

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

APPENDIX 4D - HALF YEAR REPORT

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2015**
(Comparative figures being the half-year ended 31 December 2014)

Earnings	December 2015	Movement	
	\$	up/down	%
Revenue from ordinary activities	3,081,166	up	319%
Profit from operating activities after tax, attributable to members	582,515	down	(34%)
Total comprehensive income after tax, attributable to members	3,484,275	up	1,398%
		31 December 2015	30 June 2015
		\$	\$
Net Tangible Asset Backing Per Share (NTA)			
NTA before tax		0.17	0.15
NTA after tax		0.15	0.14

Commentary on results and changes in the consolidated entity

The Company has continued to invest in ASX listed and other investment opportunities that the Directors consider offer the prospect of attractive risk adjusted returns.

On 4 September 2015, Mercantile OFM Pty Limited, a wholly owned subsidiary of Mercantile Investment Company Limited, acquired 71.74% of shares in Ask Funding Limited ("AKF") by way of an on market takeover bid.

The consolidated results for the half-year ended 31 December 2015 includes AKF's results from 4 September 2015. However, the comparative results for 2014 do not include AKF's results.

Dividends

No dividends were paid during the period (2014: nil) and no dividends are proposed for the half-year ended 31 December 2015.

This report was previously issued to the ASX on 29 February 2016.

This report is presented in Australian dollars, which is Mercantile Investment Company Limited's functional and presentation currency.

This report is based on financial statements which have been subject to independent review by the auditors, Pitcher Partners. All documents comprise information required by listing rule 4.2A. This information should be read in conjunction with the 30 June 2015 Amended Annual Financial Report.

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

**Interim Financial Report
for the Half - Year Ended 31 December 2015**

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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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**MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
ABN 15 121 415 576
HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2015**

CORPORATE DIRECTORY

Directors: Sir Ron Brierley - Chairman & Non-Executive Director
Mr Gabriel Radzysinski - Executive Director
Mr James Chirside - Independent Non-Executive Director
Mr Ronald Langley - Independent Non-Executive Director
Mr Daniel Weiss - Non-Executive Director
Dr Gary Weiss - Non-Executive Alternate Director

Company Secretary: Mark Licciardo and Matthew Rowe
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 11, 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: +61 2 8280 7001 (Australia)
Website: www.linkmarketservice.com.au

ASX Code: **MVT**
Fully paid ordinary shares.

NZX Code: **MVT**
Fully paid ordinary shares.

**MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
ABN 15 121 415 576
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

The Directors of Mercantile Investment Company Limited ("the Company") present their report together with the financial statements of the Company for the half-year ended 31 December 2015.

DIRECTORS

The names of Directors in office at any time during or since the end of the period are:

Sir Ron Brierley	Chairman & Non-Executive Director
Mr Gabriel Radzysinski	Executive Director
Mr James Chirnside	Independent Non-Executive Director
Mr Ronald Langley	Independent Non-Executive Director
Mr Daniel Weiss	Non-Executive Director
Dr Gary Weiss	Non-Executive Director (Alternate Director for Mr Daniel Weiss)

REVIEW AND RESULTS OF OPERATIONS

Mercantile Investment Company Limited is pleased to provide the financial report for the half-year ending 31 December 2015. This represents the first half-year period since taking a controlling interest in Ask Funding Limited ("AKF") in September 2015.

The market price of the Company's shares increased over the period from \$0.125 per share at 30 June 2015 to \$0.14 per share at 31 December 2015 (Dec 2014: decreased from \$0.135 per share at 30 June 2014 to \$0.130 per share at 31 December 2014).

During the period the Net Tangible Assets (after tax) increased from \$0.14 to \$0.15.

TAKEOVER OF ASK FUNDING LIMITED

On 4 June 2015, Mercantile announced to the ASX an off-market takeover offer by Mercantile OFM Pty Ltd (Mercantile OFM) (ACN 120 221 623), a wholly owned subsidiary of Mercantile, for all of the ordinary shares in ASX listed Ask Funding Limited (AKF) (ACN 094 503 385) (ASX code AKF) that Mercantile did not own. The offer closed on 14 August 2015 and the Company received acceptances totalling 71.74%. Offer consideration totalling \$2,656,009 was paid on 4 September 2015.

The financial results of AKF have been consolidated for the half-year ended 31 December 2015.

TAKEOVER OF RICHFIELD INTERNATIONAL LIMITED

On 23 December 2015, a wholly owned subsidiary of MVT, Mercantile OFM, announced an unconditional cash offer at \$0.20 per share to acquire all of the shares it did not own in Richfield International Ltd by way of an on-market takeover bid. Please refer to the Bidder's Statement dated 23 December 2015 on the Australian Securities Exchange for more details of the takeover bid.

The Takeover Offer closed on 8 February 2016, with Mercantile OFM and its associates securing 26.89% of Richfield International Ltd (up from 19.9% prior to the launch of the bid).

TAKEOVER OF KIRKCALDIE & STAINS LIMITED

On 26 February 2016, Mercantile announced to the NZX a full takeover for 100% of the fully paid ordinary shares of Kirkcaldie & Stains Limited (K&S) through Mercantile NZ Limited (NZBN 9429041675830), a wholly owned subsidiary of Mercantile. Mercantile NZ Limited offers to purchase all of the ordinary shares in K&S not already held by Mercantile for NZD\$2.75 in cash per share on the terms and conditions contained in the offer document lodged with the announcement.

DIVIDENDS

No dividends were paid or are payable for the period ended 31 December 2015. The Directors intend to consider the capacity of the Company to pay dividends in the future.

**MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES
ABN 15 121 415 576
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

LISTING IN NEW ZEALAND

On 6 July 2015, the Company's shares began trading, following a compliance listing, on the NZX Main Board. The NZX code is MVT.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under S307c of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2015.

The Director's report is signed in accordance with a resolution of the Board of Directors.



Sir Ron Brierley
Chairman

Signed this 11th day of April 2016



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Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle

**Auditor's Independence Declaration
to the Directors of Mercantile Investment Company Limited**

As lead auditor for the review of Mercantile Investment Company Limited and its controlled entities for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

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

Pitcher Partners

Scott Whiddett
Partner

Dated in Sydney, this 11th day of April 2016

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	31 December 2015	31 December 2014
	\$	\$
Revenue		
Dividends, return of capital & distribution income	1,671,313	829,592
Net realised loss on trading portfolio	(393,119)	(6,927)
Net unrealised gains / (loss) on trading portfolio	1,444,509	(908,767)
(Loss) / gain on acquisition of a controlled entity	(596,786)	704,868
Interest income	756,542	34,019
Other revenue	198,707	81,935
Total revenue from operating activities	<u>3,081,166</u>	<u>734,720</u>
Expenses		
Accounting fees	31,256	26,969
Audit fees	34,615	14,380
Taxation service fees	34,219	18,160
Service agreement fees	84,886	84,000
Company secretary fees	22,922	54,498
Share registry fees	34,563	36,062
Brokerage	34,732	16,140
Impairment of loans and advances	853,261	-
Legal and professional fees	49,020	15,070
ASIC and ASX charges	43,306	34,718
Share based payments	164,000	-
Other operating costs	405,791	190,434
Total expenses	<u>1,792,571</u>	<u>490,431</u>
Profit / (loss) before income tax	1,288,595	244,289
Income tax (expense) / benefit	(836,853)	635,762
Profit for the period	<u>451,742</u>	<u>880,051</u>
Other comprehensive income / (loss)		
<i>Items that will not be reclassified to profit or loss:</i>		
Movement in fair value of long term equity investments, net of tax	2,901,760	(1,148,464)
Total other comprehensive income / (loss)	<u>2,901,760</u>	<u>(1,148,464)</u>
Total comprehensive income / (loss) for the period	<u>3,353,502</u>	<u>(268,413)</u>
Profit / (loss) attributable to:		
Shareholders of Mercantile	582,515	880,051
Non-controlling interest	(130,773)	-
	<u>451,742</u>	<u>880,051</u>
Total comprehensive income / (loss) attributable to:		
Shareholders of Mercantile	3,484,275	(268,413)
Non-controlling interest	(130,773)	-
	<u>3,353,502</u>	<u>(268,413)</u>
Earnings per Share	Cents	Cents
From Continuing Operations		
- Basic earnings per share	0.22	0.33
- Diluted earnings per share	0.22	0.33

The above consolidated 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
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Notes	31 December 2015 \$	30 June 2015 \$
Assets			
Current assets			
Cash and cash equivalents		4,820,505	6,117,624
Receivables		76,216	84,098
Net loans and advances		3,993,025	-
Financial assets at fair value through profit or loss	4	9,963,342	3,278,374
Other current assets		137,486	43,582
Total current assets		<u>18,990,574</u>	<u>9,523,678</u>
Non - current assets			
Available-for-sale financial assets	4	35,653,161	32,420,440
Receivables		706,785	713,558
Plant and equipment		1,486	3,065
Deferred tax asset		238,371	243,861
Total non-current assets		<u>36,599,803</u>	<u>33,380,924</u>
Total assets		<u>55,590,377</u>	<u>42,904,602</u>
Liabilities			
Current liabilities			
Payables		1,501,967	1,764,491
Interest bearing liabilities		4,645,510	-
Current tax liability		805,881	473,096
Total current liabilities		<u>6,953,358</u>	<u>2,237,587</u>
Non-current liabilities			
Deferred tax liability		4,065,421	2,455,990
Total non-current liabilities		<u>4,065,421</u>	<u>2,455,990</u>
Total liabilities		<u>11,018,779</u>	<u>4,693,577</u>
Net assets		<u>44,571,598</u>	<u>38,211,025</u>
Equity			
Issued capital	6	28,717,120	27,404,109
Capital profit reserve		12,492,077	12,083,545
Asset revaluation reserve		8,359,049	5,865,821
Share based payment reserve		164,000	-
Retained earnings		(6,559,935)	(7,142,450)
Parent entity interest		43,172,311	38,211,025
Non-controlling interest		1,399,287	-
Total equity		<u>44,571,598</u>	<u>38,211,025</u>

The above consolidated 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 HALF-YEAR ENDED 31 DECEMBER 2015**

Note	Issued Share Capital - Ordinary	Accumulated Losses	Realised Capital Profits Reserve	Asset Revaluation Reserve	Share Based Payment Reserve	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	24,773,530	(7,628,161)	5,665,434	10,895,589	-	-	33,706,392
Profit after tax for the period	-	880,051	-	-	-	-	880,051
<i>Other comprehensive income for the period:</i>							
Movement in fair value of long term equity investments, net of tax	-	-	-	(1,148,464)	-	-	(1,148,464)
Realised gains on sale of investments	-	-	2,948,937	(2,948,937)	-	-	-
Shares issued under MMX Scheme of Arrangement	2,769,875	-	-	-	-	-	2,769,875
Capitalised share issue costs	(11,743)	-	-	-	-	-	(11,743)
Balance at 31 December 2014	27,531,662	(6,748,110)	8,614,371	6,798,188	-	-	36,196,111
Balance at 1 July 2015	27,404,109	(7,142,450)	12,083,545	5,865,821	-	-	38,211,025
Profit after tax for the period	-	582,515	-	-	-	(130,773)	451,742
<i>Other comprehensive income for the period:</i>							
Movement in fair value of long term equity investments, net of tax	-	-	-	2,901,760	-	-	2,901,760
Realised gains on sale of investments	-	-	408,532	(408,532)	-	-	-
Non-controlling interest on acquisition of a controlled entity	-	-	-	-	-	1,530,060	1,530,060
Share options issued	-	-	-	-	164,000	-	164,000
Shares issued via placement	1,315,046	-	-	-	-	-	1,315,046
Capitalised share issue costs	(2,035)	-	-	-	-	-	(2,035)
Balance at 31 December 2015	28,717,120	(6,559,935)	12,492,077	8,359,049	164,000	1,399,287	44,571,598

The above consolidated 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 HALF-YEAR ENDED 31 DECEMBER 2015**

	31 December 2015	31 December 2014
	\$	\$
Cash flows from operating activities		
Dividends, distributions and other investment income received	1,591,371	1,100,698
Interest and fees received	273,914	40,509
Proceeds from sales of trading securities	1,490,027	36,230
Payments for trading securities	(6,227,201)	(802,804)
Other payments in the course of ordinary operations	(791,523)	(80,134)
Net cash (used in) / provided by operating activities	<u>(3,663,412)</u>	<u>294,499</u>
Cash flows from investing activities		
Proceeds from disposal of investments-available for sale	699,332	5,623,195
Payments for investments-available for sale	(1,735,660)	(8,575,254)
Proceeds from return of capital	599,186	384,673
Net cash acquired on acquisition of a controlled entity	(1,531,499)	3,795,961
Loans repaid by clients	48,465	-
Net cash (used in) / provided by investing activities	<u>(1,920,176)</u>	<u>1,228,575</u>
Cash flows from financing activities		
Loan proceeds received	3,000,000	94,256
Loans repayments made	-	(2,912,001)
Proceeds from issue of shares	1,315,046	2,769,873
Payments in relation to raising capital	(28,577)	-
Net cash provided by / (used in) financing activities	<u>4,286,469</u>	<u>(47,872)</u>
Net (decrease) / increase in cash assets held	(1,297,119)	1,475,202
Cash assets at the beginning of the half year	6,117,624	1,129,258
Cash assets at the end of the half year	<u><u>4,820,505</u></u>	<u><u>2,604,460</u></u>

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AAB 134: *Interim Financial Reporting*, and other applicable Australian Accounting Standards (including Australian Accounting Interpretations).

These half-year financial statements do not include all the notes of the type normally included in an annual financial report. It is recommended that these half-year financial statements be read in conjunction with the 30 June 2015 Amended Annual Financial Report and any public announcements made by Mercantile Investment Company Limited and its controlled entities ("the consolidated entity") during the half-year in accordance with any continuous disclosure requirements arising under the Corporations Act 2001.

These financial statements have been prepared on an accruals basis and are based on the historical cost basis except as modified by the revaluation of investments which are recorded at fair value.

The consolidated financial statements are presented in Australian dollars, which is Mercantile Investment Company Limited's functional and presentation currency.

These consolidated half-year financial statements were approved by the Board of Directors on 11 April 2016.

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the 30 June 2015 Amended Annual Financial Report. The following additional accounting policies apply for the half-year ended 31 December 2015 balances upon acquisition of Ask Funding Limited.

b. Significant accounting policies of controlled entity acquired during the period

Financial instruments

Non-derivative financial assets

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 cashflows 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.

Impairment of loans and advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

The impairment loss is measured as the difference between the carrying amount of the loan or advance, including the security held and the expected future cash flows.

Specific provision

Impairment losses on loans and advances are determined on a case by case basis. Each borrower is subjected to a regular and intensive assessment for the identification and quantification of impairment. Following this assessment, if there is evidence that a loan or advance is impaired, then a specific impairment is raised. Any subsequent write-offs are then made against the specific provision for unrecoverable loans.

Revenue recognition

Fee income

Fee income, including account servicing and reassessment fees are recognised as the related services are performed. Notwithstanding the fact that consolidated entity policy is to determine all fees received by reference to reimbursement of actual costs, for accounting purposes ascertainable fees are received are recognised as interest income under the effective interest rate method.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies of controlled entity acquired during the period (Continued)

Segment reporting

The consolidated entity now also operates in the business segment of consumer finance predominately within Australasia as a result of acquisition of Ask Funding Limited during the period.

Critical accounting estimates and judgements

Impairment of loan and advances and other receivables

The consolidated entity continually assesses whether loans and advances and other receivables are impaired. Provisions for impairment are raised where there is objective evidence of impairment and full recovery is considered doubtful. These calculations may involve an estimate of the litigation risk, the settlement proceeds and underlying asset values in order to determine the estimate of the recoverable amount.

NOTE 2: RESTATEMENT OF COMPARATIVES

Correction of prior period errors in presentation of comprehensive income and cash flows

In February 2016, a number of prior period errors relating to the presentation of the consolidated entity's interim statement of comprehensive income and cash flow statement for the half-year ended 31 December 2014 were identified. These prior period errors had the following effects on the consolidated entity's reported performance for the half-year ended 31 December 2014:

- (a) understated profit after tax by \$14,032;
- (b) overstated other comprehensive income after tax by \$8,194,802;
- (c) overstated total comprehensive income after tax by \$8,180,770;
- (d) overstated total comprehensive income attributable to members of the parent entity by \$8,180,770; and
- (e) understating net cash provided by operating activities by \$2,349,211 and overstating net cash provided by investing activities by the same amount.

As the above mentioned prior period errors had correctly been recorded within the consolidated statement of changes in equity, there is nil effect on the net asset position and total equity of the consolidated entity for the period ended 31 December 2014.

The following provides a detailed description of the impact of correcting these prior period errors on the affected line items and other disclosures in these interim financial statements.

Impact on consolidated statement of comprehensive income

For the half-year ended 31 December 2014, the consolidated entity incorrectly recognised a fair value remeasurement in retained earnings (rather than in profit or loss), and incorrectly presented a fair value remeasurement as a gain (rather than as a loss).

These prior period errors have been corrected in the comparative numbers presented in these interim financial statements by restating each of the affected financial statement line items and other disclosures as follows:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 2: RESTATEMENT OF COMPARATIVES (Continued)

	31 December 2014 (previously reported) \$	Restatement \$	31 December 2014 (restated) \$
Unrealised gains / (loss) in market movements	(922,799)	14,032	(908,767)
Profit for the period	866,019	14,032	880,051
<u>Other comprehensive income</u>			
<i>Items that will not be reclassified to profit or loss</i>			
Gains on Disposal of Investments Available for Sale	2,948,937	(2,948,937)	-
Fair Value Adjustment	5,853,431	(5,853,431)	-
Deferred tax impact relating to items that will not be reclassified	(1,756,030)	1,756,030	-
Movement in fair value of long term equity investments, net of tax	-	(1,148,464)	(1,148,464)
Total comprehensive income for the period	7,912,357	(8,180,770)	(268,413)
Profit for the period attributable to:			
Shareholders of Mercantile	866,019	14,032	880,051
Non-controlling interest	-	-	-
	866,019	14,032	880,051
Total comprehensive income for the period attributable to:			
Shareholders of Mercantile	7,912,357	(8,180,770)	(268,413)
Non-controlling interest	-	-	-
	7,912,357	(8,180,770)	(268,413)
Basic and diluted earnings per share	Cents	Cents	Cents
From continuing operations	0.32	0.01	0.33
From total comprehensive income	2.94	(3.04)	(0.10)

As the above mentioned prior period errors had correctly been recorded within the consolidated statement of changes in equity, there is nil effect on the net asset position and total equity of the consolidated entity for the period ended 31 December 2014.

Impact on consolidated statement of cash flows

For the half-year ended 31 December 2014, the consolidated entity incorrectly classified \$3,795,961 as payments for/proceeds from sale of investments (both held for trading and long term equity investments) rather than as net cash acquired on acquisition of a controlled entity.

These prior period errors have been corrected in the comparative numbers presented in these interim financial statements by restating each of the affected financial statement line items and other disclosures as follows:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 2: RESTATEMENT OF COMPARATIVES (Continued)

	31 December 2014 (previously reported) \$	Restatement \$	31 December 2014 (restated) \$
Cash flows from operating activities			
Payments for purchase of financial assets Held for Trading	(3,152,015)	2,349,211	(802,804)
Net cash (used in) / provided by operating activities	(2,054,712)	2,349,211	294,499
Cash flows from investing activities			
Proceeds from sale of Investments	5,034,884	588,311	5,623,195
Purchase of Investments	(1,841,771)	(6,733,483)	(8,575,254)
Net cash acquired on acquisition of controlled entity	-	3,795,961	3,795,961
Net cash (used in) / provided by investing activities	3,577,786	(2,349,211)	1,228,575

Please note that there is nil overall impact of these restatements on the net increase in cash and cash equivalents for the comparative period ended 31 December 2014.

NOTE 3: DIVIDENDS

No dividends were paid or provided for during the period (2015: nil).

(a) Franking account

The ability for Mercantile Investment Company Limited to pay franked dividends is dependent upon the Company's available franking account balance. The Company's franking account balance at 30 June 2015 was \$848,970. The amount of franking credits for the period to 31 December 2015 from franked dividends received is \$68,224.

	31 December 2015 \$	30 June 2015 \$
Opening balance	848,970	641,904
Franking credits on dividends received	68,224	207,066
	<u>917,194</u>	<u>848,970</u>

NOTE 4: FINANCIAL ASSETS

Current - Financial Assets Held-for-Trading	9,963,342	3,278,374
Non-Current - Available-for-Sale Financial Assets	35,653,161	32,420,440
	<u>45,616,503</u>	<u>35,698,814</u>

(a) Financial Assets Held-for-Trading Comprise:

CURRENT

Shares in domestic and international listed/unlisted corporations	9,963,342	3,278,374
Total Current Financial Assets	<u>9,963,342</u>	<u>3,278,374</u>

(b) Available-for-Sale Financial Assets comprise:

NON-CURRENT

Shares in domestic and international listed/unlisted corporations	31,811,541	28,475,252
Units / notes in foreign companies	3,841,620	3,945,188
Total Non-Current Financial Assets	<u>35,653,161</u>	<u>32,420,440</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 5: FAIR VALUE MEASUREMENTS

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Available-for-sale financial assets
- Held-for-trading financial assets

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurements hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value:

31 December 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets:				
Available-for-sale financial assets				
- Listed domestic and international investments	30,767,866	543,675	-	31,311,541
- Unlisted domestic investments	-	500,000	-	500,000
- Unlisted international investments	-	3,841,620	-	3,841,620
	<u>30,767,866</u>	<u>4,885,295</u>	<u>-</u>	<u>35,653,161</u>
Held-for-trading financial assets				
- Listed domestic and international investments	9,176,207	787,135	-	9,963,342
	<u>9,176,207</u>	<u>787,135</u>	<u>-</u>	<u>9,963,342</u>
Total investments	<u>39,944,073</u>	<u>5,672,430</u>	<u>-</u>	<u>45,616,503</u>

There were no transfers between levels for recurring fair value measurements during the period.

30 June 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets:				
Available-for-sale financial assets				
- Listed domestic and international investments	26,882,947	-	-	26,882,947
- Unlisted domestic investments	-	1,592,305	-	1,592,305
- Unlisted international investments	-	3,945,188	-	3,945,188
	<u>26,882,947</u>	<u>5,537,493</u>	<u>-</u>	<u>32,420,440</u>
Held-for-trading financial assets				
- Listed domestic and international investments	3,278,374	-	-	3,278,374
	<u>3,278,374</u>	<u>-</u>	<u>-</u>	<u>3,278,374</u>
Total investments	<u>30,161,321</u>	<u>5,537,493</u>	<u>-</u>	<u>35,698,814</u>

There were no transfers between levels for recurring fair value measurements during the comparative period.

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NOTE 6: ISSUED CAPITAL	31 December 2015	30 June 2015
	\$	\$
a. Movement in share capital		
Opening balance	27,404,109	24,773,530
Shares issued via placement*	1,315,046	-
Shares issued under MMX Scheme of Arrangement	-	2,769,874
Cost of raising capital, net of tax	(2,035)	(139,295)
Closing balance	<u>28,717,120</u>	<u>27,404,109</u>
	No.	No.
a. Movement in number of shares		
Opening balance	268,764,671	250,577,700
Shares issued via placement*	11,235,329	-
Shares issued under MMX Scheme of Arrangement	-	18,186,971
Closing balance	<u>280,000,000</u>	<u>268,764,671</u>

* Shares issued on New Zealand Exchange on 22 December 2015.

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

NOTE 7: CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF DURING THE PERIOD

During the six months to 31 December 2015, the consolidated entity acquired a controlling interest in Ask Funding Limited. Further details of the acquisition are provided below:

On 4 June 2015, Mercantile announced to the ASX an off-market takeover offer by Mercantile OFM Pty Ltd (Mercantile OFM) (ACN 120 221 623), a wholly owned subsidiary of Mercantile, for all of the ordinary shares in ASX listed Ask Funding Limited ("AKF") (ACN 094 503 385) (ASX code: AKF) that Mercantile did not own for an acquisition price of \$0.08 (8 cents per share).

The offer closed on 14 August 2015 and Mercantile received acceptances totalling 71.74%. Offer consideration totalling \$2,656,009 was paid on 4 September 2015 when Mercantile obtained control of AKF.

	31 December 2015
	\$
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	1,124,510
Receivables - Loan book	4,278,586
Other receivables	824
Prepayments	54,223
Trade Creditors	(41,885)
Net identifiable assets acquired	<u>5,416,258</u>
(Less): non-controlling interest on acquisition	(1,530,060)
Net identifiable assets acquired attributable to shareholders of Mercantile	<u>3,886,198</u>

Purchase consideration

Fair value of previously held interest	1,114,992
Revaluation of previous held interest to \$0.08 cents per share	14,114
Cash paid	2,656,009
	<u>3,785,115</u>

**MERCANTILE INVESTMENT COMPANY LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7: CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF DURING THE PERIOD (Continued)

	31 December 2015
(i). Reconciliation of loss on acquisition of controlled entity	\$
Fair value of previously held interest	1,114,992
Revaluation of previous held interest to \$0.08 cents per share	14,114
Book value of previously held interest	(1,826,975)
Net identifiable assets acquired attributable to shareholders of Mercantile	3,886,198
Purchase consideration	(3,785,115)
	(596,786)
 (ii). Reconciliation of amount included in statement of cash flows	
Outflow of cash to acquire subsidiary, net of cash acquired	
Total cash consideration	2,656,009
Less: cash balances acquired	(1,124,510)
Outflow of cash - investing activities	1,531,499

Profit contribution

In the period to 31 December 2015, Mercantile's share of AKF's net loss after tax is \$331,977.

Acquisition related costs

There were no external acquisition costs included in other expenses in the income statement and in operating cash flows in the statement of cash flows.

Details of acquisitions completed during the prior period include:

In the prior period, on 8 July 2014, Mercantile Investment Company Limited (MVT) acquired 100% of Murchison Metals Limited (MMX) by way of a scheme of arrangement. MMX Shareholders had the opportunity to exchange their shares for either cash, MVT shares or a combination of both. The scheme resulted in the issue of 18,186,971 new MVT shares.

The consolidated results of operations for half year ended 31 Dec 2014 have included MMX's transactions.

The implementation of the merger with MMX was completed on 8 July 2014.

The Scheme Consideration was issued as follows:

- Scrip Consideration – 0.3171 new shares was issued for each MMX share held by Scheme participants as at 1 July 2014. 18,186,971 new MVT shares have been issued at a price of \$0.1523 per share.
- Cash consideration – \$0.0483 was distributed for each MMX share held by Scheme participants as at 1 July 2014. The total Cash Consideration was distributed as a cheque or direct deposit on 8 July 2014.

The Company (MVT) obtained control of MMX on 8 July 2014 and MMX was included in the consolidated entity from that date.

Net assets acquired on acquisition of MMX was \$3,657,042 and primarily related to cash and cash equivalents.

**MERCANTILE INVESTMENT COMPANY LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 8: EVENTS SUBSEQUENT TO BALANCE DATE

On 27 August 2015, a short term loan of \$3,000,000 was advanced to the Company by Sir Ron Brierley to fund the purchase of investments. Additional amounts up to \$7,000,000 were advanced by Sir Ron Brierley to the Company between December 2015 and March 2016 to fund the purchase of investments. Interest is payable at 2% per annum. The loan and interest are expected to be re-paid in full, within the financial year.

On 23 December 2015, a wholly owned subsidiary of MVT, Mercantile OFM, announced an unconditional cash offer at \$0.20 per share to acquire all of the shares it did not own in Richfield International Ltd by way of an on-market takeover bid. Please refer to the Bidder's Statement dated 23 December 2015 on the Australian Securities Exchange for more details of the takeover bid.

The Takeover Offer closed on 8 February 2016, with Mercantile OFM and its associates securing 26.89% of Richfield International Ltd (up from 19.9% prior to the launch of the bid).

On 26 February 2016, Mercantile announced to the NZX a full takeover for 100% of the fully paid ordinary shares of Kirkcaldie & Stains Limited (K&S) through Mercantile NZ Limited (NZBN 9429041675830), a wholly owned subsidiary of Mercantile. Mercantile NZ Limited offers to purchase all of the ordinary shares in K&S not already held by Mercantile for NZD\$2.75 in cash per share on the terms and conditions contained in the offer document lodged with the announcement.

Apart from the above, no events have occurred subsequent to the balance date that would require adjustment to, or disclosure in, the interim financial report.

NOTE 9: CONTINGENCIES AND COMMITMENTS

Apart from the above mentioned items in the events subsequent to balance date, there are no contingent assets or liabilities as at 31 December 2015 (2014: nil).

**MERCANTILE INVESTMENT COMPANY LIMITED
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**HALF-YEAR ENDED 31 DECEMBER 2015
DIRECTORS' DECLARATION**

The Directors of Mercantile Investment Company Limited declare that:

- 1 The financial statements and notes, as set out on pages 5 to 16, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the half year ended on that date;
- 2 In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Sir Ron Brierley
Chairman

Signed this 11th day of April 2016

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**Independent Auditor's Review Report
to the members of Mercantile Investment
Company Limited
A.B.N. 15 121 415 576**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mercantile Investment Company Limited ('the Company') and its controlled entities ('the Consolidated Entity'), which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity comprising Mercantile Investment Company Limited and the entities it controlled at half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mercantile Investment Company Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the applicable independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mercantile Investment Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

We draw your attention to Note 2 of the half-year financial report of Mercantile Investment Company Limited and its controlled entities which describes the prior period errors that have been restated in the current period comparative financial information. These prior period errors only relate to the comparative financial information for the period ended 31 December 2014.

Other Matter

A previous review report with a disclaimer of conclusion was issued on 29 February 2016 due to multiple material reporting errors, inaccuracies and disclosure misstatements being identified in the Annual Report for the year ended 30 June 2015. Subsequent to issuing the disclaimer of conclusion, the directors have issued an Amended Annual Report for the year ended 30 June 2015 on 5 April 2015 which has rectified the identified errors and misstatements.



Pitcher Partners



Scott Whiddett

Partner

Dated in Sydney, this 11th day of April 2016