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

**Annual Report  
30 June 2019**

**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Annual Report  
30 June 2019**

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**Mercantile Investment Company Limited  
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**Corporate Directory**

**Directors:** Sir Ron Brierley - Chairman & Non-Executive Director  
Mr Gabriel Radzynski - Executive Director  
Mr James Chirns - Independent Non-Executive Director  
Mr Daniel Weiss - Independent Non-Executive Director  
Ms Katrina Langley - Independent Non-Executive Director (appointed 6 November 2018)  
Mr Ron Langley - Independent Non-Executive Director (resigned 31 October 2018)  
Dr Gary Weiss - Non-Executive Alternate Director

**Company Secretary:** Mark Licciardo and Elizabeth McGregor were joint Company Secretaries up to the date of this report.

Elizabeth McGregor was appointed as joint Company Secretary on 1 September 2018. Adam Sutherland resigned as joint Company Secretary on 1 September 2018

Mertons Corporate Services Pty Ltd  
Level 7, 330 Collins Street  
Melbourne VIC 3000

**Auditor:** Pitcher Partners  
Level 16, Tower 2 Darling Park  
201 Sussex Street  
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](mailto:info@mercinv.com.au)  
Website: [www.mercantileinvestment.com.au](http://www.mercantileinvestment.com.au)

**Share Registrar:** Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
Telephone: +61 2 8280 7100  
Website: [www.linkmarketservices.com.au](http://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 2019**

<b>Australian Securities Exchange Listed Investments</b>	<b>Total Value</b>
<b>Listed Domestic Investments</b>	<b>\$</b>
Ingenia Communities Group	11,880,496
Stanmore Coal Limited	4,987,500
Fleetwood Corporation Ltd	4,338,269
MG Unit Trust	4,320,000
Yellow Brick Road Ltd	3,971,544
Chalmers Ltd	2,030,126
Fitzroy River Corporation Limited	1,660,781
Bauxite Resources Limited	1,533,700
Joyce Corporation Limited	1,530,000
Dawney & Co Ltd	1,090,031
BCI Minerals Ltd	1,080,000
Cashwerkz Ltd	971,982
Reverse Corporation Limited	756,450
Pental Ltd	575,000
Sigma Healthcare Ltd	555,000
Gindalbie Metals Ltd	431,810
Servcorp Ltd	351,000
Clearview Wealth Ltd	330,000
Australian Pharmaceutical Industries Ltd	330,000
Consolidated Operations Group Ltd	292,364
Gibb River Diamonds Limited	276,107
Australian Dairy Nutritionals Group Ltd	274,857
Sietel Ltd	270,000
Copper Mountain Mining Corporation	264,000
Kingsgate Consolidated Limited	245,000
Desane Group Holdings Ltd	239,690
US Residential Fund	217,996
Cellmid Ltd	212,256
MMA Offshore Ltd	175,000
Bardoc Gold Ltd	147,192
Selfwealth Ltd	125,000
Ricegrowers Limited	115,002
Element 25 Ltd	110,000
White Energy Company Limited	110,000
American Patriot Oil & Gas Limited	63,000
Smart Parking Ltd	49,000
Triangle Energy (Global) Ltd	37,000
Aurora Minerals Limited	32,250
Quattro Plus Real Estate Ltd	22,326
Yancoal Australia Limited	8,917
Fe Investments Group Ltd	7,333
YPB Group Ltd	6,114
Shine Metals Ltd	2,520
	<hr/>
	<b>46,026,613</b>

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**Mercantile Investment Company Limited  
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**Portfolio Composition (continued)  
As at 30 June 2019**

	<b>Total Value</b>
<b>Listed International Investments (continued)</b>	<b>\$</b>
Spectra Systems Corp PLC (UK)	10,831,651
Smiths City Group Ltd (NZ)	1,564,539
Tower Ltd (NZ)	1,453,294
NZX Ltd (NZ)	1,070,848
Hydro Hotel Eastbourne PLC (UK)	853,304
AXA Property Trust Ltd (UK)	774,795
Enteq Upstream PLC (UK)	432,025
Smart (J.) & Co. (Contractors) PLC (UK)	402,525
PGG Wrightson Ltd (NZ)	253,370
Northamber PLC (UK)	131,278
<b>Sub-total</b>	<b><u>17,767,629</u></b>
 <b>Unlisted Domestic Investments</b>	
CM Capital Venture Trust No 4	3,427,913
NBC Private Equity Fund III	1,921,586
Archer Capital Fund 4	1,285,010
Pacific Equity Partners Fund IV - Core	471,278
Pacific Equity Partners Fund IV - Supplemental	162,393
Scantech Ltd	114,174
Multiplex Europe	100,000
Vysarn Ltd	22,499
DMX Corporation Ltd	4,800
<b>Sub-total</b>	<b><u>7,509,653</u></b>
 <b>Unlisted International Investments</b>	
Foundation Life (NZ) Investment (NZ)	6,630,077
Public Service Properties Inv. Ltd (UK)	128,335
European Real Estate Investment Trust (UK)	163
<b>Sub-total</b>	<b><u>6,758,575</u></b>
 <b>Total Portfolio Position at 30 June 2019</b>	<b><u><u>78,062,470</u></u></b>

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**Mercantile Investment Company Limited  
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## **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 2019.

### **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 Radzynski
- Mr. James Chirnside
- Mr. Daniel Weiss
- Ms Katrina Langley (appointed 6 November 2018)
- Mr. Ron Langley (retired 31 October 2018)
- 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 2019 (2018: 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 4 July 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. The offer was recommended by IPE's Directors and by 25 September 2018, Mercantile OFM owned 100% of the IPE shares.

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. The offer was rejected by YBR's Directors and closed on 19 October 2018 having received no acceptances.

On 3 June 2019 Sandon Capital Investment Limited (ASX: SNC) advised the Company of its proposal to make an offer to acquire all the shares in Mercantile that it did not already own in exchange for an issue of shares in SNC under an off-market takeover bid pursuant to Chapter 6 of the Corporations Act 2001. A committee of Mercantile directors independent of SNC (the Independent Board Committee or IBC) was formed to consider SNC's offer. The IBC comprised Ms Katrina Langley and Messrs James Chirnside and Daniel Weiss.

On the same day, Mercantile also entered into an agreement with SNC to acquire up to 52,980,782 Mercantile shares from Siblow Pty Limited, an entity controlled by Mercantile Chairman Sir Ron Brierley. Under the agreement, SNC issued 10,823,974 new fully paid ordinary shares to Siblow in consideration for its Mercantile shares. The number of new issued shares was set by an exchange ratio determined by the ratio of Mercantile's pre NTA as at 31 May 2019 divided by SNC's pre tax NTA at the same date. The ratio, 0.2043 SNC share for every Mercantile share is the exchange ratio being used for SNC's takeover offer. Please refer to the ASX announcement "Acquisition of stake in Mercantile Investment Company Ltd" dated 3 June 2019.

**Mercantile Investment Company Limited  
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**Directors' Report (continued)**

**Review of operations (continued)**

On 6 June 2019, the Company's Chairman Sir Ron Brierley issued an announcement on the ASX on his intention to retire.

On 14 June 2019, Sandon completed the acquisition of 52,980,782 fully paid ordinary shares in Mercantile (representing 18.8% of issued share capital of Mercantile) from Siblow Pty Limited announced on 3 June 2019 and issued Siblow 10,823,974 fully paid ordinary shares in SNC.

On 17 June 2019, SNC complete its acquisition of the stake in Mercantile by setting the exchange ratio for the proposed takeover offer for Mercantile. Under the takeover offer, 0.2043 Sandon Shares is being offered for each Mercantile Share.

During the year, Sir Ron Brierley advanced a further short-term loan to the Company for \$9,000,000 to fund the purchase of investments with interest that was payable at the RBA cash rate per annum. Since December 2018, the Company has repaid \$8,000,000. The loan of \$6,000,000 and interest in the amount of \$164,055 remain outstanding as at 30 June 2019.

**Richfield Maritime Agency (S) Pte Ltd**

Richfield Maritime Agency (S) Pte Ltd, the Company's wholly owned Singapore based shipping agency generated total revenue for the year ended 30 June 2019 of \$2.5m (2018: \$2.6m) and a net profit after tax of \$0.6m (2018: \$0.6m loss).

**Ask Funding Limited**

Ask Funding Limited (AKF) generated total revenue of \$2.2m (2018: \$2.0m) and a net loss after tax of \$0.4m (2018: \$0.57m profit). This net loss includes an impairment of \$2.2m (2018: \$0.9m) relating to the write down of the loan book value. The Company's activities since closure of all loan books has been limited to the servicing and amortising of its loan books with the sole objective of distributing all surplus funds to shareholders.

On 9th August 2018, AKF issued a Notice of Extraordinary General Meeting of the Shareholders of AKF that was held on 12 September 2018 to approve the Company's removal from the official list of the ASX. Shareholder approval was obtained and AKF was delisted on 11 October 2018.

A share buy-back of 2,177,670 shares was undertaken by AKF in August 2018 which reduced the AKF's contribution to Contributed Equity by \$132,838.

AKF has progressively reduced its cost base in line with the run-off of receivables. AKF considers it unlikely that it will be able to further reduce its cost base whilst it remains a disclosing entity. AKF continues to closely monitor its revenue, cost base and cash flow to ensure operational viability. It will be continuing to service and amortise its loan book with the sole objective of delivering the surplus funds to shareholders. AKF's loan book remains permanently closed to new loans.

Mercantile being the Parent Company of AKF has undertaken to provide financial support to AKF to support the run-off strategy.

**Mercantile Investment Company Limited  
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**Directors' Report (continued)**

**Review of operations (continued)**

**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 2019 (2018: nil)

**Events Subsequent to the Reporting Date**

On 1 August 2019, Mercantile issued its Target Statement in response to the SNC takeover offer on the ASX. The IBC recommended shareholders accept the offer in the absence of a superior proposal.

On 12 August 2019, SNC held an Extraordinary General Meeting for shareholders to vote on various resolutions regarding the company's takeover offer of Mercantile Investment Company Limited. All resolutions were passed. Please refer to the ASX announcement "Results of Extraordinary General Meeting."

On 27 August 2019, SNC announced that it had declared its offer unconditional.

On 30 August 2019 SNC announced it had received acceptances totalling 89.1%.

Mercantile Directors have accepted SNC's offer for all shares held by them and their associates.

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](http://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.

**Mercantile Investment Company Limited  
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**Directors (continued)**

**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:

- Sandon Capital Investments Limited (*Appointed 25 June 2019*)

**Mr Gabriel Radzynski - BA (Hons), MCom**

**Executive Director**

Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management firm. He is the portfolio manager of funds managed by Sandon Capital Pty Ltd.

Other current listed company directorships:

- Sandon Capital Investments Limited
- Future Generation Investment Company Limited

**Mr James Chirnside**

**Independent Non-Executive Director**

James has worked in financial markets for 33 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

**Mr Daniel Weiss - BCom, LLB**

**Independent 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

**Ms Katrina Langley – B.Math, M.AppFin (Appointed 6 November 2018)**

**Independent Non-Executive Director**

Katrina is predominantly involved in private financial investment and property development. Previously, she has worked at JP Morgan managing projects and the Sydney Futures & Options Core Operations group. She has also worked for Australia's first sustainable water utility, Flow Systems, in research, project management and financial advisory roles. Katrina has a Master of Applied Finance from Macquarie University and a Bachelor of Arts in Mathematics from Bucknell University, USA.

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

Other current listed company directorships:

- Nil

**Mercantile Investment Company Limited  
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**Directors' Report (continued)**

**Directors (continued)**

**Mr Ron Langley - BCom (Hons) (Retired 31 October 2018)**

**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 was the Chairman of the Nomination & Remuneration Committee and a member of the Audit & Risk Committee.

Other current listed company directorships:

- Nil

**Dr Gary Weiss AM - 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:

- Ardent Leisure Limited
- Ridley Corporation Limited
- Ariadne Australia Limited
- Estia Health Limited
- The Straits Trading Company Limited
- Hearts and Minds Investments Limited
- Thorney Opportunities Ltd

**Company Secretaries**

**Mr 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.

**Ms Elizabeth McGregor - BA (Hons), MBA, GIA (Cert)**

Elizabeth is an experienced corporate governance professional. Her career includes senior roles with listed and unlisted organisations in healthcare, mining and private equity. Elizabeth is a current Company Secretary of various public and private companies.

**Mercantile Investment Company Limited  
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**Directors' Report (continued)**

**Directors' Meetings**

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

	<b>Directors' Meetings</b>		<b>Committee Meetings Audit &amp; Risk</b>		<b>Nomination &amp; Remuneration Committee</b>	
	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	6	3	-	-	1	1
Mr Gabriel Radzyninski	6	6	2	2	-	-
Mr James Chirside	6	6	2	2	1	1
Mr Daniel Weiss	6	6	2	2	1	1
Ms Katrina Langley	3	3	1	1	-	-
Mr Ron Langley	3	3	1	1	1	1
Dr Gary Weiss	-	-	-	-	-	-

**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 Held**

Sir Ron Brierley	69,430,338
Mr Gabriel Radzyninski	1,803,171
Mr James Chirside	175,000
Mr Daniel Weiss	-
Ms Katrina Langley	-
Dr Gary Weiss	14,915,001

**Mercantile Investment Company Limited  
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**Directors' Report (continued)**

**Remuneration Report**

**Scope of Report**

This Remuneration Report considers the key management personnel ("KMP") of MVT. The current KMP of the Company are four Non-Executive Directors and one Executive Director. The Company Secretaries are remunerated under a service agreement with Mertons Corporate Services Pty Ltd. Non-Executive Director 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 Daniel Weiss

Ms Katrina Langley (appointed 6 November 2018)

Mr Ron Langley (retired 31 October 2018)

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 directly 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 \$110,000 (inclusive of super) payable in 2 tranches of \$55,000. The first tranche was paid in the 2018 financial year and the second tranche of \$55,000 was paid to Mr Radzyminski in November 2018.

In the 2018 financial year, the Board approved a cash bonus payment of \$125,000 (inclusive of super) payable in 2 tranches of \$62,500. The first tranche was paid in November 2018 and the second tranche was paid to Mr Radzyminski in April 2019.

There are no fixed term employment contracts between the Company and its KMP. Employment may be terminated with four weeks' notice by either the Company or the employee. There are no provisions for any termination payments other than for unpaid annual leave and long service leave.

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.

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**Directors' Report (continued)**

**Remuneration Report (continued)**

The Board has issued Mr Gabriel Radzyninski the following options at nil consideration:

Option Issued Date	Exercise price \$ per option	Expiration date	No. of Options	No. Options exercised	Fair Value of the Option \$
2 December 2016	0.20	31 December 2020	10,000,000	-	342,000
21 November 2018	0.23	31 December 2021	10,000,000	-	90,000
21 November 2018	0.24	31 December 2022	13,250,000	-	145,750
			<b>33,250,000</b>	<b>-</b>	<b>577,750</b>

The weighted average exercise price is \$0.22.

**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
	\$	\$	\$	\$	\$
<b>30 June 2019</b>					
<b>Directors</b>					
Sir Ron Brierley	-	-	-	-	-
Mr Gabriel Radzyninski	15,000	180,000	1,425	-	196,425
Mr James Chirside	18,000	-	1,710	-	19,710
Mr Daniel Weiss	18,067	-	-	-	18,067
Ms Katrina Langley	9,830	-	934	-	10,764
Mr Ron Langley <sup>+</sup>	5,000	-	475	-	5,475
Dr Gary Weiss	-	-	-	-	-
	<b>65,897</b>	<b>180,000</b>	<b>4,544</b>	<b>-</b>	<b>250,441</b>
<b>30 June 2018</b>					
<b>Directors</b>					
Sir Ron Brierley	-	-	-	-	-
Mr Gabriel Radzyninski	15,000	210,000	1,425	-	226,425
Mr James Chirside	18,000	-	1,710	-	19,710
Mr Daniel Weiss	18,067	-	-	-	18,067
Ms Katrina Langley	-	-	-	-	-
Mr Ron Langley	15,000	-	1,425	-	16,425
Dr Gary Weiss	-	-	-	-	-
	<b>66,067</b>	<b>210,000</b>	<b>4,560</b>	<b>-</b>	<b>280,627</b>

<sup>+</sup> Held by Mr Ron Langley at the date of retirement on 31 October 2018.

Share based payments are equity settled.

Mr Gabriel Radzyninski, Mr James Chirside and Ms Katrina Langley are directly remunerated by the Company.

**Mercantile Investment Company Limited  
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**Directors' Report (continued)**

**Remuneration Report (continued)**

Options and bonuses are awarded to executives on a discretionary basis which are not target specific, with the Nomination & Remuneration Committee regarding the overall performance of the company and the committee's assessment of an executive's contribution to performance.

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.

**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:

	Balance at the start of the year No.	Received as part of remuneration No.	Additions No.	Disposals/ other No.	Retiring Director Holdings No.	Balance at the end of the year No.
<b>30 June 2019</b>						
<b>Ordinary shares</b>						
Sir Ron Brierley	122,411,120	-	-	(52,980,782)	-	69,430,338
Mr Gabriel Radzyminski	703,171	-	1,100,000	-	-	1,803,171
Mr James Chirnside	-	-	175,000	-	-	175,000
Mr Daniel Weiss	-	-	-	-	-	-
Ms Katrina Langley	-	-	-	-	-	-
Mr Ron Langley <sup>+</sup>	12,500,000	-	-	-	(12,500,000)	-
Dr Gary Weiss	15,455,001	-	-	-	-	15,455,001
	<b>151,069,292</b>	<b>-</b>	<b>1,275,000</b>	<b>(52,980,782)</b>	<b>(12,500,000)</b>	<b>86,863,510</b>

	Opening Balance No.	Options Issued No.	Exercise of Options No.	Expiration of Options No.	Closing Balance No.
<b>30 June 2019</b>					
<b>Options</b>					
Sir Ron Brierley	-	-	-	-	-
Mr Gabriel Radzyminski	10,000,000	23,250,000	-	-	33,250,000
Mr James Chirnside	-	-	-	-	-
Mr Daniel Weiss	-	-	-	-	-
Ms Katrina Langley	-	-	-	-	-
Mr Ron Langley <sup>+</sup>	-	-	-	-	-
Dr Gary Weiss	-	-	-	-	-
	<b>10,000,000</b>	<b>23,250,000</b>	<b>-</b>	<b>-</b>	<b>33,250,000</b>

<sup>+</sup> Held by Mr Ron Langley at the date of retirement on 31 October 2018.

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**Directors' Report (continued)**

**Remuneration Report (continued)**

The 33,250,000 options issued to Mr Radzynski consists of:

Option Issued Date	Exercise price \$ per option	Expiration date	No. of Options	No. Options exercised	Value of Options \$
2 December 2016	0.20	31 December 2020	10,000,000	-	342,000
21 November 2018	0.23	31 December 2021	10,000,000	-	90,000
21 November 2018	0.24	31 December 2022	13,250,000	-	145,750
			<b>33,250,000</b>	<b>-</b>	<b>577,750</b>

The weighted average exercise price is \$0.22.

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

**Loans to KMP**

No loans have been made to the Directors of MVT.

**Other transactions with KMP:**

	2019 \$	2018 \$
Sandon Capital Pty Ltd is an entity associated with Mr Gabriel Radzynski. 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. The following amount was paid to Sandon Capital Pty Ltd.	566,500	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 Radzynski of \$125,000 (inclusive of super) in October 2018. The bonus was paid in two equal instalments within the 2019 Financial Year.	125,000	110,000
Short-term, unsecured loans were advanced to the Company by Sir Ron Brierley in 2019 of \$9.0m (2018: \$5m) to fund purchases of investments. The Company has repaid \$8.0m (2018: \$nil) in the 2019 financial year. Interest was paid at the RBA cash rate per annum. The balance represents the interest outstanding payable to Sir Ron Brierley.	164,055	15,205
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 2019 was \$240,000 (2018: \$240,000)	240,000	240,000
Gabriel Radzynski subscribed for 250 MVTHA notes (\$25,000) during the 2017 financial year. Interest paid on these notes at 30 June 2019 was \$2,000 (2018: \$2,000)	2,000	2,000
Ron Langley subscribed for 12,000 MVTHA notes (\$1,200,000) during the 2017 financial year. At the date of Mr Langley's resignation on 31 October 2018, nil interest was paid by the Company on MVTHA notes (2018: \$96,000).	-	96,000

***This is the end of the Remuneration Report***

**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Directors' Report (continued)**

**Indemnifying Officers**

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*.

**Auditor Indemnification**

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 2019 is set out on page 16.

**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

30 August 2019

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**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 2019, 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

30 August 2019

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**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Income</b>		<b>\$</b>	<b>\$</b>
Revenue from continuing operations	8	6,843,350	7,650,872
Other income	9	2,565,495	7,894,862
		<u>9,408,845</u>	<u>15,545,734</u>
<b>Expenses</b>			
Accounting fees		270,082	212,606
Audit fees	24	196,090	174,326
Taxation service fees		202,937	177,176
Finance costs	10	2,090,486	1,951,407
Service agreement fees		467,500	330,000
Company secretary fees		47,039	41,206
Share registry fees		113,194	74,249
Brokerage		43,455	56,779
Impairment charges	10	3,243,915	859,776
Legal and professional fees		536,753	530,057
ASIC and ASX charges		135,776	97,649
Share based payments		310,000	112,000
Employee benefit expenses	10	1,972,817	1,712,123
Insurance		50,530	43,602
Other operating costs	26	1,092,793	656,326
		<u>10,773,367</u>	<u>7,029,282</u>
<b>(Loss)/ Profit Before Income Tax</b>		(1,364,522)	8,516,452
Income tax expense	11	(232,835)	(1,729,072)
<b>(Loss)/ Profit for the period</b>		<u>(1,597,357)</u>	<u>6,787,380</u>
<b>(Loss)/ Profit Attributable to:</b>			
Members of the parent entity		(1,456,968)	6,628,846
Non-Controlling Interest		(140,389)	158,534
		<u>(1,597,357)</u>	<u>6,787,380</u>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss:			
Movement in fair value of long term equity investments, net of tax		2,087,723	2,758,387
Total other comprehensive income		<u>2,087,723</u>	<u>2,758,387</u>
<b>Total Comprehensive Income for the year</b>		<u>490,366</u>	<u>9,545,767</u>
<b>Total Comprehensive Income attributable to:</b>			
Members of the Parent Entity		630,755	9,387,233
Non-Controlling Interest		(140,389)	158,534
		<u>490,366</u>	<u>9,545,767</u>
<b>(Loss)/ Earning per Share</b>		<b>Cents</b>	<b>Cents</b>
- Basic (Loss)/ earnings per share	25	(0.52)	2.36
- Diluted (Loss)/ earnings per share	25	(0.52)	2.36

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 2019**

	Note	2019 \$	2018 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	6,505,698	11,743,998
Trade and other receivables	18	1,883,536	2,337,479
Net loans and advances	15	3,455,099	3,533,231
Financial assets at fair value through profit or loss	14	38,810,623	25,715,784
Other current assets	18	81,313	89,281
<b>Total Current Assets</b>		<b>50,736,269</b>	<b>43,419,773</b>
<b>Non-Current Assets</b>			
Financial assets at fair value through other comprehensive income	14	39,251,847	47,734,505
Property, plant & equipment		36,631	22,591
Deferred tax assets	12	441,925	183,645
<b>Total Non-Current Assets</b>		<b>39,730,403</b>	<b>47,940,741</b>
<b>Total Assets</b>		<b>90,466,672</b>	<b>91,360,514</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	19	11,289,766	9,928,486
Current tax liability		1,022,240	3,725,647
<b>Total Current Liabilities</b>		<b>12,312,006</b>	<b>13,654,133</b>
<b>Non-Current Liabilities</b>			
Unsecured Notes	16	21,929,602	21,824,524
Deferred tax liabilities	12	-	703,373
<b>Total Non-Current Liabilities</b>		<b>21,929,602</b>	<b>22,527,897</b>
<b>Total Liabilities</b>		<b>34,241,608</b>	<b>36,182,030</b>
<b>Net Assets</b>		<b>56,225,064</b>	<b>55,178,484</b>
<b>Equity</b>			
Issued Capital	5	28,834,628	28,834,628
Accumulated losses		(12,075,409)	(10,454,943)
Reserves	4	38,510,888	35,719,474
Members' interests		55,270,107	54,099,159
Non-controlling interest		954,957	1,079,325
<b>Total Equity</b>		<b>56,225,064</b>	<b>55,178,484</b>

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 2019**

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 \$
<b>Balance at 1 July 2017</b>	<b>28,717,120</b>	<b>(10,454,943)</b>	<b>22,191,606</b>	<b>3,291,586</b>	<b>(772,693)</b>	<b>681,500</b>	<b>958,509</b>	<b>44,612,685</b>
Profit for the Year		6,628,846					158,534	6,787,380
<i>Other Comprehensive Income for the Year:</i>								
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)				-
Revaluation of pre-existing investment in controlled entity								
<i>Transactions with Owners:</i>								
Foreign Currency Translation Reserve					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
<b>Balance at 30 June 2018</b>	<b>28,834,628</b>	<b>(10,454,943)</b>	<b>22,118,386</b>	<b>5,752,039</b>	<b>55,549</b>	<b>793,500</b>	<b>1,079,325</b>	<b>55,178,484</b>
<b>Balance at 1 July 2018</b>	<b>28,834,628</b>	<b>(10,454,943)</b>	<b>22,118,386</b>	<b>5,752,039</b>	<b>55,549</b>	<b>793,500</b>	<b>1,079,325</b>	<b>55,178,484</b>
(Loss) for the Year		(1,456,968)					(140,389)	(1,597,357)
<i>Other Comprehensive Income for the Year:</i>								
Movements in the fair value of long-term investments, net of tax	4			2,087,723				2,087,723
Realised gains on sale of investments	4		3,626,103	(3,626,103)				-
<i>Transactions with Owners:</i>								
Foreign Currency Translation Reserve	4				393,691			393,691
Cost of raising capital								-
Non-controlling interest on acquisition of controlled entity							2,392,523	2,392,523
Change in proportion of NCI		(163,498)					(2,376,502)	(2,540,000)
Share options issued	20					310,000		310,000
Issued capital								
<b>Balance at 30 June 2019</b>	<b>28,834,628</b>	<b>(12,075,409)</b>	<b>32,744,489</b>	<b>4,213,659</b>	<b>449,240</b>	<b>1,103,500</b>	<b>954,957</b>	<b>56,225,064</b>

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 2019**

	Note	2019 \$	2018 \$
<b>Cash Flows from Operating Activities</b>			
Dividends, distributions and other investment income received		5,532,921	5,464,065
Other payments in the course of ordinary operations		(6,251,603)	(2,712,347)
Proceeds from sale of trading securities		3,633,345	8,600,534
Payments for trading securities		(5,671,839)	(7,660,299)
Interest received		375,300	797,305
Interest paid		(76,808)	(15,205)
Loan repayments received		12,207	161,659
Income tax paid		(4,364,320)	(4,008,242)
<b>Net Cash (used in)/ provided by Operating Activities</b>	7	<u>(6,810,797)</u>	<u>627,470</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from disposal of financial assets		11,461,857	1,761,988
Payments for financial assets		(4,577,513)	(22,254,802)
Payment of IPE Investments		(4,488,575)	-
Payment for purchase of non-controlling interest		(2,649,357)	(37,718)
Proceeds from return of capital		1,634,972	8,984,315
<b>Net Cash provided by / (used in) Investing Activities</b>		<u>1,381,384</u>	<u>(11,546,217)</u>
<b>Cash Flows from Financing Activities</b>			
Borrowing costs		(17,232)	(33,976)
Interest Payments on MVT Notes		(1,784,695)	(1,784,696)
Loan proceeds received		9,000,000	5,000,000
Repayment of loan		(8,000,000)	-
Share issue transaction costs		-	(2,132)
Proceeds from issue of shares		-	119,000
Share buy-back		(162,061)	-
<b>Net Cash (used in)/ provided by Financing Activities</b>		<u>(963,988)</u>	<u>3,298,196</u>
<b>Net (Decrease) in Cash and Cash Equivalents held</b>		(6,393,401)	(7,620,551)
Effects of exchange rate changes on cash and cash equivalents		1,155,101	422,861
Cash and Cash Equivalents at the Beginning of Financial Year		11,743,998	18,941,688
<b>Cash and Cash Equivalents at End of Financial Year</b>	7	<u><b>6,505,698</b></u>	<u><b>11,743,998</b></u>

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

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**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Notes to the Financial Statements  
For the year ended 30 June 2019**

**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.
- 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 30 August 2019.

*New and amended standards adopted:*

- 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.
- AASB 15 Revenue from Contracts with Customers is applicable to annual reporting periods beginning on or after 1 January 2018 and does not have a material impact on Mercantile Investment Company Limited's financial statements as the entity has no revenue in which the accounting standard applies.

*New and amended standards not adopted:*

- There are no other new accounting standards and interpretations that are available for early adoption at 30 June 2019, which will result in any material change in relation to the financial statements of Mercantile Investment Company Limited

**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Notes to the Financial Statements  
For the year ended 30 June 2019**

**Basis of preparation (continued)**

**Changes and adoption of financial reporting standards**

**AASB 9 Financial Instruments**

On 1 January 2018, the Company adopted AASB 9 Financial Instruments, which is effective for the annual period beginning on or after 1 July 2018.

**Classification and measurement**

AASB 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). Classification under AASB 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cashflows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collection contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirements that are held both to collect the assets are classified as FVTOCI. Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVTOCI or amortised cost. Regardless of the business model assessments an entity can elect to classify a financial asset as FVTPL if doing so eliminates or significantly reduces a measurement or recognition consistency.

The company's debt instruments have contractual cash flows that are solely payments of principal and interest. The Company has a mixed business model. The Company holds its currently held-to maturity debt instruments to collect contractual cashflows, and accordingly measured at amortised cost under AASB 9. For its available for sale (AFS) debt securities, the Company's business model is to hold the debt instruments to collect contractual cash flows and sell, and accordingly measured at FVTOCI when it applies AASB 9. There is no significant impact arising from measurement of these instruments under AASB 9.

AASB 9 requires all equity instruments to be carried at fair value through profit and loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes to other comprehensive income. For equity instruments, the Company continues to measure its current held-for-trading equity securities and one of its AFS quoted equity securities at FVTPL. There is no significant impact arising from these changes. The Company elects to measure its currently held AFS unquoted equity securities at FVTOCI.

**Impairment**

AASB 9 requires the Company to record expected credit losses on all its financial assets measured at amortised cost of FVTOCI and financial guarantees. The Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

**Transition**

The changes in accounting policies have been applied retrospectively and the Company had elected to apply the limited exemption in AASB 9 and had not restated comparative periods in the year of initial application.

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of AASB 9.

**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Notes to the Financial Statements  
For the year ended 30 June 2019**

**Basis of preparation (continued)**

**Changes and adoption of financial reporting standards (continued)**

**AASB 9 Financial Instruments (continued)**

On the date of the initial application of AASB 9 on 1 January 2018, the financial instruments of the Company were as follows:

Ask Funding Limited	Measurement category		Carrying amount		Difference
	AASB 139	AASB 9	AASB 139	AASB 9	
<b>Current financial assets</b>			\$	\$	\$
Net loans and advances	Loans and receivables	Amortised cost	3,455,099	3,455,099	-
Other assets	Loans and receivables (at amortised cost)	Amortised cost	37,220	37,220	-
Cash and cash equivalents	Loans and receivables (at amortised cost)	Amortised cost	66,736	66,736	-
<b>Current liabilities</b>					
Trade payables	Financial liabilities (at amortised cost)	Amortised cost	26,531	26,531	-
Other payables	Financial liabilities (at amortised cost)	Amortised cost	-	-	-

Richfield Marine Agency	Measurement category		Carrying amount		Difference
	AASB 139	AASB 9	AASB 139	AASB 9	
<b>Current financial assets</b>			\$	\$	\$
Trade receivables	Loans and receivables	Amortised cost	1,301,204	1,301,204	-
Other receivables	Loans and receivables (at amortised cost)	Amortised cost	56,690	56,690	-
Cash and cash equivalents	Loans and receivables (at amortised cost)	Amortised cost	6,039,273	6,039,273	-
<b>Current liabilities</b>					
Trade payables	Financial liabilities (at amortised cost)	Amortised cost	3,517,030	3,517,030	-
Other payables	Financial liabilities (at amortised cost)	Amortised cost	97,765	97,765	-

**Impairment**

The Company has the following types of financial assets subject to AASB 9 expected credit loss model (ECL):

- (i) Trade receivables
- (ii) Other receivables at amortised cost

The Company is required to revise its impairment methodology under AASB 9 for each of these classes of assets.

- (i) Trade receivables - the Company measures loss allowance at an amount equal to lifetime ECL.
- (ii) Other receivables - the amounts due from sundry receivables and refundable deposits are considered to be low risk, and the loss allowance to determine at an equal 12 months ECL.

**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Notes to the Financial Statements  
For the year ended 30 June 2019**

**Basis of preparation (continued)**

**Changes and adoption of financial reporting standards (continued)**

**AASB 15 Revenue from Contracts with Customers**

This standard establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model) to be applied to all contracts with customers), enhanced disclosures, and a new or improved guidance. It replaces the former revenue recognition standards and related interpretations.

The standard was applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application (1 January 2018) and without restating the comparatives. The new requirements are applied only to the contracts that were not completed before 1 January 2018. This modified retrospective application also requires the recognition of the cumulative impact of adoption of the standard on all contracts as at 1 January 2018 in equity. No adjustments have been made to the opening retained earnings and other account balances as at 1 January 2018, as there were no open contracts brought forward from prior years. The revenue is derived from the shipping commission services which is recognised based on point in time. All contracts are less than 12 months.

**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 25, 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.

AKF being a subsidiary of MVT de-listed from the ASX on 11 October 2018. The directors consider it appropriate to prepare the financial report for the year ended 30 June 2019 on a non-going concern basis given the orderly run-off and closure of AKF's loan books.

Any adjustments required to align AKF (whose accounts are not prepared on a going concern basis) into the consolidated Group which has been prepared on a going concern basis have been assessed and have been deemed immaterial.

RMA is a reporting entity that has a 12 month financial reporting period ending 31 December 2018. In order to align with the consolidated Group's reporting period, RMA financials for the 12 months ending 30 June 2019 have been brought to account for this financial report.

Otherwise, the financial statements of all other 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 statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**Notes to the Financial Statements  
For the year ended 30 June 2019**

Parent Entity	Country of Incorporation	Percentage	
		June 2019	June 2018
Mercantile Investment Company Limited	Australia	100	100
<b>Controlled Entities of Mercantile Investment Company Limited</b>			
Ask Funding Limited	Australia	72	72
ATL Exploration Pty Ltd	Australia	100	100
IPE Limited*	Australia	100	23*
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

*\*Not a controlled entity in the previous financial year*

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.

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**Notes to the Financial Statements  
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**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.

<b>Note reference</b>	<b>Critical accounting estimates and judgements</b>	<b>Page</b>
Note 10	Impairment of goodwill	38
Note 12	Deferred tax assets and deferred tax liabilities	42
Note 14	Fair value estimation	50
Note 15	Recoverability of loans and advances	53
Note 18	Recoverability of receivables	56

**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.

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**Notes to the Financial Statements  
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**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 2019, the balance of these loans was \$6.0m plus interest accrued (2018: \$5m).

**b) Contingent liabilities**

The Parent company did not have any contingent liabilities as at 30 June 2019. Refer Note 17.

**c) Contractual commitments**

The Parent company did not have any contractual commitments as at 30 June 2019.

	2019 \$	2018 \$
<b>Profit of the parent entity</b>		
Profit for the year	536,338	5,589,802
Total comprehensive (loss)/ income for the year	(1,504,911)	8,348,189
<b>Financial position of the parent entity as at 30 June</b>		
Current assets	32,128,243	32,705,512
Non-current assets	85,931,004	82,944,990
Current liabilities	(32,965,754)	(32,936,464)
Non-current liabilities	(22,837,350)	(23,391,955)
<b>Net assets</b>	<b>62,256,143</b>	<b>59,322,083</b>
<b>Total equity of the parent entity comprising of</b>		
Issued capital	28,834,389	28,834,389
Capital profits reserves	23,295,752	19,086,235
Asset revaluation reserve	6,093,048	7,631,430
Retained profits	2,929,454	2,976,529
Share based payment reserve	1,103,500	793,500
<b>Total equity attributable to shareholders of the parent entity</b>	<b>62,256,143</b>	<b>59,322,083</b>

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**Notes to the Financial Statements  
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**Note 2: Payment of Dividends to Shareholders**

The group has not declared a dividend for the 2019 financial year (2018: nil).

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability years based on Australian company tax rate of 27.5% (2018: 27.5%).	13,612,299	7,092,315
<b>Franking credits available for future dividend payments</b>	<b>13,612,299</b>	<b>7,092,315</b>

**Note 3: Segment Information**

The Parent Company invests in a diverse range of companies.

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**

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 Segments**

The group operates in two geographic areas being Singapore and Australia.

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**Notes to the Financial Statements  
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**Note 3: Segment Information (continued)**

<b>Consolidated - 2019</b>	<b>Securities</b>	<b>Consumer Finance</b>	<b>Shipping Services</b>	<b>Total</b>
	\$	\$	\$	\$
Revenue	4,698,862	2,216,846	2,493,137	9,408,845
Expenses	(6,187,886)	(2,656,929)	(1,928,552)	(10,773,367)
(Loss) before tax	(1,489,024)	(440,083)	564,585	(1,364,522)
(Loss)/ Profit after tax				(1,597,357)
<i>Material items include:</i>				
Impairment of loans	-	(2,194,529)	-	(2,194,529)
<b>Assets</b>				
Segment assets	84,513,720	3,455,100	1,394,520	89,363,340
Trade and other receivables	-	-	-	543,463
Other current assets	-	-	-	81,313
Property, plant & equipment	-	-	-	36,631
Deferred tax assets	-	-	-	441,925
				<u>90,466,672</u>
<b>Liabilities</b>				
Segment liabilities	(21,929,602)	-	(3,517,030)	(25,446,631)
Trade and other payables	-	-	-	(7,772,737)
Current tax liability	-	-	-	(1,022,240)
Deferred tax liabilities	-	-	-	-
				<u>(34,241,608)</u>

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**Notes to the Financial Statements  
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**Note 3: Segment Information (continued)**

<b>Consolidated - 2018</b>	<b>Securities</b>	<b>Consumer Finance</b>	<b>Shipping Services</b>	<b>Total</b>
	\$	\$	\$	\$
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 / (Loss) before tax	7,306,071	574,814	635,567	8,516,452
Profit / (Loss) after tax				6,787,380
Material items include:				
Impairment of loans	-	(859,776)	-	(859,776)
Write down of goodwill				
<b>Assets</b>				
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	22,519
Deferred tax assets	-	-	-	183,645
				<u>91,360,514</u>
<b>Liabilities</b>				
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)
				<u>(36,182,030)</u>

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**Notes to the Financial Statements  
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**Note 3: Segment Information (continued)**

<b>Consolidated - 2019</b>	<b>Australia \$</b>	<b>Singapore \$</b>	<b>Total \$</b>
Revenue	6,915,708	2,493,137	9,408,845
Non-current assets	39,688,272	42,131	39,730,403
<b>Consolidated - 2018</b>			
Revenue	12,922,350	2,623,384	15,545,734
Non-current assets	47,912,150	28,591	47,940,741

**Note 4: Reserves**

**Accounting Policy:**

*Certain changes in the value of assets and liabilities are not recognised in the profit or loss but are instead included in other comprehensive income.*

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
<b>a) Reserves</b>			
Profits Reserve		32,744,489	29,118,386
Asset Revaluation Reserve		4,213,659	5,752,039
Foreign currency translation reserve		449,240	55,549
Share based payment reserve	<b>20</b>	1,103,500	793,500
		<u>39,510,888</u>	<u>35,719,474</u>
<b>b) Major movements in reserves consist of:</b>			
<b>Profit reserve</b>			
Balance 1 July		29,118,386	22,191,606
Revaluation of pre-existing investment in controlled entity		-	-
Realised gains on sale of long-term equity investments		3,626,103	297,934
Transfer to profit reserve		-	6,628,846
Balance 30 June		<u>32,744,489</u>	<u>29,118,386</u>
<b>Asset Revaluation Reserve</b>			
Balance 1 July		5,752,039	3,291,586
Movement in fair value of long-term equity investments, net of tax		2,087,723	2,758,387
Realised gains on sale of long-term equity investments		(3,626,103)	(297,934)
Balance 30 June		<u>4,213,659</u>	<u>5,752,039</u>

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**Notes to the Financial Statements  
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**Note 4: Reserves (continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Foreign currency translation reserve</b>		
Balance 1 July	55,549	(772,693)
Foreign exchange movement	393,691	828,242
Balance 30 June	449,240	55,549
 <b>Share based payment reserve</b>		
Balance 1 July	793,500	681,500
Issuance of share-based options	310,000	112,000
Balance 30 June	1,103,500	793,500

**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.

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**Notes to the Financial Statements  
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**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.

			2019	2018
			\$	\$
280,700,000 (2018: 280,700,000) fully paid ordinary shares			28,834,628	28,834,628
<b>Ordinary Shares</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>	<b>\$</b>	<b>\$</b>
At the beginning of reporting period	280,700,000	280,000,000	28,834,628	28,717,120
<u>Movement in Shares on Issue:</u>				
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	280,700,000	28,834,628	28,834,628

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 and an employee of Sandon Capital Pty Ltd (an entity associated with Gabriel Radzynski which provides general consulting, corporate advisory and accounting services to MVT). 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 2019 (2018: nil).

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**Notes to the Financial Statements  
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**Note 6: Events Subsequent to the Reporting Date**

On 1 August 2019, Mercantile issued its Target Statement on ASX in response to the SNC takeover. The IBC recommended shareholders accept the offer in the absence of a superior proposal.

On 12 August 2019, SNC held an Extraordinary General for shareholders to vote on various resolutions regarding the company's takeover offer of Mercantile Investment Company Limited. All resolutions were passed. Please refer to the ASX announcement "Results of Extraordinary General Meeting."

On 27 August 2019, SNC announced that it had declared its offer unconditional.

On 30 August 2019 SNC announced it had received acceptances totalling 89.1%.

Mercantile Directors have accepted SNC's offer for any and all shares held by them and their associates.

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

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**Notes to the Financial Statements  
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**Note 7: Cash and Cash Equivalents**

**Accounting Policy:**

Cash and cash equivalents include 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.

Included in cash and cash equivalents held by the Group is an escrow trust account totalling \$1,536,796 (2018: \$1,259,620). These are advance monies for freight and surcharges collected on behalf of the various clients of the shipping agency.

	<b>2019</b>	<b>2018</b>
	\$	\$
Cash at bank and in hand	6,505,698	11,743,998
	6,505,698	11,743,998

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>(Loss)/ Profit after income tax</b>	<b>(1,597,357)</b>	<b>6,787,380</b>

**Non-Cash Flows in Profit or Loss:**

- Fair value gain on revaluation of trading equities	(5,114,509)	(6,559,803)
- Loss / (Gain) on acquisition of a controlled entity	1,049,386	-
- Depreciation	11,548	105,610
- Impairment	2,194,529	859,776
- Share based payment expense	310,000	112,000
- Amortisation of MVT notes	156,940	151,505
- Interest income	(2,165,894)	(1,921,353)
- Interest and fees received	(50,952)	(90,174)
- Interest expense on MVT notes	1,784,696	1,784,696
- Other Non-Cash Items	(547,316)	120,741

**Changes in assets and liabilities:**

- Decrease/ (Increase) in Trade and Other Receivables	431,439	(272,344)
- (Increase)/ Decrease in Deferred Tax Assets	(258,280)	38,093
- Decrease in Other Assets	7,968	15,532
- Increase in Trade Payables and Accruals	383,784	713,605
- (Decrease)/ Increase in income tax liability	(2,703,406)	994,062
- (Decrease) in Deferred Tax Liabilities	(703,373)	(2,211,856)
<b>Net Cash (Used In) / Provided by Operating Activities</b>	<b>(6,810,797)</b>	<b>627,470</b>

**Mercantile Investment Company Limited  
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**Notes to the Financial Statements  
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**Note 8: Revenue from continuing operations**

**Accounting Policy:**

*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.*

*AASB 15 Revenue from Contracts with Customers is applicable to annual reporting periods beginning on or after 1 January 2018 and does not have a material impact on Mercantile Investment Company Limited's financial statements as the entity has no revenue in which the accounting standard applies.*

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>From Continuing operating activities</b>		
Dividends received	881,421	1,852,904
Trust Distributions Received	1,349,199	1,408,358
Interest income	2,460,067	2,441,930
Shipping Services income	2,152,663	1,947,680
<b>Total Revenue</b>	<b>6,843,350</b>	<b>7,650,872</b>

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Dividends Received</b>		
Financial assets through other comprehensive income:		
- Investments held in portfolio at 30 June	357,833	1,584,178
- Investments sold during the year	1,680	2,494
Financial assets through profit and loss:	521,908	266,232
	<b>881,421</b>	<b>1,852,904</b>

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**Notes to the Financial Statements  
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**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*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Realised gains on trading equities fair valued through profit and loss	2,060,363	4,264,229
Unrealised (losses) / gains on trading equities fair valued through profit and loss	(310,269)	2,995,271
Foreign exchange movement	446,991	(88,561)
Sundry income	368,410	723,923
<b>Total other income</b>	<b><u>2,565,495</u></b>	<b><u>7,894,862</u></b>

**Note 10: Expenses**

**Accounting Policy:**

**Impairment- non-financial assets**

*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.*

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**Notes to the Financial Statements  
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**Note 10: Expenses (continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(Loss)/ Profit before income tax expenses includes the following specific expenses:		
<b>Impairment charges</b>		
Loans and advances	2,194,529	859,776
Loss on acquisition	1,049,386	-
	<u>3,243,915</u>	<u>859,776</u>
<b>Parent employee benefits expenses</b>		
Directors' fees	66,068	66,068
Bonus expense	268,932	154,167
Superannuation expenses	4,650	4,650
	<u>339,650</u>	<u>224,885</u>
<b>Subsidiary employee benefits expenses</b>		
Directors' fees	84,626	18,067
Superannuation expenses	258,181	249,345
Wages and salaries	1,290,360	1,219,826
	<u>1,633,167</u>	<u>1,487,238</u>
<b>Total employee benefit expenses</b>	<u>1,972,817</u>	<u>1,712,123</u>
<b>Finance Costs</b>		
Directors interest	148,850	15,206
MVTHA note interest	1,784,696	1,784,696
MVT note expense amortisation	156,940	151,505
	<u>2,090,486</u>	<u>1,951,407</u>

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**Notes to the Financial Statements  
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**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 (27.5%) 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.

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>(a) Income tax expense / (benefit) recognised in profit or loss</b>		
- Current tax movement	350,611	2,251,623
- Deferred tax movement	(117,776)	(522,551)
	232,835	1,729,072

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**Notes to the Financial Statements  
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**Note 11: Income Tax (continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>(b) The prima facie tax on (loss)/ profit from ordinary activities before income tax is as follows:</b>		
(Loss)/Profit before income tax	(1,364,522)	8,516,452
Prima facie tax payable on (loss)/profit before income tax at 27.5%*	(375,243)	2,554,936
<b>Tax effects of amounts which are not deductible (taxable) in calculating taxable income:</b>		
- Imputation credit gross up	69,135	50,509
- Franking credits received	(251,401)	(168,362)
- Other assessable / non-assessable items	886,518	(296,160)
- Gain on acquisition of a controlled entity	1,049,386	-
- Impairment of goodwill in IPE Limited	(1,049,386)	-
- Deferred tax asset not recognised on losses	-	-
- Share based payment expense	310,000	112,000
- Prior year under provision	(406,174)	(523,851)
	232,835	1,729,072
Effective tax rate	(17.1%)	20.3%

\*The corporate tax rates are 27.5%, 28% and 17% for Australian, New Zealand and Singapore derived income, respectively (2018: no changes in any of the respective tax rates).

The tax component of the financial assets at fair value through other comprehensive income is \$1,598,284.

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**Notes to the Financial Statements  
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**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 for MVT is 27.5%.*

*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
2019	\$	\$	\$	\$
<b>Deferred Tax Assets</b>				
Capitalised share issue costs	42,002	6,244	-	48,246
Expensed borrowing costs	3,010	(1,170)	-	1,840
Accrued expense movements	138,633	123,940	-	262,573
Unrealised gains via asset revaluation reserve	-	-	129,266	129,266
<b>Balance as at 2019</b>	<b>183,645</b>	<b>129,014</b>	<b>129,266</b>	<b>441,925</b>
<b>Deferred Tax Liability</b>				
Accrued income movements	174	76,807	-	76,981
Trading stock valuation	1,503,720	40,418	-	1,544,138
Unrealised gains via asset revaluation reserve	(800,522)	(167,235)	(653,362)	(1,621,119)
<b>Balance as at 2019</b>	<b>703,372</b>	<b>(50,010)</b>	<b>(653,362)</b>	<b>-</b>

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**Note 12: Deferred Tax Assets and Deferred Tax Liabilities (continued)**

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
2018	\$	\$	\$	\$
<b>Deferred Tax Assets</b>				
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
<b>Balance as at 2018</b>	<u>221,737</u>	<u>22,834</u>	<u>(60,926)</u>	<u>183,645</u>
<b>Deferred Tax Liability</b>				
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)
<b>Balance as at 2018</b>	<u>2,915,229</u>	<u>(3,266,337)</u>	<u>1,054,480</u>	<u>703,372</u>

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**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 exchanged, 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 assets. 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 are classified at FVTPL when they are held for trading. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Financial performance in the period in which they arise.

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.

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**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	2019 \$	2018 \$
<b>The Group holds the following financial instruments:</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	7	6,505,698	11,743,998
Trade and other receivables	18	1,883,536	2,337,479
Loans and advances	15	3,455,099	3,533,231
<b>Financial assets at fair value through profit and loss</b>			
Trading equities	14	38,810,623	25,715,784
<b>Financial assets at fair value through other comprehensive income</b>			
Long term equity investments	14	39,251,847	47,734,505
<b>Total financial assets</b>		89,906,803	91,064,997
<b>Financial liabilities at amortised cost</b>			
Trade and other payables	19	11,289,766	9,928,486
Unsecured notes	16	21,929,601	21,824,524
<b>Total financial liabilities</b>		33,219,367	31,753,010

**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 market risk is inherent and can be partially managed by the skill of the manager. Further, the Manager tends to invest in a concentrated portfolio of securities, this offers some diversification benefits but may not be as diverse as a broad market exposure.

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**Notes to the Financial Statements  
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**Note 13: Financial Risk Management (continued)**

**a) Market Risk (continued)**

**i) Foreign exchange risk**

As at 30 June 2019, 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 Company has the ability to hedge foreign exchange exposure. During the financial year 2019 the Company foreign exchange exposure was not hedged.

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

**Foreign exchange risk**

	<b>2019</b>	<b>2018</b>
	<b>AUD\$</b>	<b>AUD\$</b>
<b>Financial Assets</b>		
<u>Cash and Cash equivalent</u>		
United States Dollar	5,896,633	4,448,772
Singapore Dollar	176,909	122,883
New Zealand Dollar	1,376	3,490
	<u>6,074,918</u>	<u>4,575,145</u>
<u>Trade and other receivables</u>		
Singapore Dollar	1,357,894	1,990,499
New Zealand Dollar	7,391	7,066
	<u>1,365,285</u>	<u>1,997,565</u>
<u>Trading equities</u>		
British Pound	12,642,391	9,377,797
New Zealand Dollar	3,271,203	3,299,684
	<u>15,913,594</u>	<u>12,677,481</u>
<u>Long term equity investments</u>		
British Pound	911,684	702,972
New Zealand Dollar	7,700,925	5,494,276
	<u>8,612,609</u>	<u>6,197,248</u>
<b>Total financial assets exposure to foreign exchange</b>	<b><u>31,966,406</u></b>	<b><u>25,447,439</u></b>
<b>Financial Liabilities</b>		
<u>Trade and other payables</u>		
Singapore Dollar	3,517,030	3,255,157
New Zealand Dollar	36,838	34,286
<b>Total financial liabilities exposure to foreign exchange</b>	<b><u>3,553,868</u></b>	<b><u>3,289,443</u></b>

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**Notes to the Financial Statements  
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**Note 13: Financial Risk Management (continued)**

**a) Market Risk (continued)**

**ii) Foreign exchange risk (continued)**

**Sensitivity analysis**

The following table summarises the financial impacts of a hypothetical 5% increase and decrease in the foreign currency which are recognised through the reserves.

<b>Financial Asset</b>	<b>Impact on reserves</b>	
	<b>2019</b>	<b>2018</b>
<b>Change to Foreign Currency Reserve</b>	<b>\$</b>	<b>\$</b>
Increase in foreign currency by 5%	212,622	160,130
Decrease in foreign currency by 5%	(212,622)	(160,130)
<b>Change to Trade and other receivables</b>		
Increase in foreign currency by 5%	47,785	69,915
Decrease in foreign currency by 5%	(47,785)	(69,915)
<b>Change to Trading equities</b>		
Increase in foreign currency by 5%	556,976	443,712
Decrease in foreign currency by 5%	(556,976)	(443,712)
<b>Change to Long term equity investments</b>		
Increase in foreign currency by 5%	301,441	216,904
Decrease in foreign currency by 5%	(301,441)	(216,904)
<b>Financial Liabilities</b>		
<b>Trade and other payables</b>		
Increase in foreign currency by 5%	124,385	115,131
Decrease in foreign currency by 5%	(124,385)	(115,131)

**iii) Other 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.

The Investment Committee mitigates this price risk through its disciplined stock selection and portfolio construction process and adherence to the Company's investment guidelines.

The Company's investments are monitored on a regular basis by the Investment Committee.

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**Notes to the Financial Statements  
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**Note 13: Financial Risk Management (continued)**

**a) Market Risk (continued)**

**iii) Other Price Risk (continued)**

**Sensitivity analysis**

The following table summarises the financial impacts of a hypothetical 5% increase and 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	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Trading equities</b>			-	-
Increase in fair value in trading equities by 5%	1,358,372	900,052		
Decrease in fair value in trading equities by 5%	(1,358,372)	(900,052)		
<b>Long term equity investments</b>				
Increase in fair value in long term equities by 5%			1,373,815	1,670,708
Decrease in fair value in long term, equities by 5%			(1,373,815)	(1,670,708)

**iv) 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 is exposed to an insurance company whose value 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.

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**Notes to the Financial Statements  
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**Note 13: Financial Risk Management (continued)**

**a) Market Risk (continued)**

**iv) Interest Rate Risk (continued)**

The Group's weighted average interest rate on financial assets was 0.05% and financial liabilities was 8% (Unsecured Notes).

	Weighted average effective interest	Floating interest rate	Fixed rate interest	Non- interest bearing	Total
2019	\$	\$	\$		
<b>Financial assets</b>					
Cash and cash equivalents	0.05%	6,505,698	-	-	6,505,698
<b>Total financial assets exposure</b>		<b>6,505,698</b>	<b>-</b>	<b>-</b>	<b>6,505,698</b>
<b>Financial liabilities</b>					
Unsecured Notes	8%	-	21,929,601	-	21,929,601
Loan payable to Director	1.5%	-	6,000,000	-	6,000,000
<b>Total financial liability exposure</b>		<b>-</b>	<b>27,929,601</b>	<b>-</b>	<b>27,929,601</b>
<b>2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	0.98%	4,575,145	-	-	4,575,145
<b>Total financial assets exposure</b>		<b>4,575,145</b>	<b>-</b>	<b>-</b>	<b>4,575,145</b>
<b>Financial liabilities</b>					
Unsecured Notes	8%	-	21,929,601	-	21,929,601
Loan payable to Director	1.5%	-	5,000,000	-	5,000,000
<b>Total financial liability exposure</b>		<b>-</b>	<b>26,929,601</b>	<b>-</b>	<b>26,929,601</b>

**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).

The Group recognises a loss allowance for expected credit losses on investments in loans and advances of \$2,194,529 (2018: \$859,776). Refer to Note 15: Net Loan and Advances. No impairment losses are recognised in respect to any equity instruments measured at fair value.

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**Note 13: Financial Risk Management (continued)**

**b) Market Risk (continued)**

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.

All the trade and other payables are typically settled within 30 days.

**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.

	<b>Less than 12 Months</b>	<b>Greater than 12 Months</b>	<b>Total</b>
<b>2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	11,289,766	-	11,289,766
Current Tax Liability	1,022,240	-	1,022,240
Unsecured Notes	-	21,929,602	21,929,602
<b>Total</b>	<b>12,312,006</b>	<b>21,929,602</b>	<b>34,241,608</b>
	<b>Less than 12 Months</b>	<b>Greater than 12 Months</b>	<b>Total</b>
<b>2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	9,928,486	-	9,928,486
Current Tax Liability	3,725,647	-	3,725,647
Unsecured Notes	-	21,824,524	21,824,524
<b>Total</b>	<b>13,654,133</b>	<b>21,824,524</b>	<b>35,478,657</b>

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**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
<b>As at 30 June 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Financial assets through other comprehensive income:				
- Listed domestic and international	32,346,970	270,000	-	32,616,970
- Unlisted domestic investments	-	-	4,800	4,800
- Unlisted international investments	-	-	6,630,077	6,630,077
	<u>32,346,970</u>	<u>270,000</u>	<u>6,634,877</u>	<u>39,251,847</u>
Financial assets through profit and loss:				
- Listed domestic and international investments	31,199,934	-	-	31,199,934
- Unlisted domestic and international investments	-	-	7,610,689	7,610,689
	<u>31,199,934</u>	<u>-</u>	<u>7,610,689</u>	<u>38,810,623</u>
<b>Total assets</b>	<b><u>63,546,904</u></b>	<b><u>270,000</u></b>	<b><u>14,245,566</u></b>	<b><u>78,062,470</u></b>

The total contribution to Other Comprehensive Income arising from Level 3 investments is \$248,332.

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**Note 14: Fair Value Estimation (continued)**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2018</b>				
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
	<u>42,409,395</u>	<u>255,000</u>	<u>5,070,110</u>	<u>47,734,505</u>
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
	<u>25,424,068</u>	<u>11,082</u>	<u>280,634</u>	<u>25,715,784</u>
<b>Total assets</b>	<u><b>67,833,463</b></u>	<u><b>266,082</b></u>	<u><b>5,350,744</b></u>	<u><b>73,450,289</b></u>

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.

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 acquisition of IPE during the financial year included IPE's unlisted portfolio valued at \$7,610,689 (2018: nil). The month end values of interests in the unlisted private equity funds held via IPE are determined by the monthly valuations provided by each of the managers of the underlying private equity funds.

The Company's investment in Foundation Life valued at \$6,630,077 (2018: \$4,458,149) is based on its share of Foundation Life's shareholder equity and notes. This value is reported in Foundation Life's reviewed half yearly and audited full year accounts (in March and September respectively). The method of fair value of the investment is consistent with prior years.

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**Note 14: Fair Value Estimation (continued)**

Level 3 Assets during the current and previous financial year are set out below:

	<b>Unlisted domestic investments \$</b>	<b>Unlisted international investments \$</b>	<b>Total \$</b>
<b>Consolidation</b>			
Balance at 1 July 2017	-	370,928	370,928
(Loss)/Gain recognised in profit and loss	-	(90,294)	(90,294)
Balance at 30 June 2018	-	280,634	280,634
Acquisition of IPE portfolio	8,594,101	-	8,594,101
(Loss) recognised in profit and loss	(1,264,046)	-	(1,264,046)
<b>Balance at 30 June 2019</b>	<b>7,330,055</b>	<b>280,634</b>	<b>7,610,689</b>

	<b>Unlisted domestic investments \$</b>	<b>Unlisted international investments \$</b>	<b>Total \$</b>
<b>Consolidation</b>			
Balance at 1 July 2017	767,570	3,876,800	4,644,370
(Loss)/Gain recognised in other comprehensive income	(155,609)	581,349	425,740
Balance at 30 June 2018	611,961	4,458,149	5,070,110
Sale of investments	(373,500)		(373,500)
Return of Capital	(233,661)		(233,661)
Gain recognised in other comprehensive income	-	2,171,928	2,171,928
<b>Balance at 30 June 2019</b>	<b>4,800</b>	<b>6,630,077</b>	<b>6,634,877</b>

The level 3 assets unobservable inputs and sensitivity are as follows:

	<b>Impact to post-tax profit</b>		<b>Impact on reserves</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Trading equities</b>				
Increase in fair value in trading equities by 5%	257,887	10,173		
Decrease in fair value in trading equities by 5%	(257,887)	(10,173)		
<b>Long term equity investments</b>				
Increase in fair value in long term equities by 5%			240,514	183,791
Decrease in fair value in long term, equities by 5%			(240,514)	(183,791)

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**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.

AASB 9 requires all equity instruments to be carried at fair value through profit and loss, unless an entity chooses on an instrument-by-instrument basis on initial recognition to present fair value changes to other comprehensive income.

**Impairment**

AASB 9 requires the Company to record expected credit losses on all its financial assets measured at amortised cost of FVTOCI and financial guarantees. The Company previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

**Transition**

The changes in accounting policies have been applied retrospectively and the Company had elected to apply the limited exemption in AASB 9 and had not restated comparative periods in the year of initial application.

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of AASB 9.

**Expected credit losses**

For expected credit losses (ECL) on financial assets, the three stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach, the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standard on financial instruments for financial assets that do not have a significant financing component, such as loan receivables. On initial recognition, a day 1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For credit on loans receivables on ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limited are made. Renewals and review of credits are subject to the same review process.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Family law	6,788,852	5,680,189
Disbursement funding	135,566	150,916
Personal Injury	3,552,929	2,821,713
Other	1,561,107	1,269,239
Provision for impairment	(8,583,355)	(6,388,826)
<b>Total</b>	<b>3,455,099</b>	<b>3,533,231</b>

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**Note 15: Net Loans and Advances**

The movement in the provision for impairment in respect of loans and advances during the periods is as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Opening balance	3,533,231	2,844,937
Additions	2,216,397	1,921,353
Recoveries	(100,000)	(442,367)
Write off	-	(782,552)
Allowance of expected credit losses (2018: Provision for impairment of receivables)	(2,194,529)	(859,776)
Provision write-offs	-	(6,380,686)
<b>Total</b>	<b>3,455,099</b>	<b>3,533,231</b>

The net loans and advances were acquired by the group as part of the acquisition of AKF 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 2019, AKF management have assessed a further impairment of \$2,194,529 (2018: \$859,776).

The entity's write-off policy is dependent on the litigation proceedings and court rulings for each case to determine if the amount will be recoverable.

The assumptions and estimations are based on the litigation proceedings and court rulings for each case taking into consideration how much the borrower would be ordered to pay to AKF 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 2019 of \$2.8 million (2018: \$2.8 million).

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**Notes to the Financial Statements  
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**Note 16: Unsecured Notes**

**Accounting Policy:**

*Unsecured Notes are initially recognised at fair value, net of any transaction 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.*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Unsecured notes	22,308,700	22,308,700
Less: capitalised costs	(379,098)	(484,176)
<b>Non-current unsecured – notes at amortised cost</b>	<b>21,929,602</b>	<b>21,824,524</b>

At 30 June 2019, 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 the comments in Note 6: Events Subsequent to the Reporting date, there are no contingent liabilities as at 30 June 2019.

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**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.*

*Richfield has only 7 major customers which can be graded as low risk individually. The trade receivables below are subject to the expected credit loss model under the financial reporting standard on financial instruments. The trade receivables are considered to have low credit risk individually. At the end of the financial year, a loss allowance is recognised at an amount equal to 12 months expected credit losses because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary. There is no collateral held as security and other credit enhancement for the trade receivables. As at the end of the financial reporting period, there were no amounts that were impaired.*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Trade receivables	110,927	41,757
Less: Allowance of expected credit losses (2018: Provision for impairment of receivables)	-	-
	110,927	41,757
 <b>Trade receivables</b>	 1,883,536	 2,337,479
<b>Other current assets</b>	<u>81,313</u>	<u>89,281</u>
	<u>2,075,776</u>	<u>2,468,517</u>

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**Notes to the Financial Statements  
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**Note 19: Trade and Other Payables**

**Accounting Policy:**

*Trade and other payables are carried 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.*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Unclaimed shareholder payments – secured *	1,137,882	1,137,882
Trade payables	2,036,080	2,017,288
Escrowed Port of Singapore	1,586,391	1,287,804
Loan from director <sup>^</sup>	6,000,000	5,000,000
Sundry payables	529,413	462,857
Unsettled trades	-	22,655
<b>Total current trade and other payables</b>	<b>11,289,766</b>	<b>9,928,486</b>

\* 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.

<sup>^</sup> During the year, Sir Ron Brierley advanced a further short term loan of \$9,000,000 to the Company to fund the purchase of investments Interest was payable at the RBA cash rate per annum. The Company has repaid \$8,000,000 and the loan principal amount of \$6,000,000 and interest of \$164,055 remain outstanding as at the end of the financial year. (Refer to Note 21: Related Parties).

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**Notes to the Financial Statements  
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**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
<b>Options 2019</b>		\$	\$	\$
Gabriel Radzyninski		506,000	235,750	741,750
Other employees		287,500	74,250	361,750
	4	793,500	310,000	1,103,500
<b>Options 2018</b>		\$	\$	\$
Gabriel Radzyninski		506,000	-	506,000
Other employees		175,500	112,000	287,500
	4	681,500	112,000	793,500

The Board has issued Mr Gabriel Radzyninski the following options at nil consideration:

Option Issued Date	Exercise price \$ per option	Expiration date	No. of Options	No. Options exercised	Fair Value at grant date \$
2 December 2016	0.20	31 December 2020	10,000,000	-	342,000
21 November 2018	0.23	31 December 2021	10,000,000	-	90,000
21 November 2018	0.24	31 December 2022	13,250,000	-	145,750
			<b>33,250,000</b>	-	<b>577,750</b>

The weighted average exercise price is \$0.22.

The Board has issued to an employee of Sandon Capital Pty Ltd (an entity associated with Gabriel Radzyninski which provides general consulting, corporate advisory and accounting services to MVT) with the following options at nil consideration:

Option Issued Date	Exercise price \$ per option	Expiration date	No. of Options	No. Options exercised	Fair Value at grant date \$
7 October 2016	0.20	31 December 2020	5,000,000	-	175,500
12 December 2017	0.23	31 December 2021	5,000,000	-	112,000
21 November 2018	0.24	31 December 2022	6,750,000	-	74,250
			<b>16,750,000</b>	-	<b>361,750</b>

The weighted average exercise price is \$0.23.

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%), and risk free rate (1.5%).

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**Notes to the Financial Statements  
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**Note 21: Related Parties**

**Transactions with related parties**

	2019 \$	2018 \$
Sandon Capital Pty Ltd is an entity associated with Mr Gabriel Radzynski. 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. The following amount was paid to Sandon Capital Pty Ltd.	566,500	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 Radzynski of \$125,000 (inclusive of super) in October 2018. The bonus was paid in two equal instalments within the 2019 Financial year.	125,000	110,000
Short-term, unsecured loans were advanced to the Company by Sir Ron Brierley in 2019 of \$9.0m (2018: \$5m) to fund purchases of investments. The Company has repaid \$8.0m (2018: \$nil) in the 2019 financial year. Interest was paid at the RBA cash rate per annum. The balance represents the interest outstanding payable to Sir Ron Brierley.	164,055	15,205
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 2019 was \$240,000 (2018: \$240,000)	240,000	240,000
Gabriel Radzynski subscribed for 250 MVTHA notes (\$25,000) during the 2017 financial year. Interest paid on these notes at 30 June 2019 was \$2,000 (2018: \$2,000)	2,000	2,000
Ron Langley subscribed for 12,000 MVTHA notes (\$1,200,000) during the 2017 financial year. At the date of Mr Langley's resignation on 31 October 2018, nil interest was paid by the Company on MVTHA notes (2018: \$96,000).	-	96,000

**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 Radzynski reflects director's fees of \$15,000 plus superannuation.

In the 2017 financial year, the Board approved a cash bonus payment of \$110,000 (inclusive of super) payable over 2 tranches of \$55,000. The first tranche was paid in the 2018 financial year and the second tranche of \$55,000 has been paid to Mr Radzynski in November 2018.

In the 2018 financial year, the Board approved a cash bonus payment of \$125,000 (inclusive of super) payable over 2 tranches of \$62,500. The first tranche was paid in November 2018 and the second tranche was been paid to Mr Radzynski in April 2019.

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**Notes to the Financial Statements  
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**Note 21: Related Parties (continued)  
Elements of Remuneration (continued)**

The Board has issued Mr Gabriel Radzynski the following options at nil consideration as disclosed in Note 20.

Options and bonuses are awarded to executives on a discretionary basis by the Nomination & Remuneration Committee. This committee has regard to the overall performance of the company and the committee's assessment of an executive's contribution to performance.

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

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.

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

	<b>Balance at the start of the year No.</b>	<b>Received as part of remuneration No.</b>	<b>Additions No.</b>	<b>Disposals/ other No.</b>	<b>Retiring Director Holdings No.</b>	<b>Balance at the end of the year No.</b>
<b>30 June 2019</b>						
<b>Ordinary shares</b>						
Sir Ron Brierley	122,411,120	-	-	(52,980,782)	-	69,430,338
Mr Gabriel Radzynski	703,171	-	1,100,000	-	-	1,803,171
Mr James Chirnside	-	-	175,000	-	-	175,000
Mr Daniel Weiss	-	-	-	-	-	-
Ms Katrina Langley	-	-	-	-	-	-
Mr Ron Langley*	12,500,000	-	-	-	(12,500,000)	-
Dr Gary Weiss	15,455,001	-	-	-	-	15,455,001
	<b>151,069,292</b>	<b>-</b>	<b>1,275,000</b>	<b>(52,980,782)</b>	<b>(12,500,000)</b>	<b>86,863,510</b>

	<b>Short-term Cash &amp; Salary \$</b>	<b>Post Employment Benefits \$</b>	<b>Share based payments \$</b>	<b>Total \$</b>
<b>30 June 2019</b>	245,897	4,544	235,750	486,191
<b>30 June 2018</b>	261,589	9,040	342,000	612,629

\*Held by Mr Ron Langley at the date of retirement on 31 October 2018

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**Notes to the Financial Statements  
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**Other Statutory Information**

The number of shares and options in the company held during the financial year by each director of the group, including their personal related parties, are disclosed in the Directors Remuneration report.

**Loans to KMP**

No loans have been made to the Directors of MVT.

**Related party transactions**

No related party transactions other than the remuneration already disclosed above.

**Note 22: Commitments for Expenditure**

	2019	2018
	\$	\$
<b>Lease commitments</b>		
Commitments for minimum payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	172,751	237,288
Later than one year but not later than five years	13,206	164,238
	<u>185,957</u>	<u>401,526</u>

There were no capital commitments during the year ended 30 June 2019 (2018: 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.

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**Notes to the Financial Statements  
For the year ended 30 June 2019**

**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 2019 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 16 Leases**

AASB 16 Leases is applicable to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 Leases. For lessees it will eliminate the classifications of operating leases and finance leases. Mercantile does not expect this standard to have a material impact on its 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

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.

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**Notes to the Financial Statements  
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**Note 24: Auditors Remuneration**

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

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Audit services</b>		
Pitcher Partners Sydney for audit and review of financial reports and other work under the <i>Corporations Act 2001</i>	196,090	174,326
Non-assurance services	-	-
	196,090	174,326

**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.

	<b>2019</b>	<b>2018</b>
	\$	\$
(Loss) / Profit attributable to members	(1,456,968)	6,682,846
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	280,700,000	280,360,907
Basic and diluted (loss) /earnings per share (cents per share)	(0.52)	2.36

The consolidated entity currently has a total of 50,000,000 outstanding options on issue (2018: 20,000,000). As the price of MVT shares does not exceed the exercise price of the options, they are not dilutive and therefore diluted earnings per share equals basic earnings per share.

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**Notes to the Financial Statements  
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**Note 26: Other Operating Costs**

	2019	2018
	\$	\$
Other operating expenses is made up of the following:		
<b>Parent operating expenses</b>		
Rent	17,373	19,422
Office expenses	27,427	20,153
Corporate expenses	3,040	13,957
Travel	4,713	7,285
Foreign exchange losses	10,437	(21,177)
Fees and commissions	25,845	26,892
Miscellaneous expenses	1,101	1,811
	89,936	68,343
<b>Subsidiary operating expenses</b>		
Rent	233,995	219,172
Office Expenses	219,151	161,656
Travel	21,178	20,472
Bank fees	9,573	6,967
Depreciation	11,548	105,064
Entertainment	35,713	32,176
Miscellaneous expenses	471,699	42,476
	1,002,957	587,983
<b>Total other operating costs</b>	1,092,793	656,326

**Note 27: Controlled Entities acquired during the period**

During the reported period, the consolidated entity acquired a controlling interest in IPE.

On 4 July 2018, the Company announced on ASX an off-market takeover offer by Mercantile OFM Pty Ltd, a wholly owned subsidiary of the Company, for all of the ordinary shares in ASX listed IPE that the Company did not own for an acquisition price of \$0.0775 (7.75 cents) per share.

The offer closed on 31 August 2018 and Mercantile OFM received acceptances totalling 92.8%. Offer consideration of \$6,824,419 was paid, thereafter the Company moved to compulsory acquisition of IPE.

MVT concluded the acquisition of IPE was a superior alternative to IPE's run-off strategy. The run-off strategy would have incurred increased proportional cost as the company returned capital to its shareholders.

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**Notes to the Financial Statements  
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**Note 27: Controlled Entities acquired during the period (continued)**

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Fair Value \$</b>
Cash	1,007,163
Other receivables	23,972
Investments acquired	8,594,101
Trade and other payables	(131,506)
<b>Net identifiable assets acquired</b>	<b>9,493,730</b>
(Less) non-controlling interest	(2,392,523)
<b>Net identifiable assets acquired attributable to shareholders of Mercantile</b>	<b>7,101,207</b>
<b>Purchase consideration</b>	
Fair value of previously held interest	2,654,855
Revaluation of previously held interest to \$0.0775	(287,540)
Cash paid by 31 July 2018	5,495,738
	<b>7,863,053</b>
<b>(i) Reconciliation of carrying amount to goodwill</b>	
Purchase consideration	7,863,052
(Less) Net identifiable assets acquired attributable to shareholders of Mercantile	(6,813,666)
Goodwill	1,049,386
Impairment of goodwill	(1,049,386)
Goodwill	-
<b>(ii) Reconciliation of amount included in statement of cash flows</b>	
Outflow of cash to acquire subsidiary, net of cash acquired:	
Total cash consideration	5,495,738
Less: cash balances acquired	(1,007,163)
Outflow of cash-investing activities	<b>4,488,575</b>
<b>(iii) Profit contribution</b>	
Loss contribution from date of acquisition to 30 June 2019	(776,898)
Expense contribution from date of acquisition to 30 June 2019	(69,583)
Income tax contribution from date of acquisition to 30 June 2019	(364,387)
	<b>(1,210,868)</b>

From the date of acquisition to 30 June 2019, the Company's share of IPE's net loss after tax is \$1,210,868.

Non-controlling interests were measured at the acquisition date at the carrying amount of the net assets attributable to them.

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**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 18 to 65, 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 21, 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 2019 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 Radzynski  
Executive Director

30 August 2019

**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 2019, 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 2019 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* 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.

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### 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. 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.

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<p><b>Existence, Valuation, and Classification of Financial Assets</b>  <b>Refer to Note 13: Financial Risk Management, Note 14: Fair Value Estimation, Note 27: Controlled Entities acquired</b></p>	
<p>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.</p> <p>The majority of the Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as either "level 1" (i.e. where the valuation is based on quoted prices in the market) and "level 3" (i.e. where inputs are unobservable).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of management's processes and relevant controls;</li> <li>• Reviewing and understanding the latest available independent auditor's report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian;</li> <li>• Making enquiries of management as to whether there have been any changes to the controls at the Custodian or their effectiveness from the periods to which the auditor's report relates and where necessary performing additional procedures;</li> <li>• Obtaining a confirmation of the investment holdings directly from the Custodian;</li> <li>• 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;</li> <li>• Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses; and</li> <li>• Assessing the adequacy of disclosures in the financial statements.</li> </ul>

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<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b>Accuracy and Valuation of Related Party Transactions</b> <b>Refer to Note 19: Trade and Other Payables,</b> <b>Note 21: Related Parties and Remuneration Report</b>	
<p>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.</p> <p>During the year the Group transacted with Directors and Director related entities including:</p> <ul style="list-style-type: none"> <li>• Directors remuneration;</li> <li>• short term unsecured loans advanced to the Group from an entity associated with a Director; and</li> <li>• corporate, advisory and accounting services.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of management's processes and relevant controls;</li> <li>• 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;</li> <li>• 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;</li> <li>• Evaluating based on supporting documentation for a sample of related party transactions, whether they were on an arms-length basis; and</li> <li>• Assessing the adequacy of disclosures made in the consolidated financial statements.</li> </ul>

#### *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 2019, 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.

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### *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 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.

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## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 11 to 14 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Mercantile Investment Company Limited for the year ended 30 June 2019, 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

30 August 2019

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**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**ASX Additional Information  
Information as at 27 August 2019  
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	699	202,794	0.07%
1,001 - 5,000	1,080	3,212,554	1.41%
5,001 - 10,000	371	2,948,799	1.05%
10,001 - 100,000	500	16,178,241	5.76%
100,001 and over	13	258,157,612	91.97%
<b>Total</b>	<b>2,680</b>	<b>280,700,000</b>	<b>100.00%</b>

**Unmarketable Parcels**

	Holders	Number of Shares	% of Issued Capital
Minimum \$500 parcel	1,286	1,746,182	0.62%

**Top 20 Holders of Fully Paid Ordinary Shares**

Rank	Names	Number of Shares	% of Issued Capital
1	Sandon Capital Investments Limited	52,980,782	18.87
2	Siblow Pty Ltd	50,783,852	18.09
3	G W Holdings Pty Ltd <Edwina A/C>	23,000,522	8.19
4	Mcneil Nominees Pty Limited	18,646,486	6.64
5	J P Morgan Nominees Australia Limited	17,451,112	6.25
6	Portfolio Services Pty Ltd	14,915,001	5.31
7	GW Holdings Pty Limited	9,500,000	3.38
8	Treasure Island Hire Boat Company Pty Ltd <Staff Super Fund Account>	8,788,147	3.13
9	LIC Investments Pty Ltd <LIC Investments Unit A/C>	6,500,000	2.32
10	Abbawood Nominees Pty Ltd <Abbott Family S/F No 1 A/C>	4,190,071	1.49
11	National Nominees Limited	4,032,954	1.44
12	HSBC Custody Nominees (Australia) Limited	2,425,701	0.86
13	Mercantile Investment Company Limited New Zealand Control Account	2,347,313	0.84
14	Investment Custodial Services Limited <C A/C>	1,960,000	0.70
15	Mr Edward James Dally & Mrs Selina Dally<E J Dally Super Fund A/C>	1,770,334	0.63
16	Australian Minerals Corporations Pty Ltd <FEBP A/C>	1,537,478	0.55
17	Mr Edward James Stephen Dally & Mrs Selina Dally<LEKDAL Family A/C>	1,420,000	0.51
18	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,205,733	0.43
19	Avenue 8 Pty Limited <Gan Super Fund A/C>	1,147,986	0.41
20	Glen Brae Capital Pty Ltd	1,117,100	0.40
	<b>Total</b>	<b>225,810,572</b>	<b>80.45</b>

**Mercantile Investment Company Limited  
And Controlled Entities  
ABN 15 121 415 576**

**ASX Additional Information (Continued)**

**Substantial Security Holders**

<b>Names</b>	<b>Number of Shares</b>	<b>% of Issued Capital</b>
Sandon Capital Investments Limited	52,980,782	18.87%
Sir Ron Brierley	69,429,338	24.73%
Geoff Wilson and entities associated with Mr Geoff Wilson	23,000,522	12.6%
Phoenix Portfolios Pty Ltd	21,434,071	7.64%
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.

\* Dr Gary Weiss' shareholding includes 15,455,001 shares held by Portfolio Services Pty Ltd.

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