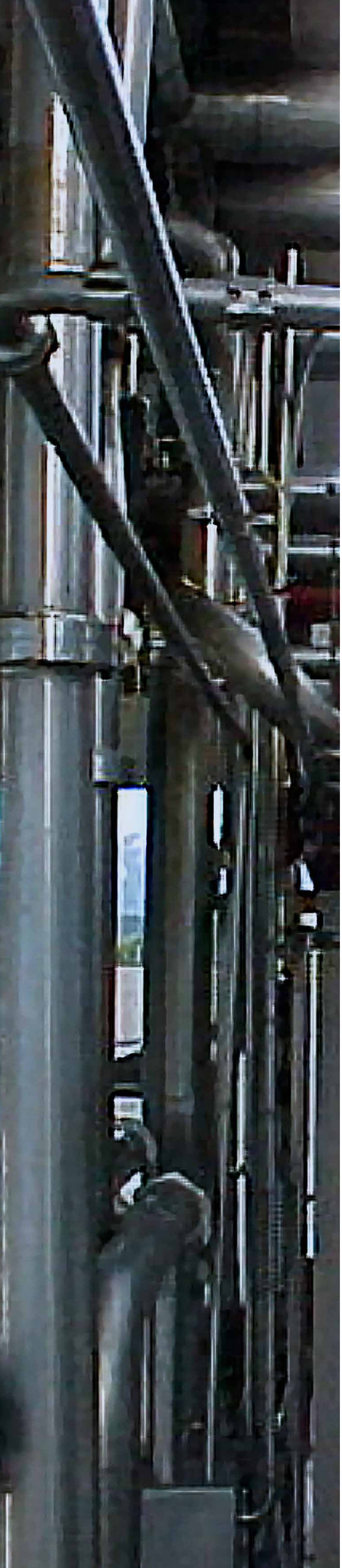


Mercer

Annual Report

Year Ended 30 June

2015

Contents

Chairman's Review

For the year ended 30 June 2015

The year in review, in particular the period from March 2015 onwards, has been one of significant change in the governance, management and strategic direction of the Group.

Rodger Shepherd stepped down as CEO in May 2015, and his resignation as a director of the Group was accepted by the Board in August 2015. Garry Diack retires from the Board at this year's Annual General Meeting, and the Board takes this opportunity to thank Garry for his service.

Richard Rookes is welcomed as Group Chief Executive Officer. Richard formerly represented the shareholding of the Rakaia Fund on the Mercer Board, and therefore brings an informed analysis and welcomed rigour to the operations of the group, resulting in a number of key initiatives that are commented on further in the CEO's review of the past year.

As reported in August, a strategic review of the Group's operations resulted in three key decisions being endorsed by the Board:

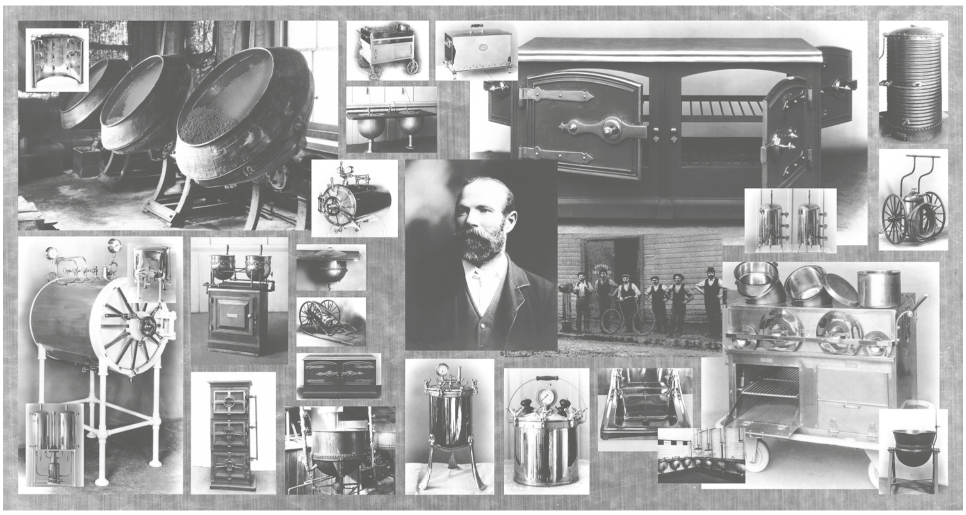
1. To focus the Group's resources on its Titan and S-Clave divisions in order to maximise the potential of their respective world class technologies.
2. To continue to diversify and support our profitable Stainless Fabrication division.
3. To review the Interiors and Medical divisions with a view to exiting the Interiors division and to look at options for the Medical division.

These strategic decisions have resulted in a number of considered and appropriate provisions which are detailed in this report. In considering the proposed divestments, we will move these processes forward having regard to the best possible outcomes for all the Group's stakeholders, including employees. The directors have determined that it is not appropriate to pay a dividend this year.

I should congratulate all our staff on having achieved another year with a good workplace safety record. Both the Board and management continue to recognise and respond to this key performance metric.

In summary, your Board is committed to further developing the world class technologies held within the Group. Maximising the opportunities represented by Titan and S-Clave necessitates taking a focused and relevant strategic path that makes best use of our resources and capital. To disrupt and displace incumbent products and practices on the world stage requires us to be fit for purpose and fit for the future. Vision, execution and rigorous attention to detail have to be exemplary to meet those challenges. I believe that we have taken the first necessary steps to move the Group towards profitable outcomes in our target markets.

John Dennehy



CEO Review

For the year ended 30 June 2015

Mercer is a 130 year old company with a proud history. Over the past few years, the business has been transforming itself, and although 2015 failed to live up to expectations, we remain proud custodians of the Mercer brand and reputation and are committed to developing a sustainable and profitable business.

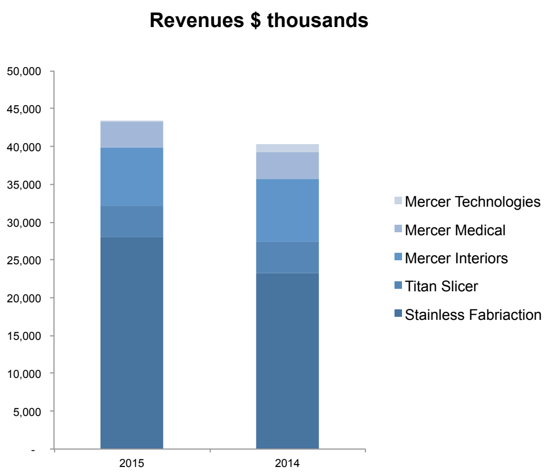
The Group has achieved strong revenue growth in recent years which continued into 2015 with a 7% increase in revenue, selling a broader range of products across a number of sectors. Disappointingly however, sales growth was not matched by corresponding profitability. There were however a number of positives during the year. These included:

- A record performance from the core Stainless Fabrication business which generated EBITDA of $2.1m.
- The further development of the S-Clave technology, both by Mercer in New Zealand and our partner in the US.
- In recent weeks, further validation of the quality of our Titan products in North America.
- A continued focus on Health & Safety and increasing resource in this area, maintaining a good Health & Safety record.

Profitability was principally affected by historic strategic and operational issues in Titan; the unsuccessful integration of the MedChem acquisition into the Medical business; and continuing losses in Interiors (albeit much reduced). Further detail on our plans and strategies for our divisions is provided in the individual business reviews.

Financial Performance

Excluding the license of S-Clave in 2014 (Mercer Technologies), revenue increased by 10.0% in 2015, driven off a strong performance in the Stainless fabrication division. Despite this, the company recorded a loss of $7m after tax. EBITDA was negative $1m.



	30 June 2015 $'000	30 June 2014 $'000
Stainless Fabrication	2,141	1,330
Titan Slicer	(1,307)	12
Mercer Technologies	(70)	850
Mercer Interiors	(94)	(521)
Mercer Medical	(369)	468
Corporate	(1,274)	(1,168)
Total EBITDA	(973)	971
Depreciation and amortisation	(995)	(901)
Provision for Inventory	(1,716)	-
Impairment of Intangible Assets	(3,280)	-
Impairment of Tangible Assets	(984)	-
Finance costs	(599)	(505)
Income tax (charge) credit	1,506	(59)
Share of profits (losses) of associate	16	11
Total Group loss after tax	(7,025)	(483)

The operating loss of $1m, was largely due to the poor performance of Titan, which lost $1.3m at the EBITDA level. Given the outturn for the other divisions, principally Interiors and Medical, a review was conducted of the carrying value of our intangible assets. This resulted in the write down of all of the goodwill associated with the Interiors business and the carrying value of some of the tangible assets of both Interiors and Medical. There is an immediate focus on converting inventory to cash and we have begun a process to exit the Interiors business.

Cash from operations was negative $3.6m. This was the result not only of the EBITDA loss, but of an increased working capital need, particularly in the Titan business. We expect some of this working capital to unwind over the next 12 months, which should see stronger cash flow generation.

As at 30 June 2015 the Company has $10.9m of debt, comprising $10.6m to BNZ and $0.3m of hire purchase debt. Post balance date, a further $1m of debt was provided by Gresham Finance, a company associated with director and shareholder Humphry Rolleston. Mercer was in breach of its banking covenants at 30 June 2015 and this breach was subsequently waived. Discussions are ongoing with BNZ who are supportive of the proposed restructuring strategy.

CEO Review
For the year ended 30 June 2015

Health & Safety

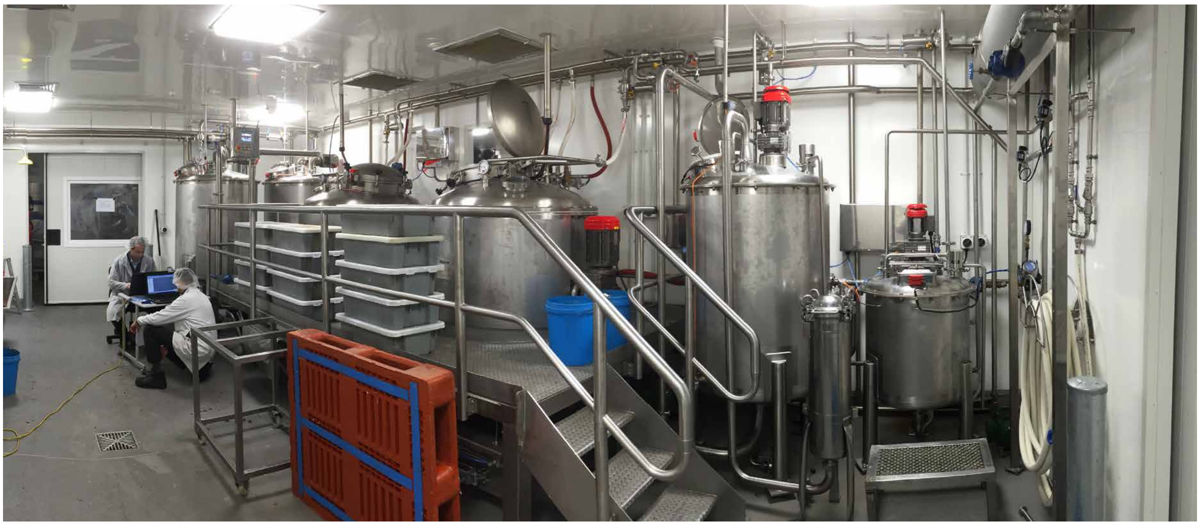
Health & Safety has continued to be a focus within the Group. We have previously reported on Lost Time Injuries (LTIs), which we will continue to do. However, the focus within the business has changed from what are generally considered lagging indicators (of which LTIs is one), to leading indicators. This process has resulted in a greater focus on what could cause Health & Safety issues. This is being driven from both management and at the factory floor level and to this end we have appointed a full time Health & Safety and Quality Assurance manager, based in New Plymouth, who is taking a leading role in continuing to drive cultural change throughout the business.

Strategic Review

Mercer began a strategic review process in February 2015. The overriding purpose of this review was to understand which of our business units are core and which we would favour allocating capital to. Persisting with diverse businesses that largely operate on a stand-alone basis, and cannot benefit from wider group synergies, is not a viable long term strategy. The outcome of this review was announced to the market with our financial results in August 2015. At a high level, the following strategy was endorsed by the Board:

1. To focus the Group's resources on its Titan and S-Clave divisions in order to maximise the potential of their respective world class technologies.
2. To continue to diversify and support our profitable Stainless Fabrication division.
3. To review the Interiors and Medical divisions with a view to exiting the Interiors division and to look at options for the Medical division.

The implementation of this strategy is underway and we look forward to updating shareholders as we progress.



CEO Review
For the year ended 30 June 2015

The Stainless Fabrication business has workshops in Christchurch and New Plymouth and a sales presence across New Zealand and Australia. In September 2015 we made the decision to exit manufacturing in Brisbane, although we retain a sales presence both there and in Melbourne focused on the sale of technology based food processing equipment.

The Stainless Fabrication business had a record year posting $2.1m of EBITDA. This was the result of high workloads across Christchurch and New Plymouth driven off the strong dairy investment cycle and the increasing focus on Mercer owned IP.

Whilst we have a strong pipeline of fabrication today we expect that competition will intensify in calendar year 2016 as the full impact of the weaker dairy markets are felt. However, the Stainless Fabrication business has diversified away from NZ dairy so that today it represents under a third of our business and we expect this trend to continue as the focus of the Australian sales effort changes.

We have continued our expansion of the Beta range and are continuing to develop a range of food processing technologies, including an upgraded vacuum packaging range of machinery, seal testing machinery and cheese block cutting machines. Our cartonless cheese offering has been relaunched and early indications of market demand are positive.

Our AiCo range is well established in the Australasian meat market and had another strong year.

PV valves which are used in bulk liquid tankers continue to have strong sales domestically and expanding these into overseas markets is a focus for 2016.

Finally, we have successfully commissioned a new cooking system and we expect that area to grow in the medium term.

In short, we believe that we have a resilient business that is well positioned to work through the dairy downturn with a strong portfolio of technology based food equipment underpinning the future of the business.

CEO Review
For the year ended 30 June 2015

Titan Slicer Overview

Titan Slicer is a world leader in the design and manufacture of sophisticated slicing and further processing systems. Titan had a disappointing year in 2015, with an EBITDA loss of $1.3m, principally as a result of failing to execute on installations in Europe and the USA.

However, it is our firm belief that Titan has a significant opportunity; the technology has been well received by major North American end users as well as customers in New Zealand and Australia. To maximise the returns from Titan technology, we need to have a credible, achievable and appropriately targeted strategy; it is hoped that we will be reporting positive progress on Titan in due course.

This programme is being driven by a new General Manager for Titan, Tom Irvine. We have refocused on the North American market and with the support of our US based distributor Nu-Meat the sales pipeline is healthy. One success worth noting was the continuation of our strong relationship with Maple Leaf in Canada – they showed their confidence in our machines by acquiring four slicers from Titan during the year.

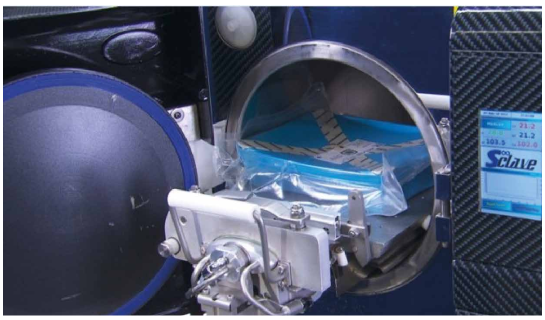
Technologies Overview

The Technologies division R&D initiatives were condensed to effectively sharpen the focus on continuing to advance its development of S-Clave. We remain confident of our investment in S-Clave, and as part of our strategic review, we will assess new S-Clave funding options during the next year.

The key outcomes of the year for S-Clave were as follows:

1. Mercer continued its development of the technology; taking it forward to a fourth prototype, which brings us closer to a commercial model.
2. Two new international patents applications were lodged to further extend and defend the S-Clave market opportunities. The first new patent is an S-Clave container system and the second is a biohazard neutralising and containment system based on the S-Clave, this could be used to help with the containment of Ebola and other similar diseases.
3. Our US partner established their S-Clave development facility during the year. A recent working visit to our US partner has brought further progress, and the prospects for this disruptive technology remain strong.
4. We continue to have support of the approved grant funding from the Callaghan Institute to assist in the development of S-Clave.

In addition to S-Clave, the entire pipeline of R&D projects was assessed using an internally developed feasibility methodology. On the basis of the feasibility study results, the Cartonless Cheese project was transferred to the Mercer Stainless design & development team and all other R&D projects will be held over for review in early 2016.



CEO Review
For the year ended 30 June 2015

Interiors Overview

The Interiors division manufactures, imports and distributes sinks, basins and tubs and is the exclusive distributor of Wilson Art products in New Zealand. While the Interiors division reduced its loss significantly during the year, based on a cost reduction programme, this was still below previously stated expectations. A restructure yielding a further $500k per annum cost saving was carried out in July and August 2015.

As noted earlier, as a result of a strategic review on Mercer's businesses, the decision has been made to exit the Interiors division. While timing and completion of such a transaction remains uncertain, we will update shareholders as this process progresses.

Medical Overview

The Medical division supplies equipment and related products and services for sterilisation, washing and disinfection. It is the exclusive distributor of MMM products into New Zealand.

The Medical division generated an EBITDA loss of $0.4m for the financial year. This was largely due to a lack of demand for capital sales and issues with the integration of the MedChem acquisition, which was undertaken at the end of 2014. These integration issues have now been resolved and the product offering acquired with MedChem has been rationalised with those with the greatest market opportunity now being focused on.

The scale of the Medical division may mitigate against its potential viability as a Mercer Group business. An ongoing review of the division is examining the possibilities available to management who in due course will make appropriate recommendations to the Board.

The Future

Mercer is planning for a year of considerable change in 2016. While mindful of our history, we must evolve to ensure we can generate sustainable returns for all stakeholders.

We believe that the new focus on our Stainless fabrication business; the development, manufacture and export of world leading food processing technologies; and the further development of the S-Clave technology, are all exciting and appropriate platforms for achieving that sustainable platform for growth. I am looking forward to the challenge of changing Mercer for the better, and would like to thank all of our staff, shareholders, suppliers and customers, for their support.

Richard Rookes

Chief Executive Officer

Board of Directors

For the year ended 30 June 2015

John Dennehy

After graduating in Economics and Accounting, John worked in international asset finance in the City of London. He was later a founder of Marketingfile Ltd, a UK based online aggregator of marketing data. He has served on a number of UK and NZ boards, most recently as Chair of Simcro Ltd, the Hamilton based R&D, export led, agritech business which was recently majority sold to the US based Riverside Partners.

Garry Diack

Garry an experienced director has accumulated a 25 year career as an advisor and consultant in corporate performance improvement, governance and growth-related activities in a number of leading New Zealand and Australian corporate entities. Garry holds an MA (Hons) degree from the University of Canterbury in Industrial and Organisational Psychology.

Humphry Rolleston

Humphry owns a number of private companies involved in tourism, security, manufacturing and finance. He is a Fellow of the New Zealand Institute of Directors and holds a number of private and public company directorships.

Richard Rookes

Richard is the CEO of Mercer. Prior to taking this role in July 2015 he was an Executive Director at Murray & Co and manager of the Rakaia Fund. Prior to joining Murray & Co in 2005 Richard was based in London where he worked as a banker at Salomon Smith Barney and Citigroup. Richard holds a Bachelor of Commerce (Accounting) from the University of Otago, a Diploma for Graduates Marketing) and a Postgraduate Diploma in Commerce.

Paul Smart

Paul has extensive financial and director experience. He is a Chartered Accountant and long standing member of the Institute of Directors. Having worked in public companies, state owned enterprises and a cooperative Paul has had exposure to a large range of different issues in offshore and New Zealand markets.

Mercer Group Limited

Group Financial Statements

Year ended 30 June 2015

Directors' Report

In the opinion of the directors of Mercer Group Limited, the financial statements and the notes, on pages 13 to 49:

- comply with New Zealand generally accepted accounting practice and fairly represents the financial position of the Group as at 30 June 2015 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 Companies Act 1993 and 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 2015.

The Annual Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 24 August 2015.

John Dennehy, Chairman.

Paul Smart, Director.

Group Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	30 June 2015 $000	30 June 2014 $000
Revenue			
Sale of goods and contract revenue	6	**43,362**	40,371
Other income	7	**219**	431
Total income		**43,581**	40,802
Expenses			
Changes in inventories of finished goods and work in progress		**(19,801)**	(18,607)
Inventory provision	13	**(1,716)**	-
Salaries and wages	9	**(16,617)**	(14,064)
Rental and operating leases		**(1,285)**	(1,285)
Other expenses	8	**(6,435)**	(5,875)
Depreciation	14	**(912)**	(864)
Amortisation	15	**(83)**	(37)
Impairment of intangible assets	15	**(3,280)**	-
Impairment of plant and equipment	14	**(984)**	-
Development costs		**(416)**	-
(Deficit) Surplus before finance costs		**(7,948)**	70
Finance costs		**(599)**	(505)
Share of profits of associate	17	**16**	11
Deficit before taxation		**(8,531)**	(424)
Income tax credit (charge)	10	**1,506**	(59)
Deficit after taxation		**(7,025)**	(483)
Attributable to:			
- Owners of the parent	21	**(6,718)**	(457)
- Non-controlling interest		**(307)**	(26)
Other comprehensive (loss) income		**(7,025)**	(483)
Items that may be subsequently charged or credited to profit and loss			
Currency translation differences	21	**(93)**	(101)
Items that will not be subsequently charged or credited to profit and loss			
Asset revaluation reserve movement	21	**-**	848
Deferred tax on revaluation increment of buildings	21	**-**	(71)
Other comprehensive (loss) income for the year, net of tax		**(93)**	676
Total comprehensive (Loss) income for the period		**(7,118)**	193
Attributable to:			
- Owners of the parent		**(6,811)**	219
- Non-controlling interest		**(307)**	(26)
Total		**(7,118)**	193
Basic earnings per share:			
Deficit per share attributable to shareholders of the company (cents)	23	**(2.21)**	(0.17)
Fully diluted earnings per share:			
Deficit per share attributable to shareholders of the company (cents)	23	**(2.21)**	(0.17)
Net tangible assets per share (cents)		**3.40**	4.79

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

Group Statement of Financial Position
As at 30 June 2015

	Notes	30 June 2015 $000	30 June 2014 $000
ASSETS			
Current assets			
Cash and bank balances	11	**157**	46
Accounts receivable	12	**8,679**	7,066
Other debtors and prepayments	12	**1,127**	529
Inventories	13	**7,335**	6,122
Total current assets		**17,298**	13,763
Non current assets			
Other debtors and prepayments	12	**739**	773
Property, plant and equipment	14	**8,615**	9,791
Intangible assets	15	**4,001**	6,383
Deferred tax asset	16	**5,328**	3,822
Investment in associate	17	**16**	-
Total non current assets		**18,699**	20,769
Total assets		**35,997**	34,532
LIABILITIES			
Current liabilities			
Bank overdraft	11	**2,785**	-
Trade and other payables	18	**9,135**	6,124
Employee entitlements		**1,170**	1,112
Borrowings	19	**8,207**	389
Total current liabilities		**21,297**	7,625
Non current liabilities			
Borrowings	19	**90**	6,431
Total liabilities		**21,387**	14,056
Net assets		**14,610**	20,476
EQUITY			
Share capital	20	**33,475**	32,146
Other reserves	21	**2,526**	2,696
Retained earnings	21	**(21,063)**	(14,345)
		14,938	20,497
Non-controlling interest		**(328)**	(21)
Total equity		**14,610**	20,476

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 2015

	Notes	Share capital $'000	Retained earnings $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Asset revaluation reserve $'000	Total equity $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to the owners of the Group							
Balance at 30 June 2013		29,084	(13,888)	100	(105)	2,037	17,228	5	17,233
Foreign currency translation reserve movement	21	-	-	-	(101)	-	(101)	-	(101)
Asset revaluation reserve movement	21	-	-	-	-	777	777	-	777
Deficit for the year	21	-	(457)	-	-	-	(457)	(26)	(483)
Total comprehensive income for the year		-	(457)	-	(101)	777	219	(26)	193
Value of employee services	21	-	-	97	-	-	97	-	97
Issue of new shares	20,21	3,062	-	(109)	-	-	2,953	-	2,953
Balance at 30 June 2014		**32,146**	**(14,345)**	**88**	**(206)**	**2,814**	**20,497**	**(21)**	**20,476**
Foreign currency translation reserve movement	**21**	-	-	-	**(92)**	-	**(92)**	**-**	**(92)**
Deficit for the year	**21**	-	**(6,718)**	-	-	-	**(6,718)**	**(307)**	**(7,025)**
Total comprehensive income for the year		**-**	**(6,718)**	**-**	**(92)**	**-**	**(6,810)**	**(307)**	**(7,117)**
Value of employee services	**21**	-	-	**28**	-	-	**28**	**-**	**28**
Issue of new shares	**20,21**	**1,329**	-	**(106)**	-	-	**1,223**	**-**	**1,223**
Balance at 30 June 2015		**33,475**	**(21,063)**	**10**	**(298)**	**2,814**	**14,938**	**(328)**	**14,610**

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 2015

	Notes	30 June 2015 $000	30 June 2014 $000
Operating activities			
Deficit after tax		**(7,025)**	(483)
Income tax recognised in Statement of Comprehensive Income		**(1,506)**	59
Finance costs		**599**	505
Depreciation and amortisation		**995**	901
Inventory provision		**1,716**	-
Impairment of intangible assets		**3,280**	-
Impairment of plant and equipment		**984**	-
Other non-cash items		**(16)**	(283)
Gain on sale of patents and development activities		**-**	(125)
Changes in working capital	24	**(2,037)**	(1,886)
Cash generated from operations		**(3,010)**	(1,312)
Interest paid		**(599)**	(505)
Net cash generated by operating activities		**(3,609)**	(1,817)
Investing activities			
Cash was provided (to) from :			
Purchase of property, plant and equipment	14	**(720)**	(647)
Purchase of patents and development activities	15	**(981)**	(791)
Proceeds from sales of patents and development activities		**-**	250
Acquisition of subsidiary / business	17	**-**	(50)
Net cash (outflow) from investing activities		**(1,701)**	(1,238)
Financing activities			
Cash was provided from (to):			
New borrowings		**1,776**	1,214
Issue of new shares		**1,251**	2,953
Repayment of borrowings		**(299)**	(732)
Net cash inflow from financing activities		**2,728**	3,435
Net (decrease) increase in cash held		**(2,582)**	380
Cash at beginning of the year		**46**	(337)
Effect of exchange rate changes		**(92)**	3
Cash and bank balances at the end of the year	11	(2,628)	46

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

The Statement of Cash Flow is exclusive of GST.

1. General information

Mercer Group Limited is a public company registered under the Companies Act 1993 and is listed with the New Zealand Stock Exchange (NZX), and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

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

- **Stainless Fabrication:** The division includes the fabrication workshops in Christchurch and New Plymouth operated by Mercer Stainless Limited, 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.
- **Titan Slicer:** Based in Nelson, this division designs and sells specialised food cutting equipment and other similar products manufactured by the Stainless Fabrication division.
- **Mercer Interiors:** The division manufactures and supplies sinks, basins, tubs, toilets, laminate, solid surface material and other similar products to merchants, fabricators and to other manufacturers.
- **Mercer Medical:** The division supplies equipment and related products and services for sterilization, washing and disinfection.
- **Mercer Technologies:** The division manages the research and development of the Mercer Group.

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 24 August 2015.

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.

Entities reporting
The financial statements are for the consolidated economic entity comprising Mercer Group Limited and its subsidiaries (together “the Group”).

Statutory base
Mercer Group Limited is a limited liability company which is incorporated and domiciled in New Zealand. The address of its registered office is 142 Neilson Street, Onehunga, Auckland.

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Companies Act 1993. In accordance with the Financial Markets Conduct Act 2103 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.

Historical cost convention
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.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) 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;
- 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.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including;

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote-holders;
- potential voting rights held by the Company, other vote-holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the company ceases to control the subsidiary.

Profit or loss on each component of other comprehensive income 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 into 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 adjacent to share of profit / (loss) of associates 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. In 2015 two additional operating segments were separately disclosed, namely Titan Slicers (formerly included in Stainless Fabrication) and Mercer Technologies (formerly included in Corporate).

(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;
(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 and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences 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 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.

(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.

(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.

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.

(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.

(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 (eg 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.

Negative goodwill arising on an acquisition is recognised directly in the profit or loss.

(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
- management is able to and intends to complete the product and use or sell it
- there is an ability to use or sell the product
- 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.

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 and borrowing costs

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.

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 and diluted 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.

(y) Discontinued operations

A discontinued operation is a component of the Group that has either been disposed of, been closed, to be closed or is held for sale and represents a separate major line of business or geographical area of operations.

(z) 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.

(aa) 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 2014. As noted in note 2c two additional operating segments are being reported separately in the segment analysis in the notes. The comparative information in note 5 has been restated.

(ab) 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 2015. 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 the 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. The group will apply this standard when it becomes mandatory.

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 note15. 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, as detailed in note 16. Management has estimated future forecast taxable income in determining whether a deferred tax asset should continue to be recognised and the quantum of this asset.

Impairment Testing
Goodwill and the tangible assets, where there is an indication of a possible impairment of each cash generating unit, have 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. 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.

Going concern
The financial statements have been prepared using the going concern assumption. For the year ended 30 June 2015 the Group recorded a net loss after tax of ($7,025,000), which included a number of asset impairment charges and provisions amounting to $5,980,000. As a consequence the Group was in breach of its bank covenants at 30 June 2015 and is forecasting to remain in breach, albeit the 30 June 2015 breach was subsequently waived. Accordingly the Group's previous term debt of $7,813,000 has been classified as a current liability, and as a result the Group's current liabilities exceeded current assets by $4,000,000 at 30 June 2015.

The Directors believe the bank will likely reaffirm its support to the Group with the provision of the necessary debt facilities, including covenants which can be complied with based upon the Group's forecasts. Accordingly 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. These circumstances include the positive earnings forecast for the 2016 financial year, along with the potential cash inflows from the sale of the Interiors segment were the Directors to pursue that option.

In general the Directors are confident of securing on-going funding and accordingly the Directors believe that it continues to be appropriate to prepare financial statements on a going concern basis.

Whilst the Directors believe in the Group's ability to continue as a going concern, there is material uncertainty as to whether the bank will continue to provide the facilities required. In the event the bank is not willing to provide the Group with the necessary debt facilities, and the Group is unable to secure ongoing funding with another lender it is likely the Group will not be able to continue as a going concern. If the Group were unable to continue in operational existence, and pay debts as and when they become 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.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

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), ie not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange to determine market risk and aging analysis for credit risk.

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

The Group holds the following financial instruments:

	Loans and receivables $000	Financial assets at fair value through profit and loss $000	Financial liabilities at fair value through profit $000	Other financial liabilities $000
Group 2015				
Cash and cash equivalents	**157**	**-**	**-**	**-**
Trade and other receivables	**8,679**	**-**	**-**	**-**
Receivable from associate and other debtors	**1,150**	**-**	**-**	**-**
Trade and other payables	**-**	**-**	**-**	**(9,135)**
Borrowings and overdraft	**-**	**-**	**-**	**(11,082)**
	9,986	**-**	**-**	**(20,217)**
Group 2014				
Cash and cash equivalents	46	-	-	-
Trade and other receivables	8,368	-	-	-
Receivable form associate and other debtors	773	-	-	-
Trade and other payables	-	-	-	(6,124)
Borrowings and overdraft	-	-	-	(6,820)
	9,187	-	-	(12,944)

(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 may use foreign exchange currency contracts and foreign currency denominated borrowings to manage these exposures. 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 2015	**1,596**	**(149)**	**(149)**	**149**	**149**
30 June 2014	1,999	(144)	(144)	144	144

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 2015 $000	30 June 2014 $000
Cash		
Australian dollar	**27**	367
United States dollar	**-**	16
Canadian dollar	**-**	102
Trade receivables		
Australian dollar	**1,227**	830
United States dollar	**964**	927
Canadian dollar	**414**	276
Euro	**37**	-
Trade payables		
Australian dollar	**(602)**	(291)
United States dollar	**(337)**	(44)
Euro	**(26)**	(7)
Canadian dollar	**-**	(45)
Loan		
Australian dollar	**(108)**	(132)
	1,596	**1,999**

(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. The Group has both New Zealand dollar and Australian dollar denominated borrowings.

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 (2014: Nil).

The following table shows the sensitivity of the Group and Company'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 $10,992,000 (2014: $6,595,000).

Group	$'000	+1 pp and $'000		-1 pp and $'000	
	Carrying amount	Post tax profit	Equity	Post tax profit	Equity
Financial liabilities					
30 June 2015	**10,992**	**(77)**	**(77)**	**77**	**77**
30 June 2014	6,595	(46)	(46)	46	46

(b) Credit risk

In its normal course of business the Group is subject to, and managers 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 2015 the Group had exposure to one significant debtor which amounted to $1,327,000. Subsequent to year end this debtor settled 100% of this account.

(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.

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

• Hire purchase agreements whereby $90,000 (2014: $195,000) are due between one and five years (including interest).

Contingent liabilities disclosed in note 25 amount to $3,076,000 (2014: $3,043,000). 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.

	Less than one year $000	Between one and two years $000	Between two and five years $000	Over five years $000
30 June 2015				
Bank loans	10,599	-	-	-
Other loans	304	-	-	-
Hire purchase loans	89	90	-	-
Trade and other payables	9,135	-	-	-
Total	**20,127**	**90**	**-**	**-**
30 June 2014				
Bank loans	746	687	1,910	5,285
Hire purchase loans	75	75	120	-
Trade and other payables	6,124	-	-	-
Total	**6,945**	**762**	**2,030**	**5,285**

The group was in breach of its banking covenants at 30 June 2015. Accordingly the bank loans are classified as payable in less than one year. The breach of covenant was subsequently waived.

(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 2015 $000	30 June 2014 $000
Equity $'000	**14,610**	20,476
Total assets $'000	**35,997**	34,532
Equity Ratio	**40.6%**	**59.3%**

The Group is subject to a ratio of shareholder funds to tangible assets covenant at 30 June 2015 in relation to the bank loans detailed in note 19. These are tested half yearly. Further information is include in note 3.

(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 due to the short term nature of these balances.

5. Segment information

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

Stainless Fabrication: The division includes the fabrication workshops in Christchurch and New Plymouth operated by Mercer Stainless Limited, 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. Each location is an operating segment which is aggregated for reporting purposes due to similar economic characteristics.

Titan Slicer: Based in Nelson, this division designs and sells specialised food cutting equipment and other similar products manufactured by the Stainless Fabrication division.

Mercer Technologies: The division manages the research & development of the Mercer Group.

Mercer Interiors: The division manufactures and supplies sinks, basins, tubs, toilets, laminate, solid surface material and other similar products to merchants, fabricators and to other manufacturers.

Mercer Medical: Mercer Medical supplies equipment and related products and 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. 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.

	30 June 2015			30 June 2014		
	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	**29,842**	**2,141**	**9,172**	25,125	1,330	4,316
Titan Slicer	**4,081**	**(1,307)**	**6,039**	4,185	12	5,085
Mercer Technologies	**69**	**(70)**	**2,525**	1,028	850	1,684
Mercer Interiors	**7,782**	**(94)**	**4,765**	8,368	(521)	8,489
Mercer Medical	**3,356**	**(369)**	**1,862**	3,581	468	2,794
Corporate		**(1,274)**	**11,634**	-	(1,168)	12,164
Intersegment eliminations	**(1,768)**	**-**	**-**	(1,916)	-	-
Total sales, EBITDA, assets	**43,362**	**(973)**	**35,997**	**40,371**	**971**	**34,532**
Depreciation and amortisation		**(995)**			(901)	
Provision for Inventory		**(1,716)**			-	
Impairment of Intangible Assets		**(3,280)**			-	
Impairment of Tangible Assets		**(984)**			-	
Finance costs		**(599)**			(505)	
Income tax credit (charge)		**1,506**			(59)	
Share of profits (losses) of associate		**16**			11	
Total Group sales, profit or loss after tax, assets	**43,362**	**(7,025)**	**35,997**	**40,371**	**(483)**	**34,532**

One Stainless Fabrication customer contributed $2,134,000 (2014: $1,636,504) of revenue in the year ended 30 June 2015. Another contributed $1,844,000 (2014: $702,556) of revenue in the year ended 30 June 2015. No other customer's revenues have exceeded 10% of total revenues in either year.

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 Titan Slicer.

Depreciation and amortisation analysed by segment was:

	30 June 2015 $000	30 June 2014 $000
Stainless Fabrication	**320**	238
Titan Slicer	**61**	41
Mercer Technologies	**47**	-
Mercer Interiors	**331**	293
Mercer Medical	**26**	24
Corporate	**210**	305
Total	**995**	**901**

Impairment of intangible assets including goodwill, plant and equipment and inventory provisions, analysed by segment was:

	30 June 2015				30 June 2014
	Inventory $000	Plant and equipment $000	Intangible assets $000	Total $000	Total $000
Stainless Fabrication	-	-	231	**231**	-
Titan Slicer	-	-	-	**-**	
Mercer Interiors	1,016	884	2,801	**4,701**	-
Mercer Medical	700	100	248	**1,048**	-
Total	**1,716**	**984**	**3,280**	**5,980**	**-**

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

	30 June 2015 $000	30 June 2014 $000
Stainless Fabrication	**1,197**	980
Titan Slicer	**1,547**	630
Mercer Technologies	**2,480**	1,684
Mercer Interiors	**1,437**	2,417
Mercer Medical	**57**	396
Corporate	**6,653**	10,841
Total	**13,371**	**16,948**

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

	30 June 2015 $000	30 June 2014 $000
New Zealand	**13,315**	16,843
Australia	**56**	105
Total	**13,371**	**16,948**

6. Sales of goods and contract revenue

	30 June 2015 $000	30 June 2014 $000
Sales of goods	**9,730**	10,117
Construction contract revenue	**33,632**	30,254
Total	**43,362**	**40,371**

7. Other Income

	30 June 2015 $000	30 June 2014 $000
Grant	**196**	130
Discount on acquisition (note 17)	**-**	282
Other	**23**	19
Total	**219**	**431**

8. Other Expenses

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

	30 June 2015 $000	30 June 2014 $000
Foreign exchange losses	**51**	227
Advertising	**419**	399
Movement in doubtful debts provision (note 12)	**169**	320
Communication costs	**293**	243
Postage, printing and stationery	**127**	154
Bank charges	**147**	172
Electricity costs	**260**	234
Employee on-costs		
Superannuation	**377**	340
Accident credit compensation premiums	**272**	258
Insurance	**332**	320
Vehicle expenses	**236**	213
Directors fees	**199**	155
Consultancy fees	**159**	130
Legal	**99**	59
Repairs and maintenance	**821**	658
Recruitment	**264**	230
Research and development	**13**	16
Subcontractors	**219**	160
Travel and accommodation	**731**	547
Entertainment	**92**	56
Fees paid to Auditors		
Audit of financial statements	**72**	70
Forensic services	**9**	-
Other expenses	**1,074**	914
	6,435	**5,875**

Other expenses comprise various operational expenses, none of which are significant in themselves.

9. Salaries and wages

Salaries and wages exclude the following amounts that have been recovered into labour for internally generated development assets $595,000 (2014: $336,000).

10. Income tax

	30 June 2015 $000	30 June 2014 $000
(a) Income tax (credit) charge		
Current tax	-	-
Deferred tax (note 16)	**(1,506)**	59
Total	**(1,506)**	**59**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Deficit before tax expense	**(8,531)**	**(424)**
Tax at the New Zealand rate of 28%	**(2,389)**	(119)
Prior year tax adjustment	**(51)**	-
Expenditure not deductible for tax	**14**	8
Current year tax losses in Australia not recognised	**164**	170
Impairments of Goodwill	**756**	-
Income tax (credit) charge	**(1,506)**	**59**

(c) Tax Losses

Tax losses are recognised only if it is probable that future taxable amounts will be available to utilise the losses. The Group recognises tax losses in New Zealand and does not recognised loses in Australia. The carry forward losses recognised as a deferred tax asset in New Zealand are subject to shareholder continuity requirement.

At 30 June 2015 there were $10,799,000 (2014: $10,214,000) of unrecognised tax losses, representing a tax benefit of $3,229,000 (2014: $3,065,000). Unrecognised deferred tax balances represent tax losses in Australia that have not been recognised due to the lack of probability that future taxable income will be available.

(d) Imputation credit account

	30 June 2015 $000	30 June 2014 $000
Credits available to shareholders of the company	-	-

11. Cash and bank balances

	30 June 2015 $000	30 June 2014 $000
Cash at bank and in hand	**157**	46
Total cash and bank balances	**157**	**46**
Less bank overdrafts	**(2,785)**	-
Cash and cash equivalents per cash flow statements	**(2,628)**	**46**

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 2015 $000	30 June 2014 $000
Current		
Trade receivables	**1,516**	1,798
Less provision for doubtful receivables	**(23)**	(132)
Construction contract receivables	**7,414**	5,477
Less provision for doubtful receivables	**(228)**	(77)
Total accounts receivables	**8,679**	**7,066**
Impairment provision		
Provision for doubtful debts at 1 July	**(209)**	(138)
Increase in provision	**(169)**	(320)
Bad debts written off	**127**	249
Provision for doubtful debts at 30 June	**(251)**	**(209)**
Due and impaired receivables		
1 to 3 months	**-**	-
Over 3 months	**251**	209
	251	**209**
Due but not impaired receivables		
1 to 3 months	**2,525**	1,401
Over 3 months	**573**	470
	3,098	**1,871**

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

	30 June 2015 $000	30 June 2014 $000
Current		
Other debtors and prepayments		
Total other debtors	**629**	183
Receivables from Associate (note 27)	**120**	120
Prepayments	**378**	226
Total	1,127	529
Long term		
Other debtors and prepayments		
Receivables from Associate (note 27)	**401**	432
Prepayments	**338**	341
Total	739	773

Included in long term other debtors and prepayments are $238,000 (2014: $248,000) of prepayments which fall due 5 years after balance date.

13. Inventories

	30 June 2015 $000	30 June 2014 $000
Construction contracts		
Total aggregate costs incurred and recognised profits (less recognised losses) to date	**3,912**	7,956
Less: progressive billings	**(1,710)**	(7,172)
Net work in progress for ongoing contracts	2,202	784
Raw materials and components	**1,413**	1,210
Finished goods	**3,720**	4,128
Total inventories	7,335	6,122

The provision relating to inventories which have been written down to estimated net realisable value amounted to $1,716,000 (2014: $nil).

Certain inventories in New Zealand are subject to restriction of title, either as consequence of suppliers registering an interest under the Personal Property Securities Act 1999 or through the operation of Romalpa Clauses. Inventories are also subject to security in connection with bank borrowings, as disclosed in note 19.

14. Property, plant and equipment

Group	Freehold land $000	Buildings $000	Plant and equipment $000	Total $000
At 1 July 2013				
Cost/Valuation	1,557	3,743	15,191	**20,491**
Accumulated depreciation	-	(464)	(10,898)	**(11,362)**
Net book value	1,557	3,279	4,293	9,129
Year ended 30 June 2014				
Opening net book amount	1,557	3,279	4,293	**9,129**
Additions	-	33	614	**647**
Acquisition of new business (note 17)	-	-	33	**33**
Revaluation	592	256	-	**848**
Effect of exchange rate movements	-	-	(2)	**(2)**
Depreciation	-	(111)	(753)	**(864)**
Disposals	-	-	-	**-**
Closing net book amount	2,149	3,457	4,185	9,791
At 30 June 2014				
Cost/Valuation	2,149	3,543	15,825	**21,517**
Accumulated depreciation	-	(86)	(11,640)	**(11,726)**
Net book value	2,149	3,457	4,185	9,791
Year ended 30 June 2015				
Opening net book amount	2,149	3,457	4,185	**9,791**
Additions	-	65	655	**720**
Impairment	-	-	(984)	**(984)**
Depreciation	-	(110)	(802)	**(912)**
Disposals	-	-	-	**-**
Closing net book amount	2,149	3,412	3,054	8,615
At 30 June 2015				
Cost/Valuation	2,149	3,608	16,480	**22,237**
Impairment	-	-	(984)	**(984)**
Accumulated depreciation	-	(196)	(12,442)	**(12,638)**
Net book value	2,149	3,412	3,054	8,615

Land and buildings at 53 Lunns Road, Christchurch was revalued to $3,674,000 on 17 September 2013. Land and buildings at Corbett Rd, Bell Block was revalued to $2,000,000 on 24 September 2013. The values were determined by independent registered valuers, Telfer Young (Canterbury) 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 property will be revalued on a cyclical basis by external independent valuers. The valuation methodologies used in the land and buildings revaluation as at September 2013 are consistent with the valuation methodologies used in the last valuation in May 2009.

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.

The table below summarises the valuation approach and the principle assumptions used in establishing the fair values in 2014:

Asset classification description and valuation approach	Valuer	Fair value at 30 June 2014 $000	Inputs used to measure fair value	Range of significant unobservable inputs	Weighted average
Land					
Income capitalisation approach and discounted cashflow approach	Telfer Young	**2,149**	Rental Growth	**2.00%**	
			Discount rate	**10.75%**	**10.75%**
			Terminal Yield	**9.50% - 10.00%**	**9.84%**
			Net market income per m2	**$33-$81**	**$67**
			Capitalisation rate	**9.00% - 9.75%**	**9.13%**
Buildings					
Income capitalisation approach and discounted cashflow approach	Telfer Young	**3,457**	Rental Growth	**2.00%**	
			Discount rate	**10.75%**	**10.75%**
			Terminal Yield	**9.50% - 10.00%**	**9.84%**
			Net market income per m2	**$33-$81**	**$67**
			Capitalisation rate	**9.00% - 9.75%**	**9.13%**

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

		Fair value measurement sensitivity to significant:	
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

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:

	30 June 2015 $000	30 June 2014 $000
Cost	**3,018**	2,953
Accumulated depreciation	**(898)**	(807)
Net book value	**2,120**	**2,146**

15. Intangible assets

	30 June 2015 $000	30 June 2014 $000
Goodwill		
Cost	**6,337**	6,337
Impairment	**(5,313)**	(2,614)
Net book amount	**1,024**	**3,723**
Opening balance	**3,723**	3,723
Impairment	**(2,699)**	-
Closing balance	**1,024**	**3,723**
Acquired patents, trademarks and licences		
Cost	**567**	639
Accumulated amortisation and impairment charges	**(255)**	(396)
Net book amount	**312**	**243**
Opening balance	**243**	246
Additions	**91**	16
Amortisation	**(22)**	(19)
Closing balance	**312**	**243**
Intellectual property		
Cost	**2,742**	3,950
Accumulated amortisation and impairment charges	**(77)**	(1,533)
Net book amount	**2,665**	**2,417**
Opening balance	**2,417**	1,785
Additions	**890**	775
Impairment	**(581)**	-
Disposals	**-**	(125)
Amortisation	**(61)**	(18)
Closing balance	**2,665**	**2,417**
Total intangible assets	**4,001**	**6,383**

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 goodwill allocation is presented below.

	30 June 2015 $000	30 June 2014 $000
Mercer Interiors	-	2,699
Titan Slicer	**1,024**	1,024
Total	**1,024**	**3,723**

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. The goodwill allocated to Mercer Interiors relates to the acquisition and subsequent integration of Duratech Wholesale Limited in 2008. The goodwill allocated to Titan Slicer relates to the acquisition and subsequent integration of Titan Slicer Limited in July 2012.

Goodwill has been tested for impairment in June 2015. 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 terminal growth rates used are between 2% and 3% (2014: 3%). The cash flows are discounted at a nominal rate between 13% and 20% (2014: 13%). The valuation models used are most sensitive to changes in the terminal year earnings and cash flows.

The average growth in revenues used in the impairment calculation for Mercer Interiors is 7.9% (2014: 8.5%). The terminal growth rate used was 2% (2014: 3%) and the cash flows were discounted at a nominal rate of 20% (2014: 13%). The goodwill was fully impaired using these assumptions and this also gave rise to an impairment of fixed assets set out in Note 14. This impairment has been driven by applying a higher discount rate of 20% (2014: 13%) to reflect the higher risks associated with the cash flows following a strategic review of this business.

The average growth in revenues used in the impairment calculation for Titan Slicer is 37% (2014: 20%). The terminal growth rate used was 2% (2014: 3%) and the cash flows were discounted at a nominal rate of 13% (2014: 13%). The goodwill would start to be impaired if the growth rate was less than 7% (2014:15%); or the discount rate greater than 24% (2014: 20%.)

16. Deferred tax asset

	Buildings $000	Other Temporary Differences $000	Tax Losses $000	Total $000
Balance at 1 July 2013	(918)	1,021	3,849	**3,952**
Amounts credited to the asset revaluation reserve	(71)	-	-	**(71)**
Amounts credited to profit and loss	-	(35)	(24)	**(59)**
Balance at 30 June 2014	**(989)**	**986**	**3,825**	**3,822**
Balance at 1 July 2014	(989)	986	3,825	**3,822**
Amounts credited to profit and loss	-	822	684	**1,506**
Balance at 30 June 2015	**(989)**	**1,808**	**4,509**	**5,328**

Other Temporary Differences arise from provisions for working capital and plant and equipment. $943,000 (2014: $192,000) of the deferred tax asset is expected to be realised over the next 12 months. The Group has forecast future earnings and concluded that the tax losses are likely to be utilised in the medium term.

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.

Name of entity	Activities	Location	2015 % ownership	2014 % ownership
Subsidiaries				
Mercer Stainless Limited	Stainless steel fabricator and equipment manufacture; manufacturer / distributor of kitchen, bathroom and laundry products; and distributor of medical products	New Zealand	**100%**	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	**100%**	100%
Mercer Products Pty Limited	Distributor of kitchen products	Australia	**100%**	100%
Mercer Technologies Pty Limited	Supply 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%
Old HEP Limited	Non-trading subsidiary, formerly a distributor of photographic equipment	New Zealand	**100%**	100%
Sulray Limited	Non-trading holding company of Mercer Stainless Limited	New Zealand	**100%**	100%
Duratech Wholesale Limited	Non-trading holding company	New Zealand	**100%**	100%
Kuaka Holdings Limited	Non-trading holding company of Mercer Stainless Pty Limited	New Zealand	**100%**	100%
Mercer North America Limited	Non-trading stainless steel equipment sales and service	United States	**100%**	100%
Titan Slicer Limited	Stainless steel equipment sales and service	New Zealand	**75%**	75%
Mermed Limited	Holds Intellectual Property	New Zealand	**75%**	75%
Associate				
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 $16,000 (2014: $11,000) recognised in the profit or loss.

Total assets and liabilities for Titan Design Limited are set out below:

	30 June 2015 $000	30 June 2014 $000
Assets	**594**	529
Liabilities	**(497)**	(497)
Net Assets	**97**	**32**

Acquisitions

There were no acquisitions in the June 2015 financial year. In June 2014, the Group acquired 100% of the business and assets of Medchem Limited, a private entity, from its liquidator in exchange for cash of $50,000. Medchem Limited is an agent of instruments and related consumables for a series of principals in the Medical sector. The owners did not have sufficient time to market the business to multiple potential buyers. The management of the Group initially measures the separately recognisable identifiable assets acquired in accordance with the requirements of NZ IFRS 3. The amount of Medchem's identifiable net assets ($332,000) exceeds the fair value of the consideration transferred. Mercer measures the gain on its purchase as follows:

	30 June 2015 $000	30 June 2014 $000
Consideration		
Cash	-	50
Total consideration	-	50
Recognisable amounts of identifiable asset acquired		
Fixed assets	-	33
Inventories	-	299
Total identifiable net assets	-	332
Other income	-	(282)
Total	-	50

18. Trade and other payables

	30 June 2015 $000	30 June 2014 $000
Trade creditors	6,935	4,761
Sundry creditors and accruals	2,200	1,363
Total creditors and accruals	9,135	6,124

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

19. Borrowings

	30 June 2015 $000	30 June 2014 $000
Bank loans	7,814	6,595
Other loans	304	-
Hire purchase loans	179	225
Total borrowings	8,297	6,820
Contractual maturity		
Within one year	8,207	389
Later than one year	90	6,431
	8,297	6,820

Bank loans
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 to June 2017. These comprise:

- A committed cash advance facility of $4,000,000;
- A loans facility of $3,701,000 with repayments of $24,600 per month falling due from June 2015;
- A loans facility of $112,000 with repayments of $1,100 per month falling due from June 2015; and
- A overdraft facility of $3,000,000 with three repayments of $500,000 each due in October 2015 , November 2015 and January 2016.

The total facility including overdraft is $10,813,000 at 30 June 2015 (2014: $8,132,000). Interest on the committed cash advance facility is 5.4% (2014: 6.4%) and the interest rate on the loan is 6.4% (2014: 6.8%). The overdraft facility of $3,000,000 at 30 June 2015 (2014: $1,500,000) was drawn down to the amount of $2,785,000. The committed cash advance facility was fully drawn at 30 June 2015 (2014: $1,500,000 undrawn). There is a line fee of 1% on the committed cash advance facility.

Bank loans are subject to the following covenants: ratio of shareholder funds to tangible assets; ratio of earnings to consolidated funding costs; and ratio of earnings to consolidated debt servicing costs. The group was in breach of its banking covenants at 30 June 2015. Accordingly the bank loans are classified as payable in less than one year. The breach was subsequently waived. Further information has been disclosed in note 3.

Hire purchase loans
Non bank hire purchase loans have fixed interest charged at 8.6% (2014: 7.8%)

The total minimum lease payments were as follows:

	30 June 2015 $000	30 June 2014 $000
Less than one year	**76**	75
Between two and five years	**119**	195
Total minimum lease payments	**195**	**270**
Less: future interest	**(16)**	(45)
Present value of future liability	**179**	**225**

20. Share Capital

Group	Shares 30 June 2015 # of shares	30 June 2014 # of shares	30 June 2015 $000	30 June 2014 $000
Issued and fully paid up capital	**311,970,446**	**294,321,349**	**33,475**	**32,146**
Balance at beginning of the year	**294,321,349**	239,695,716	**32,146**	29,084
Shares issued during the year	**17,649,097**	54,625,633	**1,329**	3,062
Balance at the end of the year	**311,970,446**	**294,321,349**	**33,475**	**32,146**

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

In February 2014, Mr R Shepherd, Chief Executive Officer, exercised 14,285,714 share options which raised $1,000,000 and Mr T Blathwayt, Chief Financial Officer, exercised 3,571,429 share options which raised $250,000.

In December 2014, Mr R Shepherd exercised 11,764,706 share options which raised $1,000,000 and Mr T Blathwayt exercised 2,941,176 share options which raised $250,000.

Mr R Shepherd was also entitled to 1% of the shares after the AGM on the first, second and third anniversary of his appointment and in 2015, after the third anniversary of his appointment, Mr R Shepherd was issued 2,943,214 (2014: 2,396,957) shares in accordance with Note 27. There are no further entitlements.

Murray Capital Rakaia Fund Ltd Partnership exercised 34,371,533 warrants at an exercise price of $0.05 per share in November 2013.

There were no warrants outstanding at 30 June 2015 (2014: Nil).

21. Retained earnings and other reserves

	30 June 2015 $000	30 June 2014 $000
Foreign currency translation reserve		
Balance at beginning of the year	**(206)**	(105)
Net exchange difference on translation of overseas subsidiaries	**(92)**	(101)
Balance at the end of the year	(298)	(206)
Share based payment reserves		
Balance at beginning of year	**88**	100
Value of employee services	**28**	97
Transfers to share capital	**(106)**	(109)
Balance at the end of the year	10	88
Asset revaluation reserve		
Balance at beginning of the year	**2,814**	2,037
Revaluation	**-**	848
Deferred tax on revaluation of buildings	**-**	(71)
Balance at the end of the year	2,814	2,814
Total other reserves	2,526	2,696
Retained earnings		
Balance at beginning of the year	**(14,345)**	(13,888)
Deficit for the year	**(6,718)**	(457)
Balance at end of the year	(21,063)	(14,345)

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.

22. Dividends

	30 June 2015 Cents	30 June 2014 Cents
	Dividend per share	
No dividend was paid or declared (2014: Nil)	-	-

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 2015 # of shares	30 June 2014 # of shares
Weighted average number of ordinary shares in issue:		
Basic	**304,507,878**	271,036,388
Warrants	**-**	11,676,905
Options	**7,605,042**	25,322,320
Equity based remuneration	**1,217,604**	3,934,831
Total	**313,330,524**	**311,970,444**
Deficit attributable to the shareholders of the Company ($000)	**(6,718)**	(457)
Basic earnings per share	**(2.21) cents**	(0.17) cents
Diluted earnings per share	**(2.21) cents**	(0.17) cents

Given the deficit in 2014 and 2015 the instruments above are anti-dilutive. Accordingly the number of shares used in the diluted earnings per share calculation in 2014 is 271,036,388, and in 2015 is 304,507,878.

24. Change in working capital

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

	30 June 2015 $000	30 June 2014 $000
Trade creditors and accruals	**3,069**	361
Trade debtors and prepayments	**(2,177)**	(1,786)
Inventories	**(2,929)**	(461)
Total	**(2,037)**	**(1,886)**

25. Contingent liabilities

	30 June 2015 $000	30 June 2014 $000
Guarantee to bankers of bank overdraft facilities for subsidiaries to a limit of	**215**	1,500
Guarantee to bankers for credit card facilities up to a limit of	**204**	200
Guarantees to bankers for bank guarantees issued to third parties from which it is anticipated that no material liabilities will arise	**2,657**	1,343
	3,076	**3,043**

Note: The overdraft limit at 30th June 2015 amounted to $3,000,000 (2014 $1,500,000) of which $2,785,000 (2014 $ Nil) was drawn.

26. Commitments

	30 June 2015 $000	30 June 2014 $000
Capital commitments		
Estimated commitments contracted for at balance date but not provided for	-	-
Operating lease commitments		
Non-cancellable		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows		
Within one year	**637**	1,137
Later than one year but not later than five years	**2,018**	1,570
Later than five years	**922**	352
	3,577	**3,059**

The Group leases premises and plant and equipment . Operating leases held over properties give the Group the right to renew the lease subject certain circumstances to a rent 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, G Diack, HJD Rolleston, R Rookes, R Shepherd and P Smart.

(b) Key management personnel compensation

Key management personnel compensation for the year ended 30 June 2015 and the year ended 30 June 2014 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 2015 $000	30 June 2014 $000
Short term benefits	**1,933**	1,621
Long term benefits	**26**	12
Equity based payments	**28**	97
Directors' fees	**181**	155
Total	**2,168**	**1,885**

(c) Equity instruments

(i) Share options

As noted in note 20 Mr R Shepherd and Mr T Blathwayt exercised options in the 2014 and 2015 financial years. In September 2014 Mr A Dowman, General Manager Technologies, was issued 1,785,714 options which are exercisable at $0.14 per share on 31 December 2016.

(ii) Other shares

Equity based remuneration: Mr R Shepherd who was appointed in August 2011 was issued shares equivalent to 1% of the shares on issue in Mercer Group Limited after the Annual General Meeting on the first, second and third anniversary from the date of the employment agreement on condition that Mr R Shepherd is employed by the Group at that point. The Group paid the tax on the 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 equity value of $8.2 million, weighted average cost of capital of 13% and on the total number of fully diluted shares at that time. For the share options volatility, was determined based on industry norms, of 30%. The total amount recognised in the profit or loss was $28,000 (2014: $106,000).

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.

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

	30 June 2015		30 June 2014	
	Average exercise price in cents per share option	Options ('000)	Average exercise price in cents per share option	Options ('000)
At 1 July	**8.50**	**14,706**	7.67	32,563
Granted	**14.00**	**1,786**	-	-
Exercised	**8.50**	**(14,706)**	7.00	(17,857)
At 30 June	**14.00**	**1,786**	8.50	**14,706**

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) 2015	Shares (000) 2014
November 2011 / January 2012	December 2014	8.50	-	14,706
September 2014	December 2016	14.00	1,786	-
			1,786	14,706

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

	30 June 2015 $000	30 June 2014 $000
Associates		
Advances owed from associates	521	552
Amounts owed to associates	-	(103)
Non-controlling interests		
Amounts owed to non-controlling interests	-	(26)

(e) Terms and conditions of related party transactions

Advances to associates
Intellectual property is held by associates and recovered by way of a royalty on sales of the equipment concerned.
The interest free loan to the associate is repayable by way of future royalty payments due from the sale of certain Titan Slicer equipment.

28. Subsequent events

In July 2015 additional funding has been sourced from Gresham Finance Ltd, an entity associated with Mr H Rolleston a Director, for $1,000,000 repayable in 12 months. The interest rate is 15%.

Mr R Shepherd, resigned as a Director on 11 August 2015.

On the same date the Group announced it was exploring options for the Interiors and Medical divisions, with a view to exiting the Interiors division at the appropriate time.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MERCER GROUP LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Mercer Group Limited and its subsidiaries (the Group) on pages 13 to 49, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, statement of movements in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm carries out other assignments for Mercer Group Limited in the area of forensic investigation services. These services have not impaired our independence as auditor of the Company and Group. The firm has no other relationship with, or interest in, Mercer Group Limited or any of its subsidiaries.

Opinion

In our opinion, the consolidated financial statements on pages 13 to 49 present fairly, in all material respects, the financial position of Mercer Group Limited as at 30 June 2015 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the financial statements which indicates that the company was in breach of its banking covenants at 30 June 2015, although this breach was subsequently waived, and is forecasting to remain in breach of its banking covenants. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Deloitte

Chartered Accountants
24 August 2015
Auckland, New Zealand

This audit report relates to the consolidated financial statements of Mercer Group Limited for the year ended 30 June 2015 included on Mercer Group Limited's website. The Board of Directors is responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 24 August 2015 to confirm the information included in the audited consolidated financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statutory Information

For the year ended 30 June 2015

Mercer Board of Directors

Principal activity

The Board is the governing body of Mercer Group Limited and currently has five members. The directors are elected by the shareholders to oversee the management of the Company and are responsible for all corporate governance matters.

In accordance with the constitution, all directors will continue in office, until the 2015 Annual General Meeting, when two directors will retire by rotation. Directors being eligible, may offer themselves for re-election in accordance with the Company's constitution. Mr Diack and Mr Rookes retire by rotation as directors at the next Annual General Meeting however, they have not offered themselves for re-election. Mr Rookes will continue his role as Chief Executive Officer.

Directors holding office during the period

Directors Holding Office	Remuneration	
	2015	2014
John Dennehy [Independent Chairman] Appointed 26 February 2015	$25,000	-
Garry Diack [Independent]	$42,375	$34,833
Humphry Rolleston	$38,000	$38,000
Richard Rookes	$38,000	$38,000
Paul Smart [Independent]	$38,000	$42,098
Rodger Shepherd [Executive] Resigned	-	-

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. To review and make appropriate inquiry into the audit 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.

Auditor's Remuneration	Remuneration	
	2015	2014
Financial Statements	$72,000	$70,000
Other Services	$ 9,000	-

Statutory Information
For the year ended 30 June 2015

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:

- Garry Diack [Chairman]
- Humphry Rolleston

Employee Remuneration

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

	2015	**2014**
$100,000 – 109,999	11	4
$110,000 – 119,999	2	1
$120,000 – 129,999	2	2
$130,000 – 139,999	2	2
$140,000 – 149,999	1	2
$150,000 – 159,999	-	4
$160,000 – 169,999	1	1
$170,000 – 179,000	1	-
$180,000 – 219,999	2	-
$220,000 – 229,999	-	1
$350,000 - 359,999	1	-
$390,000 - 399,999	-	1

Note that these figures include equity based payments amounting to $28,000 (2014: $97,000) for share based payments (see note 20) of the Group Financial Statements.

Diversity

At 30 June 2015, Mercer employed 194 staff including 102 in the workshop. Excluding workshop staff the company has 86% male and 14% female. We encourage representation across both genders and all ethnicities and have a policy hiring based on merit. The directors and officers of the company are all male.

Corporate Governance Process

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 Mercer Group Limited 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 meet at least twice a year.

The following principles/processes recommended in the code are not complied with at the date of this report:

1. Director Appointment - A nomination committee is not considered appropriate due to the size of the Board.
2. Director Remuneration - A remuneration committee to consider directors fees is not considered appropriate due to the size of the Board.
3. Board Performance - Formal procedures to assess individual and Board performance have not been developed.

Directors' Interest Register

Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as notice that the director may benefit from any transaction between the parent or Group and the identified entities.

John Dennehy Appointed 26 February 2015 Non-executive Independent Chairman, and a member of the Audit Committee	Director - Zagat Ltd [private company] Director - Marketing file Ltd., a UK [private company]
Garry Diack Appointed 6 May 2011 Non-executive, Independent Chairman of the Remuneration Committee.	Tait Group of Companies: Tait Ltd NZ Tait Holdings (Brazil) Limited NZ Tait Holdings (BR) Limited NZ Tait Communications Ltd NZ Tait Radio Communications (RW) Ltd NZ Tait Managed Services Ltd -(formerly Tait Radio Communications (IA) Ltd) NZ Tait Radio Communications (MA) Ltd NZ Tait Radio Communications (LA) Ltd NZ Tait Electronics (Aust) Pty Ltd Australia Tait Electronics (Network) Pty Ltd Australia Tait Electronics (Far East) Pte Ltd Singapore Tait North America Inc, Canada Tait North America, Inc USA Tait Solutions Inc USA Tait Radio Inc USA Tait Europe Ltd UK Tait Radio Communications GmbH Germany
Humphry Rolleston Appointed 6 August 1986 Non-executive and member of the Remuneration Committee	Director - Save A Watt Ltd Director - Asset Management Ltd Director - Gresham Finance Ltd Director - Stray NZ Ltd Director - Guthrey Holdings Ltd Director - Spaceships Ltd Director - ANZCRO Pty Ltd Director - Simmonds Timber Ltd Director - Infratil Ltd Director - Matrix Security Group Ltd Director - McRaes Global Engineering Ltd Director - Property for Industry Ltd Director - Sky Network Television Ltd Director - Murray & Company Ltd, Murray Capital Ltd and Murray Capital General Partner Ltd
Richard Rookes Appointed 21 February 2011 Appointed CEO in July 2015 Executive and member of the Audit Committee	Shareholder - Murray & Company Ltd Shareholder - Murray Capital Ltd Director - CommArc Consulting Ltd
Rodger Shepherd Appointed CEO in August 2011 Resigned as CEO in July 2015 Appointed Director 25 May 2012 Resigned as Director 11 August 2015	Private company - Triplex Management Ltd Private company - RD & TR Shepherd [personal investments] Non-Executive Director - Unit2Go Ltd [privately owned transportable housing company] Non-Executive Director - Honnor Drilling Ltd Honnor Drilling Holding Ltd – Holding company for Honnor Drilling Ltd shares Director - Affinity ID Limited Director - Mercer Group Ltd & Subsidiaries
Paul Smart Appointed 31st July 2012 Non-executive and Independent Chairman of the Audit Committee	Director - NZPM Group Ltd Director - Sunrise Consulting Ltd Director - Solar City Trustee - Bellbird Trust Trustee - Saddleback Trusts Deputy Chairman and Chair Audit of NZPM Group Ltd Director and Chair Audit Committee - Intercity Group – operates Intercity Coach Lines, Great Sights, Awesome and Fullers Bay of Islands

Directors' Shareholding

Directors Shareholding	Voting Securities Total	Beneficial Interest		Associated Persons		Non Beneficial	
		2015	2014	2015	2014	2015	2014
H J D Rolleston							
HJD Rolleston & GW Riley (Investment Trust)		35,687,988	35,687,988				
HJD Rolleston		26,482	26,482				
Asset Trading Limited				612,567	612,567		
Victoria Mansions Limited				21,599	21,599		
Asset Management Limited				44,737,879	44,737,879		
	81,086,515	35,714,470	35,714,470	45,372,045	45,372,045		
	25.99%						
G Diack							
Garry John Diack		115,320	115,320				
	115,320	115,320	115,320				
	0.04%						
R Rookes							
Murray Capital Rakaia Fund Limited Partnership						100,000,000	100,000,000
	100,000,000					100,000,000	100,000,000
	32.05%					32.05%	
R Shepherd							
Rodger David Shepherd		14,410,333	16,285,333				
RD & TR Shepherd Limited		6,374,587	6,374,586				
Whitford Equity Investments Limited				14,285,714	14,285,714		
	35,070,633	20,784,920	22,659,919	14,285,714	14,285,714		
	11.24%						
Total shares in issue at 30 June 2015	**311,970,446**						

Mr Rolleston is a minority (6.66%) shareholder of Murray Capital Rakaia Fund Limited Partnership which at 30 June 2015 held 100,000,000 shares.

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 director which would not have otherwise have been available to them.

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 $13,800.

Statutory Information
For the year ended 30 June 2015

Donations

Mercer Group Limited made no donations during either year.

Shareholder Analysis

The shareholder information detailed in this report has been taken from the Company's Register as at 24 August 2015.

Domicile of security holders

Country	Holders	%	Issued Capital	%
New Zealand	502	97.10	310,628,880	99.57
Australia	12	2.32	825,184	0.26
United Kingdom	3	0.58	516,382	0.17
Totals	**517**	**100.00**	**311,970,446**	**100.00**

Analysis of shareholder by size

Range of shareholdings	Holders	%	Issued Capital	%
1-1000	86	16.63	44,723	0.01
1001-5000	145	28.05	431,098	0.14
5001-10000	69	13.35	553,385	0.18
10001-50000	108	20.89	2,899,603	0.93
50001-100000	40	7.74	3,144,812	1.01
Greater than 100000	69	13.35	304,896,825	97.73
Totals	**517**	**100.00**	**311,970,446**	**100.00**

Substantial security holders

The following information is given in accordance with Section 293 of the Financial Markets Conduct Act 2013. According to notices received, the following persons were substantial security holders in the Company as at 30 June 2015:

	Relevant Interest Voting Securities	% of Shares
Murray Capital Rakaia Fund Ltd Partnership	100,000,000*	32.05
HJD Rolleston	81,086,515*	25.99
R D Shepherd	35,070,634*	11.24

* The total number of voting securities of the Company on issue at 30 June 2015 was 311,970,446

Top 20 shareholders

The shareholder information detailed in this report has been taken from the Company's Register as at 24 August 2015.

Rank	Investor Name	Total Units	% Issued Capital
1	Murray Capital Rakaia Fund Limited Partnership	100,000,000	32.05
2	Asset Management Limited	44,737,879	14.34
3	New Zealand Central Securities Depository Limited	39,685,553	12.72
4	Humphrey John D Rolleston & Graham William Riley	35,687,988	11.44
5	Rodger David Shepherd	14,410,333	4.62
6	Whitford Equity Investments Limited	14,285,714	4.58
7	RD & TR Shepherd Limited	6,374,587	2.04
8	Barry David Lobb	4,965,329	1.59
9	Andrew Wayne Scott	4,350,000	1.39
10	Parvenu Holdings Limited	3,880,317	1.24
11	Accelerated Transaction Consulting Limited	3,713,487	1.19
12	Paul Hewitson & Christopher John Stark	3,536,019	1.13
13	Russell John Field & Anthony James Palmer	3,104,030	0.99
14	Aaron James Forster & Lloyd & Associates Limited	3,000,000	0.96
15	Christopher Purcell Tapper	2,500,000	0.80
16	Ronald Joseph Gillatt	2,340,600	0.75
17	John McDonald	1,875,000	0.60
18	Custodial Services Limited	1,824,804	0.58
19	Michael David Hocquard Clark & Heather Margaret Anderson & Roderick Neill Gillespie	1,000,000	0.32
20	Pendene Farm Limited	975,441	0.31
Totals		**292,247,081**	**93.33**

Company Directory

REGISTERED OFFICE
142 Neilson Street
Onehunga
Auckland
CEO - Richard Rookes

SOLICITORS
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20/88 Shortland St
Auckland 1010

SHARE REGISTRY
PO Box 384
Ashburton 7740

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

AUDITORS
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Levels 13-18
80 Queen Street
Auckland 1010

Branches

Auckland

Mercer Interiors & Mercer Medical
142 Neilson St, Auckland
Ph: +64 (9) 837 7540
COO - Tobin Blathwayt

Christchurch

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53 Lunns Road, Christchurch
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Manager – Ross Coppard

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Mercer Stainless
Corbett Road, Bell Block, New Plymouth
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Manager – Richard Fletcher

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GM – Tom Irvine

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Mercer Interiors
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GM – Ivan Ramsey

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16 Blivest Street, Oxley,
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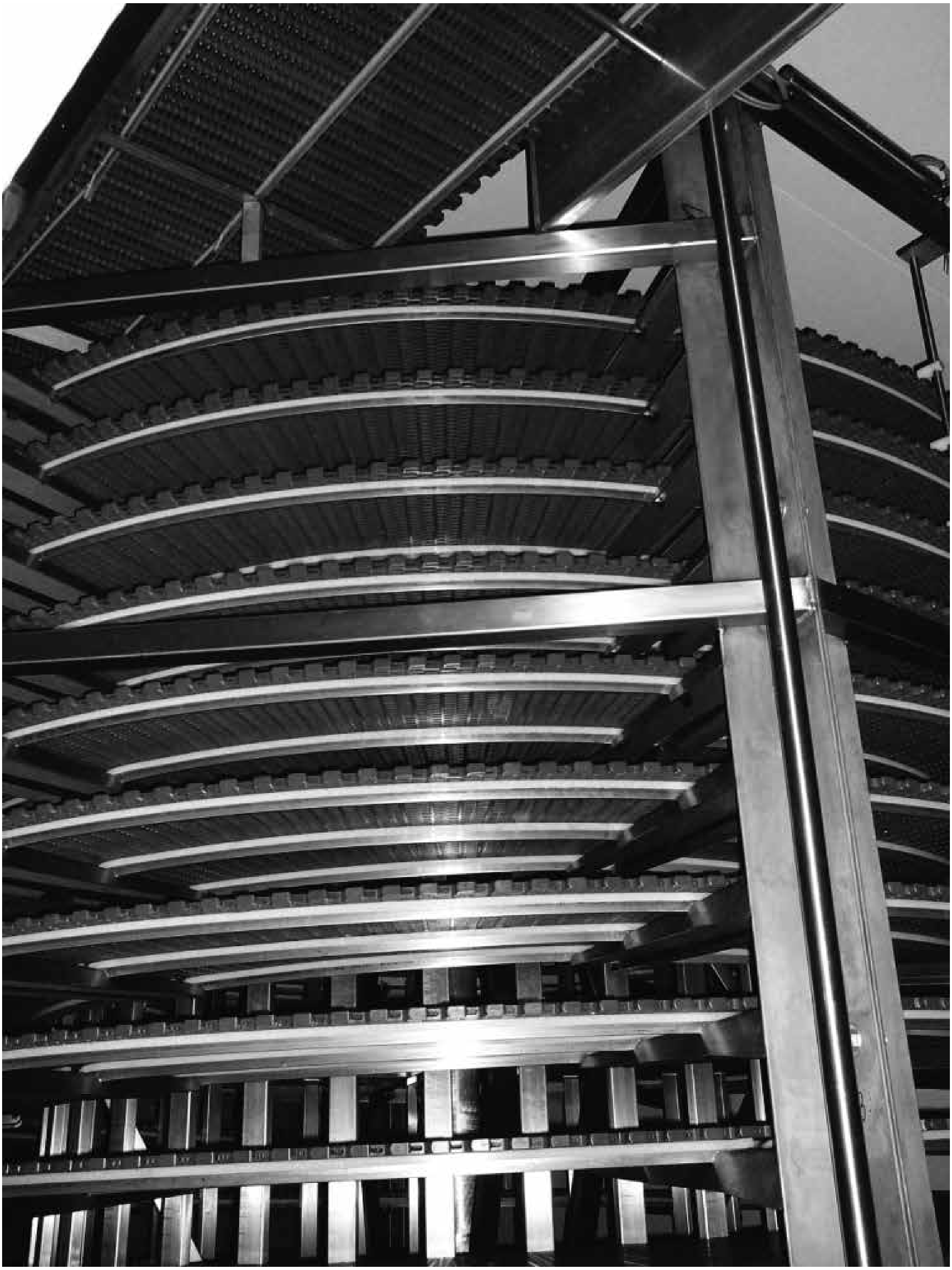
Ph: +61 (7) 3279 2020
Manager - Phil Mangano

Lazy Susan Conveyor



Mercer