MERCANTILE INVESTMENT COMPANY LIMITED

AND CONTROLLED ENTITIES

ABN 15 121 415 576

Annual Report
30 June 2018

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MERCANTILE INVESTMENT COMPANY LIMITED
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CORPORATE DIRECTORY

Directors	Sir Ron Brierley - Chairman & Non-Executive Director Mr James Chirnside - Independent Non-Executive Director Mr Ron Langley - Independent Non-Executive Director Mr Gabriel Radzyminski - Executive Director Mr Daniel Weiss - Non-Executive Director Dr Gary Weiss - Alternate Director
Company Secretary:	Mark Licciardo and Adam Sutherland Mertons Corporate Services Pty Ltd Level 7, 330 Collins Street Melbourne VIC 3000
Auditor:	Pitcher Partners Level 22, MLC Centre 19 Martin Place Sydney NSW 2000
Registered Address:	Level 5, 139 Macquarie Street Sydney NSW 2000
Contact Details:	Telephone: +61 2 8014 1188 Email: info@mercinv.com.au Website: www.mercantileinvestment.com.au
Share Registrar	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: +612 8280 7001 (Australia) Website: www.linkmarketservices.com.au
ASX Code:	**MVT** Fully paid ordinary shares. **MVTHA** 8% p.a. Unsecured Notes.
NZX Code:	**MVT** Fully paid ordinary shares.

MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
ABN 15 121 415 576

PORTFOLIO COMPOSITION
As at 30 June 2018

Australian Securities Exchange Listed Investments **Listed Domestic Investments**	**Total Value** **$**
Ingenia Communities Group	21,457,799
Yellow Brick Road Ltd	5,125,990
Stanmore Coal Ltd	4,276,050
Fleetwood Corporation Ltd	3,750,853
MG Unit Trust	2,640,000
IPE Ltd	2,321,495
Fitzroy River Corporation Ltd	2,272,648
Bauxite Resources Ltd	2,158,883
Joyce Corporation Ltd	1,420,000
Phosphate Australia Ltd	995,048
Copper Mountain CDI	628,230
US Residential Fund Ltd	514,866
Reckon Ltd	485,000
Pental Ltd	474,779
Australian Pharma Industries Ltd	425,000
Servcorp Ltd	416,000
BCI Minerals Ltd	405,000
Chalmers Ltd	307,573
Consolidated Operations Group Ltd	304,545
Telstra Corporation Ltd	262,000
MMA Offshore Ltd	255,000
Sietel Ltd	255,000
Triangle Energy (Global) Ltd	245,770
Clearview Wealth Ltd	198,036
Excelsior Gold Ltd	180,000
Novo Litio Ltd	180,000
Desane Group Holdings Ltd	173,700
Sigma Healthcare Ltd	162,000
Selfwealth Ltd	160,000
Sino Gas & Energy Holdings Ltd	112,500
Reverse Corporation Ltd	110,000
BWX Ltd	108,720
Smart Parking Ltd	90,000
Aurora Minerals Ltd	85,023
EHR Resources Ltd	80,000
Spicers Ltd	74,000
American Patriot Oil & Gas Ltd	72,000
Elementos Ltd	50,000
Cellnet Group Ltd	36,683
White Energy Company Ltd	33,000
Trustees Aust Ltd	30,908
YPB Group Ltd	29,347
Yancoal Australia Ltd	14,000
FE Investments Group Ltd	7,333
Oriental Technologies Ltd	2,520
	53,387,299

MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
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PORTFOLIO COMPOSITION (CONTINUED)
As at 30 June 2018

	Total Value
	$
Listed International Investments	
Spectra Systems Corp PLC (UK)	8,214,405
Smiths City Group Ltd (NZ)	1,887,617
Tower Ltd (NZ)	1,412,067
NZX Ltd (NZ)	1,036,127
Hydro Hotel Eastbourne PLC (UK)	893,966
Enteq Upstream PLC (UK)	528,527
Smart (J.) & Co. (Contractors) PLC (UK)	385,847
Electronic Data Processing PLC (UK)	211,180
Northamber PLC (UK)	130,879
European Real Estate Investment Trust (UK)	549
Sub-total	**14,701,164**
Unlisted Domestic Investments	
Dawney & Co Pty Ltd	373,500
Asset Backed Yield Trust	233,660
Multiplex Europe	100,000
Scantech Ltd	98,152
Qrxpharma Ltd	11,082
DMX Corporation	4,800
Sub-total	**821,194**
Unlisted International Investments	
Public Service Properties Investments Ltd (UK)	82,483
Foundation Life Investment (NZ)	4,458,149
Sub-total	**4,540,632**
Total Portfolio Position at 30 June 2018	**73,450,289**

CHAIRMAN'S REPORT

Dear Shareholders,

Since 2012, when the new Board took control of the company (MVT), net assets per share have risen from 6.4 cents to 19.7 cents at 30 June 2018 - a compound rate of growth in excess of 18% per annum.

As a result, MVT is in a strong financial position and, depending on future results, will soon be able to consider the payment of dividends.

In the current term, we have made a recommended bid for IPE Ltd which it is anticipated will shortly become a wholly owned subsidiary. IPE is in the process of running off its private equity investments.

Earlier, MVT made a takeover bid for Bauxite Resources Ltd which was unsuccessful but has resulted in us becoming the largest shareholder with 18.4% of the capital.

Our agency business in Singapore, under the leadership of Mr C C Tan, had a good year assisted by some recovery in worldwide shipping conditions.

We anticipate another satisfactory year in 2018/19 notwithstanding the increasing difficulty in finding value in a greatly overheated share market.

Sir Ron Brierley

CHAIRMAN

31 August 2018.

DIRECTORS' REPORT

The Directors of Mercantile Investment Company Limited ("MVT" or "the Company") present their report together with the financial statements and its controlled entities for the year ended 30 June 2018.

Directors

The following persons were Directors of MVT for the whole of the financial year and up to the date of this report:

- Sir Ron Brierley
- Mr. Gabriel Radzyminski
- Mr. James Chirnside
- Mr. Ron Langley
- Mr. Daniel Weiss
- Dr. Gary Weiss (alternate for Mr. D Weiss)

Principal Activities

The principal activities of the Group during the financial year were investments in cash and securities (which are expected to provide attractive risk adjusted returns, including by way of short term trading, profit making ventures and holding of shares for dividend yield/long term capital appreciation, as deemed appropriate), consumer finance and shipping services.

Dividends Paid or Recommended

No dividends were paid or are payable for the year ended 30 June 2018 (2017: nil).

Review of operations

During the year, the Group continued to invest in securities which are expected to provide attractive risk adjusted returns, including profit making ventures and holding of shares for dividend yield and long term capital appreciation, as deemed appropriate.

On 8 November 2017, a wholly owned subsidiary of the Company, Mercantile OFM, announced its intention to make a proportional takeover offer to acquire one of every two shares it did not own in Bauxite Resources Limited (BAU) at $0.11 per share by way of an off-market takeover bid.

Please refer to the Bidder's Statement dated 22 November 2018 on the Australian Securities Exchange for more details of the takeover bid.

The Takeover Offer closed on 30 June 2018, with Mercantile OFM and its associates having acquired an 18.4% interest in BAU.

In April 2018, a short term loan of $5,000,000 was advanced to the Company by Sir Ron Brierley to fund the purchase of investments Interest was payable at the RBA cash rate per annum. The loan and interest remain outstanding as at the end of the financial year.

On 6 June 2018, a wholly owned subsidiary of the Company, Mercantile OFM Pty Ltd ("Mercantile OFM"), announced a cash offer at $0.0775 per share to acquire all of the shares it did not own in IPE Limited (IPE) by way of an off-market takeover bid. Please refer to the Bidder's Statement dated 4 July 2018 on the Australian Securities Exchange for more details of the takeover bid.

On 19 June 2018, 72% owned subsidiary, Ask Funding Ltd ("AKF") announced it had requested that its shares be removed from the Official List of ASX. AKF shareholders will vote on this matter at a General Meeting to be held on 12 September 2018. Mercantile intends to vote in favour of the removal from the Official List.

During the year, 700,000 shares were issued under the exercise of Mercantile Investment Company Limited options. There are 20,000,000 options un-exercised as at 30 June 2018. (Refer to Remuneration Report on pages 10 to 13.)

Directors' Report (continued)

Richfield Maritime Agency (S) Pte Ltd, the Company's wholly owned Singapore based shipping agency generated total revenue for the year ended 30 June 2018 of $2.62m (2017: $1.71m) and a net profit after tax of $0.64m (2017: $0.11m loss).

Ask Funding Limited (AKF) generated total revenue of $2.01m (2017: $1.83m) and a net profit after tax of $0.57m (2017: $1.12m loss).

This net profit includes an impairment of $0.86m (2017: $2.37m) relating to the writing down of the loan book value.

AKF has continued to service and amortise its loan book with the sole objective of delivering the surplus funds to shareholders. The Company's loan book remains permanently closed to new loans.

State of affairs
In the opinion of the Directors there were no significant changes in the state of affairs of the group that occurred during the financial year under review not otherwise disclosed in the report or the group's financial statements.

Financial Position, Financial Instruments and Going Concern
The Directors believe MVT is in a strong and stable position to grow its current operations.

Details of financial risk management objectives and policies are set out in Note 13 of the consolidated financial statements.

The Directors, having made appropriate enquiries, consider that MVT has adequate resources to continue in its operational business for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements.

Litigation
There is no litigation outstanding as at 30 June 2018 (2017: nil)

Events Subsequent to the Reporting Date
On 2 August 2018, the Company drew down an additional $5,000,000 from the revolving credit facility it has with Sir Ron Brierley.

On 20 August 2018, Mercantile OFM, made an off-market takeover bid to acquire all of the ordinary shares in Yellow Brick Road Holdings Limited (YBR) at $0.09 per share. Please refer to the Bidder's Statement dated 20 August 2018 on the Australian Securities Exchange for more details of the takeover bid.

The cost of this takeover, if Mercantile OFM were to acquire all the YBR shares it and its associates do not own, is $20.348,125. Sir Ron Brierley has agreed to provide funding for this amount (plus takeover costs) to the Company as part of the revolving credit facility it has with Sir Ron, to the extent such funding is required.

On 22 August 2018 Mercantile OFM announced that having reached a relevant interest in IPE greater than 90%, it would proceed with compulsory acquisition. The Offer for IPE shares will close on 31 August and any shares not tendered into the Offer will be compulsorily acquired.

No other events have occurred subsequent to the balance sheet date that would require adjustments to, or disclosure in the financial report.

Directors' Report (continued)

Events occurring after the reporting period (continued)
Apart from the above, no events have occurred subsequent to the balance date that would require adjustment to, or disclosure in, the financial report.

Likely Developments, Business Strategy and Prospects
MVT will continue to selectively invest in the share market and other investment opportunities that the Directors consider offer the prospect for attractive risk-adjusted returns both domestically and internationally.

Corporate Governance Statement
MVT's Corporate Governance Statement is available under the Governance section of the Company's website at www.mercantileinvestment.com.au

Environmental Compliance
The operations of MVT are not subject to any particular environmental regulations under a Commonwealth, State or Territory law.

Directors
Information regarding the Directors of the Parent Company:

Sir Ron Brierley
Chairman and Non-Executive Director
Sir Ron founded Brierley Investments Ltd in 1961 and as Chairman of that company implemented his investment approach successfully over the next 40 years, retiring as a director in 2001. Sir Ron was appointed Chairman of Guinness Peat Group PLC (GPG) in 1990 where he also applied his investment approach. GPG was renamed (Coats Group PLC) on 6 March 2015. Sir Ron stepped down as a director of Coats Group PLC on 21 April 2015.

Other current listed company directorships:
- Nil

Mr Gabriel Radzyminski - *BA (Hons), MCom*
Executive Director
Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is the portfolio manager of funds managed by Sandon Capital.

Other current listed company directorships:
- Sandon Capital Investments Limited
- Ask Funding Limited
- Future Generation Investment Company Limited

Mr James Chirnside
Independent Non-Executive Director
James has worked in financial markets for 32 years mostly as an equities fund manager across a broad range of markets and sectors. As a fund manager, he was mainly focused in emerging and frontier markets. In addition, he has also been a proprietary metals trader, derivatives broker, and fund promoter in Sydney, Hong Kong, London, and Melbourne. James studied for a Bachelor's degree in Business Administration at Edith Cowan University in Perth. James is the Chairman of the Audit & Risk Committee and a member of the Nomination & Remuneration Committee.

Other current listed company directorships:
- Cadence Capital Limited
- WAM Capital Limited
- Dart Mining NL
- Ask Funding Ltd
- IPE Limited

Directors' Report (continued)

Mr Ron Langley - *BCom (Hons)*
Independent Non-Executive Director
Ron has been an international value investor for the past 36 years and has held directorships in companies in several countries around the world. After living in the US for 25 years and building 2 substantial businesses, Ron returned to Sydney in 2009 and manages a personal investment fund which includes some unlisted emerging companies.

Ron is the Chairman of the Nomination & Remuneration Committee and a member of the Audit & Risk Committee.

Other current listed company directorships:
- Nil

Mr Daniel Weiss - *BCom, LLB*
Non-Executive Director
Daniel is the Investment Manager at Ariadne Australia Limited, an ASX-listed investment company. Prior to joining Ariadne in 2007, he worked in private equity and fund management in the United Kingdom. Daniel has a Bachelor of Commerce from the University of New South Wales and a Bachelor of Laws from the University of Sydney.

Other current listed company directorships:
- Nil

Dr Gary Weiss - *LLB (Hons), LLM, JSD*
Alternate Director
Gary has extensive international business experience and has been involved in numerous cross-border mergers and acquisitions. He is a director of the Victor Chang Cardiac Research Institute and is the current Commissioner of the Australian Rugby League Commission.

Gary resigned as a Non-Executive Director on 25 February 2015 and was appointed as an Alternate Director for Mr Daniel Weiss.

Other current listed company directorships:
- Ridley Corporation Limited
- Ariadne Australia Limited
- Premier Investments Limited
- Victor Chang Cardiac Research Institute
- Estia Health Limited
- The Straits Trading Company Limited

Directors' Report (continued)

Company Secretaries

Mark Licciardo - *B Bus (Acc), GradDip CSP, FGIA, FCIS, FAICD (Company Secretary)*

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.
Prior to establishing Mertons, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, iCar Asia Limited and Mobilicom as well as several other public and private companies.

Adam Sutherland - AdvDipBus (Legal Practice), GIA (Cert)

Adam is an experienced corporate governance professional and is Company Secretary for a number of ASX listed entities. He has expertise in corporate compliance obligations, including ASX and ASIC requirements. Currently a Corporate Governance Advisor at Mertons Corporate Services, Adam has also held legal support and corporate compliance roles with Crown Resorts Limited and Crown Melbourne Limited.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of directors) held during the financial year were:

	Directors' Meetings		**Committee Meetings Audit & Risk**		**Nomination & Remuneration Committee**	
	Number of Eligible Meetings to Attend	Number Attended	Number of Eligible Meeting to Attend	Number Attended	Number of Eligible Meeting to Attend	Number Attended
Sir Ron Brierley	4	2			1	1
Mr James Chirnside	4	4	2	2	1	1
Mr Ron Langley	4	4	2	2	1	1
Mr Gabriel Radzyminski	4	4	-	-	-	-
Mr Daniel Weiss	4	4	2	2	1	1

Directors' Interests

The relevant interest of each Director in the share capital of MVT, as notified to the Australian Securities Exchange in accordance with section 205G of the *Corporations Act 2001,* at the date of this report is as follows:

	Ordinary Shares
Sir Ron Brierley	122,411,120
Mr Gabriel Radzyminski	700,000
Mr James Chirnside	-
Mr Ron Langley	12,500,000
Mr Daniel Weiss	-
Dr Gary Weiss	14,915,001

Directors' Report (continued)

Remuneration Report
Scope of Report
This Remuneration Report considers the key management personnel ("KMP") of MVT. The current employees of the Company are four Non-Executive Directors and one Executive Director. The Company Secretary is remunerated under a service agreement with Mertons Corporate Services Pty Ltd. Remuneration is not linked to the company's performance.

KMP included in this report:
Non-executive Directors
Sir Ron Brierley ("Chairman")
Mr James Chirnside
Mr Ron Langley
Mr Daniel Weiss
Dr Gary Weiss (alternate for D. Weiss)

Executive Directors
Mr Gabriel Radzyminski

Remuneration Governance
The Board's policy is to remunerate Non-Executive and Executive Directors at market rates for time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company.

However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Where specialist services beyond the normal expectations of a Director are provided to the company, payment will be made on a normal commercial basis. Work under this arrangement has been carried out by Gabriel Radzyminski and others through Sandon Capital Pty Limited on arm's-length commercial terms.

Elements of Remuneration
The Directors are the only people considered to be key management personnel of the company.

Remuneration for Mr Daniel Weiss is not paid to Mr Weiss, but is paid to Ariadne Australia Limited (inclusive of irrecoverable GST). Mr Weiss is an employee of and remunerated separately by Ariadne Australia Limited.

Remuneration for Mr Radzyminski reflects director's fees of $15,000 plus superannuation. In the 2017 financial year, the Board approved a cash bonus payment of $200,000 (inclusive of super) payable over 2 traches of $100,000. The first tranche was paid in the 2017 financial year and the second tranche of $100,000 was paid to Mr Radzyminski on 15 August 2017. This bonus payment was the second instalment of a bonus awarded in the 2017 financial year. A further bonus payment of $55,000 (inclusive of super) was paid to Mr Radzyminski on 14 November 2017. This bonus payment was the first instalment of a bonus totalling $110,000 awarded in the 2018 financial year.

The board issued 10,000,000 options to Mr Radzyminski for nil consideration on 11 November 2015 following shareholder approval at the annual general meeting. The options had an exercise price of $0.17 per option, and expired on 31 December 2017. These options equated to the value of $164,000.

The board issued a further 10,000,000 options to Mr Radzyminski for nil consideration on 2 December 2016 following shareholder approval at the annual general meeting. The options have an exercise price of $0.20 per option, and expire on 31 December 2020. These options equated to the value of $342,000.

The quantum and exercise price of these options (which is above current market price) are designed to provide further alignment of outcomes between Mr Radzyminski and shareholders.

Directors' Report (continued)

Remuneration Report (continued)
On 26 October 2017, the board resolved to issue 10,000,000 options to Mr Radzyminski for nil consideration subject to shareholder approval at the 2018 AGM. The proposed options will have an exercise price of $0.23 cents per option and will expire on 31 December 2021. The quantum and exercise price of these options (which is above current market price) are designed to provide further alignment of interests between Mr Radzyminski and shareholders. Further details of the proposed option issue will be included in the explanatory memorandum accompanying the notice of Annual General Meeting.

The options don't have any rights to participate in share issues and all are fully vested at balance date except those pending approval at the next AGM.

On 31 December 2017, Mr Radzyminski exercised 700,000 options from the parcel issued to him on 11 November 2015 at $0.17 per option at a cost of $119,000.

The remuneration policy has been tailored to align the interest between shareholders, executive directors and non-executive directors.

Remuneration expenses for KMP
The remuneration policy has been tailored to align the interest between shareholders, executive directors and non-executive.

	Cash & Salary	Short Term Bonus	Post Employment Benefits	Share based payments	Total
30 June 2018	**$**	**$**	**$**	**$**	**$**
Directors					
Sir Ron Brierley	-	-	-	-	-
Mr Gabriel Radzyminski*	15,000	210,000	1,425	-	226,425
Mr James Chirnside	18,000	-	1,710	-	19,710
Mr Ron Langley	15,000	-	1,425	-	16,425
Mr Daniel Weiss	18,067	-	-	-	18,067
	66,067	**210,000**	**4,560**	**-**	**280,627**
30 June 2017					
Directors					
Sir Ron Brierley	-		-	-	-
Mr Gabriel Radzyminski	15,000	195,522	5,905	342,000	558,427
Mr James Chirnside	18,000	-	1,710	-	19,710
Mr Ron Langley	15,000	-	1,425	-	16,425
Mr Daniel Weiss	18,067	-	-	-	18,067
	66,067	**195,522**	**9,040**	**342,000**	**612,629**

*There is a bonus of $55,000 included which was accrued at year end, payable in November 2018.

Share based payments are equity settled.

Bonuses are awarded to executives on a discretionary basis, with the Nomination & Remuneration Committee regarding the overall performance of the company and the committee's assessment of an executive's contribution to performance.

Directors' Report (continued)

Remuneration Report (continued)
Other Statutory Information
The number of shares in the company held during the financial year by each director of the group, including their personally related parties, is set out below:

30 June 2018	Balance at the start of the year No.	Received as part of remuneration No.	Additions No.	Disposals/ other No.	Balance at the end of the year No.
Ordinary shares					
Sir Ron Brierley	122,411,120	-	-	-	122,411,120
Mr Gabriel Radzyminski	-	-	700,000	-	700,000
Mr James Chirnside	-	-	-	-	-
Mr Ron Langley	12,500,000	-	-	-	12,500,000
Dr Gary Weiss	15,455,001	-	-	-	15,455,001
Mr Daniel Weiss	-	-	-	-	-
	150,366,121	**-**	**700,000**	**-**	**151,066,121**

2018	Opening Balance No.	Options Issued No.	Exercise of Options No.	Expiration of Options No.	Closing Balance No.
Options					
Mr Gabriel Radzyminski	20,000,000	-	(700,000)	(9,300,000)	10,000,000
Sir Ron Brierley	-	-	-	-	-
Mr James Chirnside	-	-	-	-	-
Mr Ron Langley	-	-	-	-	-
Dr Gary Weiss	-	-	-	-	-
Mr Daniel Weiss	-	-	-	-	-
	20,000,000	**-**	**(700,000)**	**(9,300,000)**	**10,000,000**

On 31 December 2017, Gabriel Radzyminski exercised his right to purchase 700,000 options at a cost of $119,000. These options were part of a batch of 10,000,000 issued on 11 November 2015. The remaining 9,300,000 options expired on 31 December 2017.

The remaining 10,000,000 options issued to Mr Radzyminski expire on 31 December 2020.

Loans to KMP
No loans have been made to the Directors of MVT.

Directors' Report (continued)

Other transactions with KMP:

	2018 $	2017 $
Sandon Capital Pty Ltd is an entity associated with Mr Gabriel Radzyminski. Sandon Capital Pty Ltd provided general consulting, corporate advisory and accounting services to Mercantile Investment. All dealings are conducted at arm's length on normal commercial terms.	429,000	429,000
Ariadne Australia Limited is an entity associated with Dr Gary Weiss and Mr Daniel Weiss. Director's fees for Daniel Weiss were paid to Ariadne Australia Limited.	18,067	18,067
The Board awarded a discretionary cash bonus to Mr Radzyminski of $110,000 (inclusive of super) in October 2017. The first instalment of $55,000 was paid in November 2017. The second instalment of $55,000 will be paid in November 2018. This was accrued as at 30 June 2018.	110,000	200,000
Short-term, unsecured loans were advanced to the Company by Sir Ron Brierley in 2018 of $5.0m (2017: $16.6m) to fund purchases of investments. Interest was paid at the RBA cash rate per annum.	15,205	66,113
Sir Ron Brierley subscribed for 30,000 MVTHA notes ($3,000,000) in partial repayment of the short term debt facility which was in operation during the 2016 financial year. Interest paid on these notes at 30 June 2018 was $240,000 (2017: $244,603)	240,000	244,603
Gabriel Radzyminski subscribed for 250 MVTHA notes ($25,000) during the 2017 financial year. Interest paid on these notes at 30 June 2018 was $2,000 (2017: $2,038)	2,000	2,038
Ron Langley subscribed for 12,000 MVTHA notes ($1,200,000) during the 2017 financial year. Interest paid on these notes at 30 June 2018 was $96,000 (2017: $97,841)	96,000	97,841

This is the end of the Remuneration Report

Directors' Report (continued)

Indemnifying Officers or Auditor Indemnification
The Parent Company's constitution provides for an indemnity of Directors, Secretaries and Executive Officers (as defined in *the Corporations Act 2001*) where liability is incurred in the performance of their duties in those roles, other than conduct involving a wilful breach of duty in relation to the Company. The Constitution further provides for an indemnity in respect of any costs and expenses incurred in defending proceedings in which judgement is given in their favour, they are acquitted, or the Court grants them relief under *the Corporations Act 2001*.

Auditors
No indemnities have been given or insurance premiums paid during or since the end of the financial year in respect of any person who is or has been an auditor of the Parent Company or its controlled entities.

Proceedings on Behalf of the Company
No person has applied for leave of Court to bring proceedings on behalf of MVT or intervene in any proceedings to which MVT is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. MVT was not a party to any such proceedings during the year.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by *the Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 24 to the financial statements do not compromise the external auditor's independence requirements of *the Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2018 is set out on page 15.

Rounding of amounts
The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest dollar, unless otherwise stated.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)a of the Corporations Act 2001.

Gabriel Radzyminski
Executive Director

31 August 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Auditor's Independence Declaration
to the Directors of Mercantile Investment Company Limited
ABN 15 121 415 576

In relation to the independent audit for the year ended 30 June 2018, I declare that to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Mercantile Investment Company Limited and the entities it controlled during the year.

S M Whiddett
Partner

Pitcher Partners
Sydney

31 August 2018

An independent New South Wales Partnership. ABN 17 795 780 962.
Level 22 MLC Centre, 19 Martin Place, Sydney NSW 2000
Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane| Newcastle
An independent member of Baker Tilly International

MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018	2017
Income		$	$
Revenue from continuing operations	8	7,650,872	5,505,311
Other income	9	7,894,862	7,760,530
		15,545,734	13,265,841
Expenses			
Accounting fees		212,606	223,676
Audit fees	24	174,326	215,976
Taxation service fees		177,176	262,848
Finance costs	10	1,951,407	2,051,535
Service agreement fees		330,000	330,558
Company secretary fees		41,206	63,955
Share registry fees		74,249	138,764
Brokerage		56,779	120,548
Impairment charges	10	859,776	9,011,841
Legal and professional fees		530,057	782,363
ASIC and ASX charges		97,649	82,218
Share based payments		112,000	517,500
Employee benefit expenses	10	1,712,123	1,529,885
Insurance		43,602	92,176
Other operating costs	26	656,326	851,963
		7,029,282	16,275,806
Profit / (Loss) Before Income Tax		8,516,452	(3,009,965)
Income tax (expense)	11	(1,729,072)	(2,101,167)
Profit / (Loss) for the period		6,787,380	(5,111,132)
Profit / (Loss) Attributable to:			
Members of the parent entity		6,628,846	(4,813,699)
Non-Controlling Interest		158,534	(297,433)
		6,787,380	(5,111,132)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Movement in fair value of long term equity investments, net of tax		2,758,387	2,935,499
Total other comprehensive income		2,758,387	2,935,499
Total Comprehensive Income/ (Loss) for the year		9,545,767	(2,175,633)
Total Comprehensive Income / (Loss) attributable to:			
Members of the Parent Entity		9,387,233	(1,878,200)
Non-Controlling Interest		158,534	(297,433)
		9,545,767	(2,175,633)
Earnings / (Loss) per Share		**Cents**	**Cents**
- Basic Earnings/ (loss) per share	25	2.36	(1.72)
- Diluted Earnings/ (loss) per share	25	2.36	(1.72)

The above statement should be read in conjunction with the accompanying notes.

MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
ABN 15 121 415 576

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	2018	2017
		$	$
Assets			
Current Assets			
Cash and cash equivalents	7	11,743,998	18,941,688
Trade and other receivables	18	2,337,479	2,065,135
Net loans and advances	15	3,533,231	2,844,938
Financial assets at fair value through profit or loss	14	25,715,784	19,487,797
Other current assets	18	89,281	104,813
Total Current Assets		43,419,773	43,444,371
Non-Current Assets			
Financial assets at fair value through other comprehensive income	14	47,734,505	32,321,180
Property, plant & equipment		22,591	104,707
Deferred tax assets	12	183,645	221,738
Total Non-Current Assets		47,940,741	32,647,625
Total Assets		**91,360,514**	**76,091,996**
Liabilities			
Current Liabilities			
Trade and other payables	19	9,928,486	4,214,881
Current tax liability		3,725,647	2,642,206
Total Current Liabilities		13,654,133	6,857,087
Non-Current Liabilities			
Unsecured Notes	16	21,824,524	21,706,995
Deferred tax liabilities	12	703,373	2,915,229
Total Non-Current Liabilities		22,527,897	24,622,224
Total Liabilities		**36,182,030**	**31,479,311**
Net Assets		**55,178,484**	**44,612,685**
Equity			
Issued Capital	5	28,834,628	28,717,120
Accumulated losses		(10,454,943)	(10,454,943)
Reserves	4	35,719,474	25,391,999
Members' interests		54,099,159	43,654,176
Non-controlling interest		1,079,325	958,509
Total Equity		**55,178,484**	**44,612,685**

The above statement should be read in conjunction with the accompanying notes.

MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
ABN 15 121 415 576

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Notes	Issued Share Capital - Ordinary $	Accumulated Losses $	Profit Reserve $	Asset Revaluation Reserve $	Foreign Currency Translation Reserve $	Share Based Payment Reserve $	Non-Controlling Interests $	Total Equity $
Balance at 1 July 2016		**28,717,120**	**(5,237,356)**	**12,548,822**	**9,998,871**	**-**	**164,000**	**1,274,559**	**47,466,016**
Loss for the Year			(4,813,699)					(297,433)	(5,111,132)
Other Comprehensive Income for the Year:									
Movements in the fair value of long-term investments, net of tax	4				2,935,499				2,935,499
Realised gains on sale of investments	4			6,342,163	(6,342,163)				-
Revaluation of pre-existing investment in controlled entity				3,300,621	(3,300,621)				-
Transactions with Owners:									
Foreign Currency Translation Reserve						(772,693)			(772,693)
Non-controlling interests on acquisition of subsidiary								2,719,951	2,719,951
Change in proportion of NCI			(403,888)					(2,738,568)	(3,142,456)
Share options issued	20						517,500		517,500
Balance at 30 June 2017		**28,717,120**	**(10,454,943)**	**22,191,606**	**3,291,586**	**(772,693)**	**681,500**	**958,509**	**44,612,685**
Balance at 1 July 2017		**28,717,120**	**(10,454,943)**	**22,191,606**	**3,291,586**	**(772,693)**	**681,500**	**958,509**	**44,612,685**
Profit for the Year			6,628,846					158,534	6,787,380
Other Comprehensive Income for the Year:									
Transfer to profit reserve			(6,628,846)	6,628,846					-
Movements in the fair value of long-term investments, net of tax	4				2,758,387				2,758,387
Realised gains on sale of investments	4			297,934	(297,934)				-
Transactions with Owners:									
Foreign Currency Translation Reserve	4					828,242			828,242
Cost of raising capital		(1,492)							(1,492)
Change in proportion of NCI								(37,718)	(37,718)
Share options issued	20						112,000		112,000
Issued capital		119,000							119,000
Balance at 30 June 2018		**28,834,628**	**(10,454,943)**	**29,118,386**	**5,752,039**	**55,549**	**793,500**	**1,079,325**	**55,178,484**

The above statement should be read in conjunction with the accompanying notes.

MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
ABN 15 121 415 576

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	Note	2018	2017
		$	$
Cash Flows from Operating Activities			
Dividends, distributions and other investment income received		5,464,065	3,740,044
Other payments in the course of ordinary operations		(2,712,347)	(4,741,051)
Proceeds from sale of trading securities		8,600,534	4,001,365
Payments for trading securities		(7,660,299)	(3,500,682)
Interest received		797,305	494,781
Interest paid		(15,205)	(66,113)
Loan repayments received		161,659	119,639
Income tax paid		(4,008,242)	(1,345,319)
Net Cash provided by/ (used in) Operating Activities	7	627,470	(1,297,336)
Cash Flows from Investing Activities			
Proceeds from disposal of financial assets		1,761,988	10,230,563
Payments for financial assets		(22,254,802)	(7,676,731)
Net cash acquired on acquisition of a controlled entity		-	4,814,068
Payment for purchase of non-controlling interest		(37,718)	(3,142,455)
Proceeds from return of capital		8,984,315	3,709,182
Net Cash (used in) / provided by Investing Activities		(11,546,217)	7,934,627
Cash Flows from Financing Activities			
Proceeds from unsecured notes		-	6,663,000
Borrowing costs		(33,976)	(197,155)
Interest Payments on MVT Notes		(1,784,696)	(1,818,923)
Proceeds from borrowings		5,000,000	16,606,681
Repayment of borrowings		-	(16,606,681)
Share issue transaction costs		(2,132)	-
Proceeds from issue of shares		119,000	-
Net Cash provided by Financing Activities		3,298,196	4,646,922
Net (Decrease) / Increase in Cash and Cash Equivalents held		(7,620,551)	11,284,213
Effects of exchange rate changes on cash and cash equivalents		422,861	(276,478)
Cash and Cash Equivalents at the Beginning of Financial Year		18,941,688	7,933,953
Cash and Cash Equivalents at End of Financial Year	7	**11,743,998**	**18,941,688**

The above statement should be read in conjunction with the accompanying notes.

Basis of preparation
This financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a for profit basis;
- is presented in Australian dollars with all values rounded to the nearest dollar, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2017;
- AASB 9 which applies to annual reporting periods commencing on or after 1 January 2018, was early adopted by Mercantile Investment Company Limited in previous reporting periods. There are no other new accounting standards and interpretations that are available for early adoption at 30 June 2018, which will result in any material change in relation to the financial statements of Mercantile Investment Company Limited.
- has been prepared on an accruals basis and are based on the historical cost basis except as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss or through other comprehensive income.
- where Parent company information is disclosed, relevant accounting policies are described when different to the Group accounting policies.
- was authorised for issue with a resolution of the Board of Directors on 31 August 2018.

Basis of consolidation
Controlled Entities (Subsidiaries)
The consolidated financial statements of the Group incorporate the financial statements of Mercantile Investment Company Limited and its subsidiaries. A table is set out below on page 21, listing these subsidiaries.

Subsidiaries are all entities over which MVT has control. MVT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Parent Entity	Country of Incorporation	Percentage June 2018	Percentage June 2017
Mercantile Investment Company Limited	Australia	100	100
Controlled Entities of Mercantile Investment Company Limited			
Ask Funding Limited	Australia	72	72
ATL Exploration Pty Ltd	Australia	100	100
Jack Hills Holdings Pty Ltd	Australia	100	100
Mercantile ADF Pty Ltd	Australia	100	100
Mercantile IAH Pty Ltd	Australia	100	100
Mercantile IAM Pty Ltd	Australia	100	100
Mercantile NZ Limited	New Zealand	100	100
Mercantile OFM Pty Ltd	Australia	100	100
MMX Investments Pty Ltd	Australia	100	100
MMX Port Holdings Pty Ltd	Australia	100	100
MMX Rail Holdings Pty Ltd	Australia	100	100
Murchison Metals Ltd	Australia	100	100
Richfield International Ltd	Australia	100	100
Richfield Marine Agencies (S) Pte Ltd	Singapore	100	100
Weld Range Mining Pty Ltd	Australia	100	100
Wellington Merchants Ltd	New Zealand	100	100

Percentage of voting power is in proportion to ownership.

The principal place of business for all entities is Level 5, 139 Macquarie Street Sydney NSW 2000, other than those entities operating overseas.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

Other accounting policies
Significant and other accounting policies relevant to gaining an understanding of the financial statements have been grouped with the relevant notes to the financial statements.

Key judgements and estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the notes below.

Note reference	Critical accounting estimates and judgements	Page
Note 10	Impairment of goodwill	34
Note 12	Deferred tax assets and liabilities	37
Note 14	Fair value estimation	45
Note 15	Recoverability of loans and advances	47
Note 18	Recoverability of receivables	49

Impairment of assets
At the end of each reporting period, the group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value, less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Deferred Tax
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

NOTE 1: PARENT COMPANY FINANCIAL INFORMATION

Accounting Policy:
The statement of financial position, profit after tax and total comprehensive income for the Parent company, have been prepared on the same basis as the consolidated financial statements except for investments in controlled entities (subsidiaries) and investments in associates.

In the Parent company, investments in subsidiaries and associates are carried at the lower of cost or impaired cost. Dividends from these entities are recognised as income within profit.

The consolidated financial statements recognises the individual assets, liabilities, income and expenses of the controlled entities.

a) Interest bearing liabilities
The parent company accepts loans from its Directors and Director-related parties under normal commercial terms and conditions. As at 30 June 2018, the balance of these loans was $5.0m plus interest accrued (2017: nil).

b) Contingent liabilities
The Parent company did not have any contingent liabilities as at 30 June 2018. Refer Note 17.

c) Contractual commitments
The Parent company did not have any contractual commitments as at 30 June 2018.

	2018 $	2017 $
Profit of the parent entity		
Profit / (Loss) for the year	5,589,802	(1,191,825)
Total comprehensive income for the year	8,348,189	1,511,006
Financial position of the parent entity as at 30 June		
Current assets	32,705,512	34,532,275
Non-current assets	82,944,990	67,363,781
Current liabilities	(32,936,464)	(25,664,909)
Non-current liabilities	(23,391,955)	(25,486,762)
Net assets	59,322,083	50,744,385
Total equity of the parent entity comprising of		
Issued capital	28,834,389	28,716,880
Capital profits reserves	19,086,235	18,788,302
Asset revaluation reserve	7,631,430	5,170,976
Retained profits	2,976,529	(2,613,273)
Share based payment reserve	793,500	681,500
Total equity attributable to shareholders of the parent entity	59,322,083	50,744,385

NOTE 2: PAYMENT OF DIVIDENDS TO SHAREHOLDERS

The group has not declared a dividend for the 2018 financial year (2017: nil).

	2018	2017
	$	$
Franking credits available for subsequent financial years based on Australian company tax rate of 30% (2017: 30%)	7,092,315	2,915,711
The above amounts represent the balance of the franking account at the end of the financial year.		
Franking credits available for future dividend payments	**7,092,315**	**2,915,711**

NOTE 3: SEGMENT INFORMATION

The parent company invests in a diversified range of companies.

Richfield International Limited and Wellington Merchants Limited were both fully acquired during the year ended 30 June 2017.

The Parent company and its subsidiaries operate within three segments:

a) Securities
The Group invests in cash, term deposits and equity investments.

b) Consumer Finance
Ask Funding Limited (AKF) previously engaged in pre-settlement and disbursement lending. AKF has been in a run-off since 2011.

c) Shipping Services
Richfield International Ltd (RIS), through its Singapore based subsidiaries, is involved in the provision of port and shipping services for ocean-going vessels.

Geographic Segment
The group operates in a number of geographic areas, however there are no reportable geographic segments.

Segments have been identified by business unit. Other immaterial operations that do not meet the quantitative thresholds requiring separate disclosure in *AASB 8 Operating Segments* have been combined with the Securities operations.

NOTE 3: SEGMENT INFORMATION (continued)

Consolidated - 2018	Securities	Consumer Finance	Shipping Services	Total
	$	$	$	$
Revenue	10,910,823	2,011,527	2,623,384	15,545,734
Expenses	(3,604,752)	(1,436,713)	(1,987,817)	(7,029,282)
Profit before tax	7,306,071	574,814	635,567	8,516,452
Profit after tax				6,787,380
Material items include:				
Impairment of loans	-	(859,776)	-	(859,776)
Assets				
Segment assets	85,458,028	3,533,230	2,013,089	91,004,347
Trade and other receivables	-	-	-	60,722
Other current assets	-	-	-	89,281
Property, plant & equipment	-	-	-	22,519
Deferred tax assets	-	-	-	183,645
				91,360,514
Liabilities				
Segment liabilities	(21,824,524)	-	(3,255,157)	(25,079,681)
Trade and other payables	-	-	-	(6,673,329)
Current tax liability	-	-	-	(3,725,647)
Deferred tax liabilities	-	-	-	(703,373)
				(36,182,030)

NOTE 3: SEGMENT INFORMATION (continued)

Consolidated - 2017	Securities	Consumer Finance	Shipping Services	Total
	$	$	$	$
Revenue	9,640,967	1,836,847	1,788,027	13,265,841
Expenses	(4,894,409)	(2,955,208)	(8,426,189)	(16,275,806)
Profit / (Loss) before tax	4,746,558	(1,118,361)	(6,638,162)	(3,009,965)
Profit / (Loss) after tax				(5,111,132)
Material items include:				
Impairment of loans	-	(2,369,601)	-	(2,369,601)
Write down of goodwill	-	-	(6,642,240)	(6,642,240)
Assets				
Segment assets	71,949,841	2,844,938	894,291	75,689,070
Trade and other receivables	-	-	-	75,828
Other current assets	-	-	-	104,813
Property, plant & equipment	-	-	-	547
Deferred tax assets	-	-	-	221,738
				76,091,996
Liabilities				
Segment liabilities	(21,706,995)	-	(2,532,783)	(24,239,778)
Trade and other payables	-	-	-	(1,682,098)
Current tax liability	-	-	-	(2,642,206)
Deferred tax liabilities	-	-	-	(2,915,229)
				(31,479,311)

NOTE 4: RESERVES

Accounting Policy:
Certain changes in the value of assets and liabilities are not recognised in the income statement but are instead included in other comprehensive income.

	Note	2018 $	2017 $
a) Reserves			
Profits Reserve		29,118,386	22,191,606
Asset Revaluation Reserve		5,752,039	3,291,586
Foreign currency translation reserve		55,549	(772,693)
Share based payment reserve	**20**	793,500	681,500
		35,719,474	25,391,999
b) Major movements in reserves consist of:			
Asset revaluation reserve			
Balance 1 July		3,291,586	9,998,871
Movement in fair value of long term equity investments, net of tax		2,758,387	2,935,499
Revaluation of pre-existing investment in controlled entity		-	(3,300,621)
Realised gains on sale of long term equity investments		(297,934)	(6,342,163)
Balance 30 June		5,752,039	3,291,586
Profit reserve			
Balance 1 July		22,191,606	12,548,822
Revaluation of pre-existing investment in controlled entity		-	3,300,621
Realised gains on sale of long term equity investments		297,934	6,342,163
Transfer to profit reserve		6,628,846	-
Balance 30 June		29,118,386	22,191,606

c) Nature and purpose of reserves
Profits reserve
This reserve represents amounts allocated from retained profits (accumulated losses) and capital profits and losses transferred from the asset revaluation reserve on disposal of long term investments.

Asset revaluation reserve
This reserve represents changes in the fair value of certain assets including long term equity investments which are not recognised in the income statement.

Foreign currency translation reserve
The foreign currency translation reserve records the foreign currency differences which arise from the translation of self-sustaining foreign operations and foreign exchange movements.

Share based payment reserve
The share based payment reserve is used to recognise the fair value of options and rights issued.

NOTE 5: SHARE CAPITAL AND CAPITAL MANAGEMENT

Accounting Policy:
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds. The amounts of any capital returns are applied against share capital.

	2018 $	2017 $
280,700,000 (2017: 280,000,000) fully paid ordinary shares	28,834,628	28,717,120

Ordinary Shares	**2018** **No.**	**2017** **No.**	**2018** **$**	**2017** **$**
At the beginning of reporting period	280,000,000	280,000,000	28,717,120	28,717,120
Movement in Shares on Issue:				
Shares issued on options exercised	700,000	-	119,000	-
Capital raising costs, net of tax	-	-	(1,492)	-
Closing Balance at Reporting Date - 30 June	280,700,000	280,000,000	28,834,628	28,717,120

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value.

Options
The Company has issued options to employees of the group. All options to acquire shares in the Company are held by employees of the Group (Refer to Note 20).

Capital Management
The Board manages the capital of the Group in order to provide shareholders with returns through capital growth in the medium to long term and ensure that the Company can fund its operations and continue as a going concern. The Company does not have any externally imposed capital requirements.

The Company did not issue any unsecured notes during the year ended 30 June 2018 (2017: $6,663,000).

NOTE 6: EVENTS AFTER THE REPORTING DATE

On 3 August 2018, a wholly owned subsidiary of the Company, Mercantile OFM, extended the closing date of its takeover bid for IPE Ltd to 31 August 2018 and declared the offer unconditional. On 22 August 2018 Mercantile OFM announced that having reached a relevant interest in IPE greater than 90%, it would proceed with compulsory acquisition. The Offer for IPE shares will close on 31 August and any shares not tendered into the Offer will be compulsorily acquired. Mercantile OFM appointed Ms Lissa Cheng, Mr James Chirnside and Mr Gabriel Radzyminski as directors of IPE Ltd. IPE's other directors resigned on 21 August 2018.

On 2 August 2018, the Company drew down an additional $5,000,000 from the revolving credit facility it has with Sir Ron Brierley.

On 20 August 2018, a wholly owned subsidiary of the Company, Mercantile OFM announced its intention to make a an off-market takeover bid to acquire all of the ordinary shares in Yellow Brick Road Holdings Limited (YBR) at $0.09 per share. Please refer to the Bidder's Statement dated 20 August 2018 on the Australian Securities Exchange for more details of the takeover bid.

The cost of this takeover, if Mercantile OFM were to acquire all the YBR shares it and its associates do not own, is $20.348,125. Sir Ron Brierley has agreed to provide funding for this amount (plus takeover costs) to the Company as part of the revolving credit facility the it has Sir Ron, to the extent such funding is required. Subject to discussion with Lawyers.

No other events have occurred subsequent to the balance sheet date that would require adjustments to, or disclosure in the financial report.

NOTE 7: CASH AND CASH EQUIVALENTS

Accounting Policy:
Cash and cash equivalents includes cash on hand, cash at bank, and deposits held with financial institutions for which there is a short-term identified use in the operating cash flows of the Group. Bank overdrafts, should they occur, are shown within borrowings in current liabilities in the statement of financial position.

Reconciliation of Cash
Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

	2018	2017
	$	$
Cash at bank and in hand	11,743,998	18,941,688
	11,743,998	18,941,688

Richfield Marine Agencies (S) Pte Ltd (RMA) has bank guarantees, equivalent to $888,972 in place for Principals, Port Authority of Singapore and Singapore Customs at 30 June 2018 (2017: $846,196)

Reconciliation of profit after income tax to net cash inflow / (outflow)
from operating activities

	2018	2017
	$	$
Profit / (loss) after income tax	6,787,380	(5,111,132)
Non-Cash Flows in Profit or Loss:		
- Fair value gain on revaluation of trading equities	(6,559,803)	(5,435,192)
- Loss / (Gain) on acquisition of a controlled entity	-	(326,730)
- Depreciation	105,610	221,914
- Impairment	859,776	9,011,841
- Share based payment expense	112,000	517,500
- Amortisation of MVT notes	151,505	133,224
- Interest income	(1,921,353)	(1,707,400)
- Interest and fees received	(90,174)	(129,447)
- Interest expense on MVT notes	1,784,696	1,818,923
- Other Non-Cash Items	120,741	2,971
Changes in assets and liabilities:		
- (Increase) in Trade and Other Receivables	(272,344)	(523,622)
- Decrease in Deferred Tax Assets	38,093	8,198
- Decrease in Other Assets	15,532	95,539
- Increase / (Decrease) in Trade Payables and Accruals	713,605	(474,363)
- Increase / (Decrease) in income tax liability	994,062	(923,627)
- (Decrease)/ Increase in Deferred Tax Liabilities	(2,211,856)	1,524,067
Net Cash (Used In) / Provided by Operating Activities	627,470	(1,297,336)

NOTE 8: REVENUE

Accounting Policy:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

- *Interest income is recognised on a time proportion basis using the effective interest method.*
- *Dividend income is taken into revenue when the right to receive payment is established.*
- *Shipping services (agency fees and commission income) are recognised when the right to receive payment is established. Revenue from freight forwarding is recognised upon shipment. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.*

	2018 $	2017 $
From Continuing operating activities		
Dividends received	1,852,904	922,902
Trust Distributions Received	1,408,358	1,010,543
Interest income	2,441,930	2,227,129
Shipping Services income	1,947,680	1,344,737
Total Revenue	**7,650,872**	**5,505,311**
Dividends Received		
Financial assets through other comprehensive income:		
- Investments held in portfolio at 30 June	1,584,178	710,644
- Investments sold during the year	2,494	49,529
Financial assets through profit and loss:	266,232	162,729
	1,852,904	922,902
Fair value at disposal date		
Financial assets at fair value through other comprehensive income	1,761,988	10,230,563
Gain (Loss) on disposal after tax		
Financial assets at fair value through other comprehensive income	297,934	6,342,163

Investments disposed during the year

The disposals occurred in the normal course of the Company's operations as a listed investment company or as a result of takeovers or mergers.

NOTE 9: OTHER INCOME

Accounting Policy:
Other income represents gains or losses made on:
•changes in fair value for financial assets at fair value through profit and loss.
•realised gains on disposal.

	2018	2017
	$	$
Realised gains / (losses) on trading equities fair valued through profit and loss	4,264,229	1,207,252
Unrealised gains / (losses) on trading equities fair valued through profit and loss	2,995,271	5,459,809
Gain (loss) on acquisition of a controlled entity	-	326,730
Foreign exchange movement	(88,561)	(24,063)
Sundry income	723,923	790,802
Total other income	**7,894,862**	**7,760,530**

NOTE 10: EXPENSES

Accounting Policy:

Impairment

Impairment charges are non-cash expenses and are recognised when the carrying value of an asset or group of assets is no longer recoverable either through the use or sale of the asset. Recoverable value assessment for each asset class is discussed within the notes for each asset.

An impairment expense recognised on goodwill or a long term equity investment is permanent and is prohibited from being reversed.

Employee benefits expense

Employee benefits expense includes the payment of salary and wages (including the value of non-cash benefits such as share-based payments), sick leave and accruals for annual leave and long service leave.

	2018 $	2017 $
Profit before income tax expenses includes the following specific expenses:		
Impairment charges		
Goodwill	-	6,642,240
Loans and advances	859,776	2,369,601
	859,776	9,011,841
Parent employee benefits expenses		
Directors' fees	66,068	66,068
Bonus expense	154,167	224,688
Superannuation expenses	4,650	9,040
	224,885	299,796
Subsidiary employee benefits expenses		
Directors' fees	18,067	483,987
Superannuation expenses	249,345	213,474
Wages and salaries	1,219,826	532,628
	1,487,238	1,230,090
Total employee benefit expenses	1,712,123	1,529,885
Finance Costs		
Directors interest	15,206	66,113
MVTHA note interest	1,784,696	1,818,923
MVT note expense amortisation	151,505	166,499
	1,951,407	2,051,535

NOTE 11: INCOME TAX

The income tax expense or benefit for the period represents the tax payable on the current period's taxable income based on the Australian corporate income tax rate (30%) adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Tax consolidation legislation
Wholly owned Australian entities within the group have formed tax consolidated groups under the tax consolidation regime. The Australian Tax Office has been notified of these decisions.

Controlled entities within the relevant tax consolidated groups, continue to be responsible under tax funding agreements, for funding their share of tax payments that are required to be made by the head entity in their tax consolidation group. These tax amounts are measured as if each entity within the tax consolidated group, continues to be a stand-alone tax payer in their own right.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

	2018 $	2017 $
(a) Income tax expense / (benefit) recognised in profit or loss		
- Current tax movement	2,251,623	3,647,420
- Deferred tax movement	(522,551)	(1,546,253)
	1,729,072	2,101,167

NOTE 11: INCOME TAX (continued)

	2018	2017
	$	$
(b) The prima facie tax on profit / (loss) from ordinary activities before income tax is as follows:		
Profit / (loss) before income tax	8,516,452	(3,009,965)
Prima facie tax payable on profit / (loss) before income tax at 30%*	2,554,936	(902,990)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
- Imputation credit gross up	50,509	41,924
- Franking credits received	(168,362)	(139,747)
- Other assessable / non-assessable items	(296,160)	700,396
- Loss / (gain) on acquisition of a controlled entity	-	(98,019)
- Impairment of goodwill in RIS	-	1,992,672
- Deferred tax asset not recognised on losses	-	335,508
- Share based payment expense	112,000	155,250
- Prior year over/under provision	(523,851)	16,173
	1,729,072	2,101,167
Effective tax rate	20.3%	(69.8%)

*The corporate tax rates are 30%, 28% and 17% for Australian, New Zealand and Singapore derived income, respectively (2017: no changes in any of the respective tax rates).

The tax component of the financial assets at fair value through other comprehensive income is $1,044,136.

NOTE 12: DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Accounting Policy:

Deferred tax assets and liabilities are calculated on the differences (temporary differences) between the carrying amount of assets and liabilities as recognised in the consolidated financial statements and their tax cost base multiplied by the tax rate expected to apply when these assets are recovered or liabilities are settled. The current Australian corporate tax rate is 30%.

Deferred tax asset or liabilities are provided in full, using the liability method. An exception is made for certain temporary differences arising from the initial recognition of an asset or 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
2018	**$**	**$**	**$**	**$**
Deferred Tax Assets				
Capitalised share issue costs	72,749	30,179	(60,926)	42,002
Expensed borrowing costs	4,015	(1,005)	-	3,010
Accrued expense movements	144,973	(6,340)	-	138,633
Balance as at 2018	221,737	22,834	(60,926)	183,645
Deferred Tax Liability				
Accrued income movements	1,963	(1,789)	-	174
Trading stock valuation	2,362,435	(858,715)	-	1,503,720
Unrealised gains via asset revaluation reserve	550,831	(2,405,833)	1,054,480	(800,522)
Balance as at 2018	2,915,229	(3,266,337)	1,054,480	703,372

NOTE 12: DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
2017	**$**	**$**	**$**	**$**
Deferred Tax Assets				
Capitalised share issue costs	141,640	184	(69,075)	72,749
Expensed borrowing costs	-	4,015	-	4,015
Accrued expense movements	88,296	56,677	-	144,973
Balance as at 2017	229,936	60,876	(69,075)	221,737
Deferred Tax Liability				
Accrued income movements	72,029	(70,066)	-	1,963
Trading stock valuation	986,462	1,375,973	-	2,362,435
Unrealised gains via asset revaluation reserve	3,268,125	79,057	(2,796,351)	550,831
Balance as at 2017	4,326,616	1,384,964	(2,796,351)	2,915,229

NOTE 13: FINANCIAL RISK MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, price risk and foreign currency risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous year. The Group's financial assets and liabilities are carried at amounts that are approximate to their fair value. Fair values are those amounts that an asset could be exchanges, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Initial Recognition and Measurement

The consolidated entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Any interest in transferred financial assets that is created or retained by the consolidated entity is recognised as a separate asset or liability.
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Financial Assets Through Profit or Loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI. Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

A financial asset is held for trading if:
• it has been acquired principally for the purpose of selling it in the near term; or
• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking;

Financial Assets Through Other Comprehensive Income (FVTOCI)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the asset revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to reserves. The Group has designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Debt instruments classified as at FVTOCI

Notes held by the Group are classified as at FVTOCI. The notes are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these notes as a result of foreign exchange gains and losses, impairment losses and interest income are recognised in profit or loss.
All other changes in the carrying amount of these redeemable notes are recognised in other comprehensive income.
When these notes are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

NOTE 13: FINANCIAL RISK MANAGEMENT (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	Note	2018	2017
		$	$
The Group holds the following financial instruments:			
Financial assets at amortised cost			
Cash and cash equivalents	7	11,743,998	18,941,688
Trade and other receivables	18	2,337,479	2,065,135
Loans and advances	15	3,533,231	2,844,937
Financial assets at fair value through profit and loss			
Trading equities	14	25,715,784	19,487,797
Financial assets at fair value through other comprehensive income			
Long term equity investments	14	47,734,505	32,321,180
Total financial assets		91,064,997	75,660,737
Financial liabilities at amortised cost			
Trade and other payables	19	9,928,486	4,214,881
Unsecured notes	16	21,824,524	21,706,995
Total financial liabilities		31,753,010	25,921,876

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the fair value of future cash flows of the Group's financial instruments.

By its nature, as a listed investment company that invests in tradeable securities, the Group will always be subject to market risk as it invests its capital in securities whose market prices may fluctuate.

The Group is exposed to share price risk through its investment holdings on the Australian Securities Exchange (ASX), the New Zealand Stock Exchange (NZX) and the London Stock Exchange (LSE).

The Company manages this risk by diversification of its investment portfolio maintained in accordance with investment guidelines.

NOTE 13: FINANCIAL RISK MANAGEMENT (continued)

i) Foreign exchange risk

As at 30 June 2018, the Group is exposed to fluctuations in the British Pound (GBP), the New Zealand Dollar (NZD), the Singaporean Dollar (SGD) and the United States Dollar (USD) exchange rates arising from the Company's international investments and trade and other receivables.

The Group's exposure to foreign currency risk at the reporting date was as follows:

Foreign exchange risk

	2018 AUD$	2017 AUD$
Financial Assets		
Cash and Cash equivalent		
United States Dollar	4,448,772	3,508,592
Singapore Dollar	122,883	135,526
New Zealand Dollar	3,490	13,019
	4,575,145	3,657,137
Trade and other receivables		
Singapore Dollar	1,990,499	779,493
New Zealand Dollar	7,066	12,892
	1,997,565	792,385
Trading equities		
British Pound	9,377,797	8,035,655
New Zealand Dollar	3,299,684	3,469,638
	12,677,481	11,505,293
Long term equity investments		
British Pound	702,972	1,167,967
New Zealand Dollar	5,494,276	3,876,800
	6,197,248	5,044,767
Total financial assets exposure to foreign exchange	**25,447,439**	**20,999,582**
Financial Liabilities		
Trade and other payables		
Singapore Dollar	3,255,157	2,532,783
New Zealand Dollar	34,286	35,730
Total financial liabilities exposure to foreign exchange	**3,289,443**	**2,568,513**

NOTE 13: FINANCIAL RISK MANAGEMENT (continued)

ii) Price Risk

The Group is an investment company and is exposed to securities price risk. The majority of the Group's investments are publicly traded on the ASX, NZX and LSE.

Sensitivity analysis

The following table summarises the financial impacts of a hypothetical 5% decrease in the market value of those investments (financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income) that are carried at fair value as at reporting date. For long term equity investments, a 5% increase in market values would have no impact on the income statement as all increases are recognised through other comprehensive income.

	Impact to post-tax profit		Impact on reserves	
	2018	2017	2018	2017
	$	$	$	$
Trading equities	900,052	974,390	-	-
Long term equity investments	-	-	(1,670,708)	(1,616,059)
Total	900,052	974,390	(1,670,708)	(1,616,059)

iii) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that financial instrument's value will fluctuate as a result of change in market interest rates.

The value of the Company's investment in Foundation Life, an insurance company is sensitive to interest rates (in New Zealand and elsewhere). Determining this sensitivity is difficult as the Company does not have access to all the relevant information about the composition of Foundation Life's investments and life policy liabilities.

Generally, a change in interest rates will have an effect on the assets and liabilities of an insurance company. For example, as interest rates increase, all other things being equal, the present value of a life company's liabilities (its obligation to pay out life insurance policies) will fall, while at the same time, the value of the investment portfolio will also fall. The maturity of the life insurance policies will affect the impact and change in interest rates will have on the present value of the life policy liabilities.

The effect of these changes on the shareholders equity (and the Company's investment) will depend on the composition of the investment portfolio. The impact will depend on a number of factors, including but not limited to the proportion of its portfolio in interest rate sensitive investments and the duration of such investments.

The Group's weighted average interest rate on financial assets was 0.98% and financial liabilities was 8% (Unsecured Notes).

b) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise equity investments, cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash is invested with high rated financial institutions in Australia, New Zealand and Singapore.

Receivable balances are monitored on an ongoing basis and the Group has no external debts past due or impaired, excluding those in Note 15 (loan book).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

NOTE 13: FINANCIAL RISK MANAGEMENT (continued)
iii) Interest Rate Risk (continued)
b) Credit Risk (continued)

The Group recognised a loss allowance for expected credit losses on investments in loans and advances. (Refer to Note 15: Net Loan and Advances). No impairment losses are recognised in respect to any equity instruments measured at fair value.

The Group determines expected credit losses (both 12-month and lifetime) based on the Group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses.

The Group assesses whether the credit risk on a financial asset has increased significantly based on the change in the risk of default since initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria it uses to determine whether there has been a significant increase in credit risk and, when necessary, amends the criteria accordingly.

c) Liquidity Risk
The Group's objective is to maintain sufficient cash and cash equivalents to meet the needs of its operations through cash flow monitoring and forecasting, which is done on a monthly basis.

Liquidity risk is the risk that an entity is unable to meet its financial obligations as they fall due.

Prudent liquidity risk management is adopted by the Group through maintaining sufficient cash and marketable securities, the ability to borrow funds from credit providers and to close-out market positions.

The Group entities manage liquidity risk by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

NOTE 13: FINANCIAL RISK MANAGEMENT (continued)

d) Maturity of financial liabilities

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 12 Months	Greater than 12 Months	Total
2018	**$**	**$**	**$**
Trade and other payables	9,928,486	-	9,928,486
Current Tax Liability	3,725,646	-	3,725,646
Unsecured Notes	-	21,824,524	21,824,524
Total	13,654,132	21,824,524	35,478,656

	Less than 12 Months	Greater than 12 Months	Total
2017	**$**	**$**	**$**
Trade and other payables	2,481,476	1,733,405	4,214,881
Current Tax Liability	2,642,206	-	2,642,206
Unsecured Notes	-	21,706,995	21,706,995
Total	5,123,682	23,440,400	28,564,082

NOTE 14: FAIR VALUE ESTIMATION

Fair Value Hierarchy

Judgements and estimates are made in determining the fair values of assets and liabilities. To provide an indication of the reliability of the inputs used in determining fair value, the Group categorises each asset and liability into one of the following three levels as prescribed by accounting standards:

Level 1: Fair value is determined by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities as at the end of the reporting period.

Level 2: Fair value is determined by using valuation techniques incorporating observable market data inputs.

Level 3: Fair value is determined by using valuation techniques that rely on inputs that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
As at 30 June 2018	**$**	**$**	**$**	**$**
Financial assets through other comprehensive income:				
- Listed domestic and international	42,409,395	255,000	-	42,664,395
- Unlisted domestic investments	-	-	611,961	611,961
- Unlisted international investments	-	-	4,458,149	4,458,149
	42,409,395	255,000	5,070,110	47,734,505
Financial assets through profit and loss:				
- Listed domestic and international investments	25,424,068	-	-	25,424,068
- Unlisted domestic and international investments	-	11,082	280,634	291,716
	25,424,068	11,082	280,634	25,715,784
Total assets	**67,833,463**	**266,082**	**5,350,744**	**73,450,289**

The total contribution to Other Comprehensive Income arising from Level 3 investments is $212,329.

NOTE 14: FAIR VALUE ESTIMATION (continued)

As at 30 June 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets through other comprehensive income:				
- Listed domestic and international	27,399,093	196,875	-	27,595,968
- Unlisted domestic investments	-	80,842	767,570	848,412
- Unlisted international investments	-	-	3,876,800	3,876,800
	27,399,093	277,717	4,644,370	32,321,180
Financial assets through profit and loss:				
- Listed domestic and international investments	18,441,330	584,153	-	19,025,483
- Unlisted domestic and international investments	-	91,386	370,928	462,314
	18,441,330	675,539	370,928	19,487,797
Total assets	**45,840,423**	**953,256**	**5,015,298**	**51,808,977**

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted last sale prices at the end of the reporting period, excluding transaction costs.

Level 2 assets consist of listed securities which are based on quoted prices in inactive markets.

Included within Level 3 of the hierarchy are unlisted securities such as shares in private companies, trusts and unlisted foreign notes. In order to determine the fair value of these investments, valuation techniques such as comparisons to similar investments for which market observable inputs are available, latest available net tangible assets per share, the adjusted last sale price or the fair value of the expected redemption value in the notes have been adopted.

The Company's investment in Foundation Life valued at $4,458,149 (2017: $3,876,800) is based on its share of Foundation Life's shareholder equity. This value is reported in Foundation Life's reviewed half yearly and audited full year accounts (in March and September respectively).

NOTE 15: NET LOANS AND ADVANCES

Accounting Policy:
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is recognised.

	2018	2017
	$	$
Family law	5,680,189	5,151,190
Disbursement funding	150,916	233,294
Personal Injury	2,821,713	2,812,073
Other	1,269,239	1,029,067
Provision for impairment	(6,388,826)	(6,380,686)
Total	3,533,231	2,844,938

2017	Additions	Recoveries	Write off	Impairment through Profit and Loss	Provision Write Off	2018
2,844,937	1,921,353	(442,367)	(782,552)	(859,776)	851,636	3,533,231

2016	Additions	Recoveries	Write off	Impairment through Profit and Loss	Provision Write Off	2017
3,599,171	1,707,400	(242,265)	(757,822)	(2,369,601)	908,054	2,844,937

The net loans and advances were acquired by the group as part of the acquisition of Ask Funding Limited on 4 September 2015.

Impaired loans and advances

Credit Impairment in respect of these loans continues to be determined on an individual case basis after taking into account the likely time of settlement; potential further deterioration in asset pool values and/or a decrease in the prospects of an individual borrower succeeding in their respective claims in court. For the year ended 30 June 2018, Ask Funding Limited management have assessed a further impairment of $859,776 (2017: $2,369,601).

The entity's write-off policy is dependent on the litigation proceedings and court ruling for each case to determine if the amount will be recoverable. The impairment loss impacted the result attributable to members by $622,643 (2017: $1,699,952) for the year ended 30 June 2018.

The assumptions and estimations are based on the litigation proceedings and court ruling for each case taking into consideration how much the borrower would be told to pay to ASK funding and whether their asset pool value / collateral is capable of paying out that amount. Default is considered as the restructuring of an amount due to the Company, on terms that the Company would not consider otherwise and, indications that a debtor will enter bankruptcy or the disappearance of an active market for a security.

Credit risk – Loans and Advances
The credit risk associated with the loans and advances is managed by the AKF's lending model under which monies are advanced against the anticipation of a specified future event with the loan risks and credit assessment fundamentally related to the outcome of that specified event and with repayment sourced from the resultant agreed or judicially determined settlement outcome and proceeds. The principal amount advanced was limited to a maximum of 30% of the lower range of the expected settlement outcome, which is calculated through a known formula and methodology utilised within the judicial system.

The group has the following credit risk exposures concentrated to a single borrower or legal practice:

A single matrimonial loan in Western Australia (security held are Mortgage, Caveat and Guarantees from borrower and related parties) – balance as at 30 June 2018 of $2.8 million (2017: $2.0 million)

NOTE 16: UNSECURED NOTES

Accounting Policy:
Unsecured Notes are initially recognised at fair value, net of any transactions costs incurred. These balances are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the liability using the effective interest method.

	2018	2017
	$	$
Unsecured notes	22,308,700	22,308,700
Less: capitalised costs	(484,176)	(601,705)
Non-current unsecured – notes at amortised cost	**21,824,524**	**21,706,995**

At 30 June 2018, the face value of the unsecured notes was $22,308,700. Interest is scheduled to be paid semi-annually, with the first interest payment made on 31 December 2016. The maturity date of the notes is 10 July 2021. Terms of the notes are regulated under a trust deed between the Company and Australian Executor Trustee Ltd. Further details of the note terms are available in the Replacement Prospectus dated 3 June 2016.

NOTE 17: CONTINGENT LIABILITIES

Apart from what is mentioned in Events after the reporting date (Note 6), there are no contingent liabilities as at 30 June 2018.

NOTE 18: TRADE AND OTHER RECEIVABLES

Accounting Policy:

Trade receivables are recognised initially at fair value and subsequently at amortised cost, using the effective interest rate method, less provision for impairment. Trade receivables are due for settlement between 30 and 45 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off (impaired) by reducing the carrying amount directly.

	2018	2017
Current assets	**$**	**$**
Trade receivables	41,757	161,309
	41,757	161,309
Sundry receivables	263,741	467,630
GST refundable	18,490	16,251
Other receivables	2,013,491	688,759
Unsettled trades	-	731,186
Total current trade and other receivables	2,337,479	2,065,135
Other current assets		
Prepayments	89,281	104,813
Total other current assets	89,281	104,813

NOTE 19: TRADE AND OTHER PAYABLES

Accounting Policy:
Trade and other payables are stated at their amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid.

	2018	2017
	$	$
Unclaimed shareholder payments - secured *	1,137,882	1,143,339
Trade payables	2,017,288	1,884,939
Escrowed Port of Singapore	1,287,804	694,961
Loan from director^	5,000,000	-
Sundry payables	462,857	491,642
Unsettled trades	22,655	-
Total current trade and other payables	9,928,486	4,214,881

* The balance of this liability relates to the MMX capital return payments which were returned to the Company by the Share Registry during the year, pending claims from previous MMX shareholders or remission to the Office of State Revenue. The balance is secured against the cash and cash equivalents of the Company.

^ In April 2018, a short term loan of $5,000,000 was advanced to the Company by Sir Ron Brierley to fund the purchase of investments Interest was payable at the RBA cash rate per annum. The loan and interest remain outstanding as at the end of the financial year. (Refer to Note 21: Related Parties)

NOTE 20: SHARE BASED PAYMENTS

Accounting Policy:
Share-based compensation benefits are provided to employees of Mercantile Investment Company Limited (the Parent company) via an employee incentive scheme. A summary of the scheme is provided below.

The fair value of options and rights granted is recognised as an employee benefits expense with a corresponding increase in the share-based payment reserve within equity.

The fair value is measured at grant date.

	Note	Opening Balance	Options Issued	Closing Balance
Options 2018		**$**	**$**	**$**
Gabriel Radzyminski		506,000	-	506,000
Other employees		175,500	112,000	287,500
	4	681,500	112,000	793,500

		Opening Balance	Options Issued	Closing Balance
Options 2017		**$**	**$**	**$**
Gabriel Radzyminski		164,000	342,000	506,000
Other employees		-	175,500	175,500
	4	164,000	517,500	681,500

The board issued 10,000,000 options to Gabriel Radzyminski for nil consideration on 11 November 2015 following shareholder approval at the annual general meeting. The options had an exercise price of $0.17 per option and expired on 31 December 2017.

The board issued 5,000,000 options to an employee of Sandon Capital Pty Ltd (an entity associated with Gabriel Radzyminski which provides general consulting, corporate advisory and accounting services to MVT), for nil consideration on 7 October 2016. The options have an exercise price of $0.20 per option and expire on 31 December 2020.

The board issued a further 10,000,000 options to Gabriel Radzyminski for nil consideration on 2 December 2016 following shareholder approval at the annual general meeting. The options have an exercise price of $0.20 per option and expire on 31 December 2020.

The board issued a further 5,000,000 options to an employee of Sandon Capital Pty Ltd (an entity associated with Gabriel Radzyminski which provides general consulting, corporate advisory and accounting services to MVT), for nil consideration on 12 December 2017. The options have an exercise price of $0.23 per option and expire on 31 December 2021.

NOTE 20: SHARE BASED PAYMENTS (continued)

The value of the Options was calculated using Black-Scholes Model. It is used to calculate the theoretical value of Options using current stock prices, expected dividends, the option's strike price, expected interest rates, time to expiration, expected and implied volatility (30%), risk free rate (1.5%) and asset spot price (as above).

On 26 October 2017, the board resolved to issue 10,000,000 options to Mr Radzyminski for nil consideration subject to shareholder approval at the 2018 AGM. The proposed options will have an exercise price of $0.23 cents per option and will expire on 31 December 2021. The quantum and exercise price of these options (which is above current market price) are designed to provide further alignment of outcomes between Mr Radzyminski and shareholders. Further details of the proposed option issue will be included in the explanatory memorandum accompanying the notice of Annual General Meeting.

On 31 December 2017, Gabriel Radzyminski exercised 700,000 options from the parcel issued to him on 11 November 2015 at $0.17 per option at a cost of $119,000. The 9,300,000 options that were not exercised have expired.

NOTE 21: RELATED PARTIES

Transactions with related parties

	2018 $	2017 $
Sandon Capital Pty Ltd is an entity associated with Mr Gabriel Radzyminski. Sandon Capital Pty Ltd provided general consulting, corporate advisory and accounting services to Mercantile Investment. All dealings are conducted at arm's length on normal commercial terms.	429,000	429,000
Ariadne Australia Limited is an entity associated with Dr Gary Weiss and Mr Daniel Weiss. Director's fees for Daniel Weiss were paid to Ariadne Australia Limited.	18,067	18,067
The Board awarded a discretionary cash bonus to Mr Radzyminski of $110,000 (inclusive of super) in October 2017. The first instalment of $55,000 was paid in November 2017 . The second instalment of $55,000 will be paid in November 2018. This was accrued as at 30 June 2018.	110,000	200,000
Short-term, unsecured loans were advanced to the Company by Sir Ron Brierley in 2018 of $5.0m (2017: $16.6m) to fund purchases of investments. Interest was paid at the RBA cash rate per annum.	15,205	66,113
Sir Ron Brierley subscribed for 30,000 MVTHA notes ($3,000,000) in partial repayment of the short term debt facility which was in operation during the 2016 financial year. Interest paid on these notes at 30 June 2018 was $240,000 (2017: $244,603)	240,000	244,603
Gabriel Radzyminski subscribed for 250 MVTHA notes ($25,000) during the 2017 financial year. Interest paid on these notes at 30 June 2018 was $2,000 (2017: $2,038)	2,000	2,038
Ron Langley subscribed for 12,000 MVTHA notes ($1,200,000) during the 2017 financial year. Interest paid on these notes at 30 June 2018 was $96,000 (2017: $97,841)	96,000	97,841

KMP Compensation

Elements of Remuneration

The Directors are the only people considered to be key management personnel of the company.

Remuneration for Mr Daniel Weiss is not paid to Mr Weiss, but are paid to Ariadne Australia Limited (inclusive of irrecoverable GST). Mr Weiss is an employee of and remunerated separately by Ariadne Australia Limited.

Remuneration for Mr Radzyminski reflect director's fees of $15,000 plus superannuation. In the 2017 financial year, the Board approved a cash bonus payment of $200,000 (inclusive of super) payable over 2 traches of $100,000. The first tranche was paid in the 2017 financial year and the second tranche of $100,000 was paid to Mr Radzyminski on 15 August 2017.

The board issued 10,000,000 options to Mr Radzyminski for nil consideration on 11 November 2015 following shareholder approval at the annual general meeting. The options had an exercise price of $0.17 per option, and expired on 31 December 2017. These options equated to the value of $164,000. The quantum and exercise price of these options (which is above current market price) are designed to provide further alignment of outcomes between Mr Radzyminski and shareholders.

NOTE 21: RELATED PARTIES (continued)
Elements of Remuneration (continued)

The board issued a further 10,000,000 options to Mr Radzyminski for nil consideration on 2 December 2016 following shareholder approval at the annual general meeting. The options have an exercise price of $0.20 per option, and expire on 31 December 2020. These options equated to the value of $342,000. The quantum and exercise price of these options (which is above current market price) are designed to provide further alignment of outcomes between Mr Radzyminski and shareholders.

On 26 October 2017, the board resolved to issue 10,000,000 options to Mr Radzyminski for nil consideration subject to shareholder approval at the 2018 AGM. The proposed options will have an exercise price of $0.23 cents per option and will expire on 31 December 2021. The quantum and exercise price of these options (which is above current market price) are designed to provide further alignment of outcomes between Mr Radzyminski and shareholders. Further details of the proposed option issue will be included in the explanatory memorandum accompanying the notice of Annual General Meeting.

On 31 December 2017, Mr Radzyminski exercised 700,000 options from the parcel issued to him on 11 November 2015 at $0.17 per option at a cost of $119,000.

The options don't have any rights to participate in share issues and all are fully vested at balance date.

The remuneration policy has been tailored to align the interest between shareholders, executive directors and non-executive.

	Cash & Salary	Post Employment Benefits	Share based payments	Total
30 June 2018	**$**	**$**	**$**	**$**
Directors				
Sir Ron Brierley	-	-	-	-
Mr Gabriel Radzyminski* **	225,000	1,425	-	226,425
Mr James Chirnside	18,000	1,710	-	19,710
Mr Ron Langley	15,000	1,425	-	16,425
Mr Daniel Weiss	18,067	-	-	18,067
	276,067	**4,560**	**-**	**280,627**
30 June 2017				
Directors				
Sir Ron Brierley	-	-	-	-
Mr Gabriel Radzyminski*	210,522	5,905	342,000	558,427
Mr James Chirnside	18,000	1,710	-	19,710
Mr Ron Langley	15,000	1,425	-	16,425
Mr Daniel Weiss	18,067	-	-	18,067
	261,589	**9,040**	**342,000**	**612,629**

* Both of these figures include bonus payments
**There is a bonus of $55,000 included which was accrued at year end, payable in November 2018.

Bonuses to executives are based on performance. No loans have been made to the Directors of MVT.

NOTE 21: RELATED PARTIES (continued)

Other Statutory Information

The number of shares in the company held during the financial year by each director of the group, including their personally related parties, is set out below:

2018 Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Sir Ron Brierley	122,411,120	-	-	-	122,411,120
Mr Gabriel Radzyminski	-	-	700,000	-	700,000
Mr James Chirnside	-	-	-	-	-
Mr Ron Langley	12,500,000	-	-	-	12,500,000
Dr Gary Weiss	15,455,001	-	-	-	15,455,001
Mr Daniel Weiss	-	-	-	-	-
	150,366,121	**-**	**700,000**	**-**	**151,066,121**

2017 Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Sir Ron Brierley	122,411,120	-	-	-	122,411,120
Mr Gabriel Radzyminski	-	-	-	-	-
Mr James Chirnside	-	-	-	-	-
Mr Ron Langley	12,500,000	-	-	-	12,500,000
Dr Gary Weiss	15,455,001	-	-	-	15,455,001
Mr Daniel Weiss	-	-	-	-	-
	150,366,121	**-**	**-**	**-**	**150,366,121**

	Opening Balance	Options Issued	Exercise of Options	Expiration of Options	Closing Balance
	No.	No.	No.	No.	No.
Options 2018					
Gabriel Radzyminski	20,000,000	-	(700,000)	(9,300,000)	10,000,000
Sir Ron Brierley	-	-	-	-	-
Mr James Chirnside	-	-	-	-	-
Mr Ron Langley	-	-	-	-	-
Dr Gary Weiss	-	-	-	-	-
Mr Daniel Weiss	-	-	-	-	-
	20,000,000	**-**	**(700,000)**	**(9,300,000)**	**10,000,000**

	Opening Balance	Options Issued	Exercise of Options	Expiration of Options	Closing Balance
	No.	No.	No.	No.	No.
Options 2017					
Gabriel Radzyminski	10,000,000	10,000,000	-	-	20,000,000
Sir Ron Brierley	-	-	-	-	-
Mr James Chirnside	-	-	-	-	-
Mr Ron Langley	-	-	-	-	-
Dr Gary Weiss	-	-	-	-	-
Mr Daniel Weiss	-	-	-	-	-
	10,000,000	**10,000,000**	**-**	**-**	**20,000,000**

On 31 December 2017, Gabriel Radzyminski exercised his right to purchase 700,000 options at a cost of $119,000. These options were part of a batch of 10,000,000 issued on 11 November 2015. The remaining 9,300,000 options expired on 31 December 2017.

On 26 October 2017, the board resolved to issue 10,000,000 options to Mr Radzyminski for nil consideration subject to shareholder approval at the 2018 AGM. The proposed options will have an exercise price of $0.23 cents per option and will expire on 31 December 2021. The quantum and exercise price of these options (which is above current market price) are designed to provide further alignment of outcomes between Mr Radzyminski and shareholders. Further details of the proposed option issue will be included in the explanatory memorandum accompanying the notice of Annual General Meeting.

The remaining 10,000,000 options issued to Mr Radzyminski expire on 31 December 2020.

Loans to KMP
No loans have been made to the Directors of MVT.

NOTE 22: COMMITMENTS FOR EXPENDITURE

	2018 $	2017 $
Lease commitments		
Commitments for minimum payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	237,288	226,190
Later than one year but not later than five years	164,238	408,825
	401,526	635,015

There were no capital commitments during the year ended 30 June 2018 (2017: nil)

A subsidiary of the Group (Richfield Marine Agencies (S) Pte Ltd) leases office premises and office equipment from non-related parties under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

NOTE 23: OTHER ACCOUNTING POLICIES

a) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

i. AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue 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 standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. This is not expected to have a material impact on the Groups financial statements.

ii. AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 *Leases* for lessees will eliminate the classifications of operating leases and finance leases. This is not expected to have a material impact on the Groups financial statements.

b) Foreign currency translations and balances

Transactions and Balances

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group Companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction

NOTE 23: OTHER ACCOUNTING POLICIES (Continued)

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTE 24: AUDITORS REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor.

	2018 $	2017 $
Audit services		
Pitcher Partners Sydney for audit and review of financial reports and other work under the *Corporations Act 2001*	174,326	159,130
Other assurance services	-	56,846
	174,326	215,976

NOTE 25: EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2018 $	2017 $
(Loss) / Profit attributable to members	6,682,846	(4,813,699)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	280,360,907	280,000,000
Basic and diluted earnings/ (loss) per share (cents per share)	2.36	(1.72)

The consolidated entity currently has a total of 20,000,000 outstanding options on issue (2017: 20,000,000). As the price of MVT shares do not exceed the exercise price of the options, they are not dilutive and therefore diluted earnings per share equals earnings per share.

NOTE 26: OTHER OPERATING COSTS

	2018	2017
	$	$
Other operating expenses is made up of the following:		
Parent operating expenses		
Rent	19,422	17,217
Office expenses	20,153	13,804
Corporate expenses	13,957	-
Travel	7,285	4,984
Foreign exchange losses	(21,177)	48,059
Fees and commissions	26,892	24,606
Miscellaneous expenses	1,811	2,454
	68,343	111,124
Subsidiary operating expenses		
Rent	219,172	298,772
Office Expenses	161,656	105,034
Travel	20,472	35,792
Bank fees	6,967	7,981
Depreciation	105,064	221,422
Entertainment	32,176	38,902
Miscellaneous expenses	42,476	32,936
	587,983	740,839
Total other operating costs	656,326	851,963

NOTE 27: BUSINESS COMBINATIONS

On 3 August 2018 Mercantile OFM had acquired 78% of the ordinary shares of IPE Limited, with the intention of acquiring the remaining shares it did not own by way of an off market takeover. IPE is a listed investment company focused on investing in funds managed by experienced Australian and New Zealand private equity firms. As at the 30 June 2018, no acquisition accounting has been completed on the acquisition of IPE Limited.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mercantile Investment Company Limited, the Directors of the Group declare that:

1. the financial statements and notes, as set out on pages 16 to 61, are in accordance with *the Corporations Act 2001*, and:

   (a) comply with Australian Accounting Standards, which, as stated in the basis of preparation section on page 20, constitutes compliance with International Financial Reporting Standards (IFRS), the Corporations Regulations 2001 and other mandatory reporting requirements; and

   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Consolidated Group;

2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

3. the Directors have been given the declarations required by section 295A of *the Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Board of Directors.

Gabriel Radzyminski
Executive Director

31 August 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Independent Auditor's Report
to the Members of Mercantile Investment Company Limited
ABN 15 121 415 576

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Mercantile Investment Company Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion the consolidated financial report of Mercantile Investment Company Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the consolidated financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial report of the current period. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the matter***
Existence, Valuation, and Classification of Financial Assets ***Refer to Note 14: Financial Risk Management, Note 15: Fair Value Estimation***	
We focused our audit effort on the valuation and existence of the Group's financial assets as they are its largest asset and represent the most significant driver of the Group's Net Tangible Assets and profits. Investments mostly consist of listed Australian and Global securities and some unlisted Australian and Global securities. Investments are valued by multiplying the quantity held by the respective market price, cost or estimated value per security for unlisted investments.	Our procedures included, amongst others: ▪ Understanding and evaluating the investment management process and controls; ▪ Reviewing and understanding the latest available independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures; ▪ Obtaining a confirmation of the investment holdings directly from the Custodian; ▪ Assessing the Group's valuation of individual investment holdings to independent sources. For investments where there was little or less observable market data, obtaining and assessing other relevant valuation data; ▪ Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses; ▪ Assessing the adequacy of disclosures in the financial statements.

Accuracy and Valuation of Related Party Transactions ***Refer to Note 20: Trade and Other Payables, Note 22: Related Parties and Remuneration Report***	
We focused our audit effort on the accuracy and valuation of related party transactions as there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party. During the year the Group transacted with Directors and Director related entities including: ▪ Directors remuneration; ▪ short term unsecured loans advanced to the Group from an entity associated with a Director; ▪ corporate, advisory and accounting services.	Our procedures included, amongst others: ▪ Making enquiries of management and the Directors with respect to any related party transactions during the period, in addition to reviewing minutes of meetings, ASX announcements; ▪ Reviewing payments, receipts and general journals throughout the year and examined transactions with known related parties of that appeared large or unusual for the Group; ▪ Evaluating based on supporting documentation for a sample of related party transactions, whether they were on an arms-length basis; ▪ Assessing the adequacy of disclosures made in the consolidated financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the consolidated financial report and the auditor's report thereon.

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

In connection with our audit of the consolidated financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the consolidated financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the consolidated financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine

are necessary to enable the preparation of the consolidated financial report that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the consolidated financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the consolidated financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Groups ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the financial report. We are

responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the Directors' Report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Mercantile Investment Company Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of Mercantile Investment Company Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

S M Whiddett
Partner

Pitcher Partners
Sydney

31 August 2018

ASX ADDITIONAL INFORMATION

Information as at 24 August 2018

Shares (ASX: MVT)

The number of investors holding shares within the ranges outlined in the table and the number of investors holding less than a marketable parcel of shares is shown below:

Range	Total Holders	Number of Shares	% of Issued Capital
1 - 1,000	615	209,805	0.07%
1,001 - 5,000	1,147	3,402,780	1.21%
5,001 - 10,000	400	3,183,232	1.13%
10,001 - 100,000	560	18,467,126	6.58%
100,001 and over	112	255,437,057	91.00%
Total	**2,833**	**280,700,000**	**100.00%**

Unmarketable Parcels

	Parcel Size	Holders	Number of Shares	% of Issued Capital
Minimum $500 parcel	5,866	1,204	1,412,543	0.50%

Top 20 Holders of Fully Paid Ordinary Shares

Rank	Names	Number of Shares	% of Issued Capital
1	Siblow Pty Ltd	103,764,634	36.97
2	G W Holdings Pty Ltd <Edwina A/C>	25,750,522	9.17
3	Mcneil Nominees Pty Limited	18,646,486	6.64
4	Portfolio Services Pty Ltd	14,915,001	5.31
5	J P Morgan Nominees Australia Limited	14,749,881	5.25
6	Mr Ron Langley & Ms Rhonda Elizabeth Langley	12,500,000	4.45
7	Treasure Island Hire Boat Company Pty Ltd <Staff Super Fund Account>	8,788,147	3.13
8	LIC Investments Pty Ltd <LIC Investments Unit A/C>	6,070,000	2.16
9	Abbawood Nominees Pty Ltd <Abbott Family S/F No 1 A/C>	4,150,000	1.48
10	Mercantile Investment Company Limited New Zealand Control Account	3,372,350	1.20
11	National Nominees Limited	2,998,915	1.07
12	HSBC Custody Nominees (Australia) Limited	2,434,785	0.87
13	Investment Custodial Services Limited <C A/C>	1,960,000	0.70
14	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	1,750,941	0.62
15	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,577,181	0.56
16	Mr Edward James Dally & Mrs Selina Dally<E J Dally Super Fund A/C>	1,320,334	0.47
17	Avenue 8 Pty Limited <Gan Super Fund A/C>	1,117,100	0.40
18	Mr Frederick Bruce Wareham	1,050,000	0.37
19	Citicorp Nominees Pty Limited	937,298	0.33
20	B W Rofe Pty Limited	870,000	0.31
	Total	**228,714,951**	**81.48**

ASX ADDITIONAL INFORMATION (Continued)

Substantial Security Holders

Names	Number of Shares	% of Issued Capital
Sir Ron Brierley	122,411,120	43.61%
GW Holdings Pty Ltd <Edwina A/C>	25,750,522	9.17%
Dr Gary Weiss*	15,455,001	5.31%

Voting Rights

On a show of hands, every shareholder present in person or by proxy holding a share in the Company shall have one vote and upon a poll each share shall have one vote.

* Gary Weiss' shareholding includes 14,915,001 shares held by Portfolio Services Pty Ltd.