(284)	-	-	(239)	-	-
Finance costs	-	(400)	-	-	(730)	-
Income tax credit	-	174	-	-	827	-
Total Group	33,286	(962)	27,210	30,454	(9,352)	29,821

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

Sales revenue and results by geographical location are not monitored by management.

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CONSOLIDATED OPERATING REVENUE
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
Sales of goods and contract revenue	33,286	30,454
Other income	24	74
	<u>33,310</u>	<u>30,528</u>

CONSOLIDATED DEFICIT BEFORE TAX FOR THE YEAR ENDED 30 JUNE 2012 IS STATED
AFTER CHARGING:

	2012	2011
	\$000	\$000
<i>Operating expenses:</i>		
Depreciation of property, plant & equipment		
– Buildings	116	110
– Plant & equipment	694	892
– Total depreciation	810	1,002
Amortisation of intangible assets		
– Patents and trademarks	9	16
– Development costs	14	218
– Total amortisation	23	234
Impairment of patents & development assets *	-	577
Impairment of fixed assets	-	195
Loss / (Gain) on sale of plant & equipment	16	-
Impairment of inventories	16	473
Foreign exchange (gain) / loss	39	122
Research and development expenditure	21	16
Bad debts written off	1	37
Impairment of receivables	23	38
Audit fees	105	121
Fees paid for other services by the Auditors	10	5
Directors' fees	199	174
Restructuring costs	250	4,801

*The 2011 impairment of patents and development assets can be analysed by business segment as follows:

-Stainless Fabrication \$164,000

-Corporate \$413,000

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SUBSIDIARIES

The principal trading subsidiaries at 30 June 2012, all of which are 100% owned and have a 30 June balance date, comprise:

Mercer Stainless Limited - a stainless steel fabricator, manufacturer & distributor of kitchen, bathroom and laundry products, manufacturer of materials handling equipment and supplier of washing and disinfection equipment
Mercer Products Pty Limited - a distributor of kitchen, bathroom and laundry products
Mercer Technologies Pty Limited - a manufacturer and supplier of materials handling equipment, incorporated 26 August 2011.

CONSOLIDATED NET TANGIBLE ASSETS PER SECURITY

	Cents	
	2012	2011
Net tangible assets per share	5.38	5.85

EARNINGS PER SECURITY

	Cents	
	2012	2011
Earnings per share	(0.43)	(8.19)

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OTHER COMMENTS BY DIRECTORS

If no report in any section, state NIL. If insufficient space below, provide details in the pages attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current full year
Refer news release.....
- (b) Significant trends or events since end of current full year
Refer news release.....
- (c) Changes in accounting policies since last Annual Report and/ or last Half Yearly Report to be disclosed
None.....
- (d) Critical Accounting Policies – Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer’s financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain
 - (i) Intangible assets – judgements are required in relation to the technical feasibility of development projects, the intention to use or sell the assets, the existence of a market, the availability of resources to complete the developments and whether or not the development assets have been impaired.
 - (ii) Work in progress – judgements and estimation are required of total contract revenues and remaining costs to complete.
 - (iii) Deferred tax – future forecast taxable income is estimated in determining whether a deferred tax asset should continue to be recognised and the quantum of the asset. Consideration has been given to whether or not the shareholder continuity test is met taking into account current plans to issue shares after balance date.
 - (iv) 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.
- (e) Management's discussion and analysis of financial condition, result, and/or operations (optional) – this section should contain forward looking statements that should outline where these involved risk and uncertainty.
Refer news release.....
- (f) Other Comments
NIL.....

ANNUAL MEETING (If full year report)

- (a) To be held at: Christchurch
- (b) Date and Time: To be advised
- (c) Approximate date of availability of Annual Report: September 30th

If this full year report was approved by resolution of the Board of Directors, please indicate date of meeting:

.....
(Signed by) Authorised Officer of Listed Issuer (date)