

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

**APPENDIX 4D – HALF-YEAR REPORT  
For the half-year ended 31 December 2018**

**Results for announcement to the market**  
*All comparisons to the half-year ended 31 December 2017*

<b>Earnings</b>	<b>31 December 2018</b>	<b>Movement</b>	
	<b>\$</b>	<b>Up / Down</b>	<b>%</b>
Revenue from ordinary activities	2,394,357	Down	76%
Loss after tax attributable to members of the Parent Entity	(2,445,419)	Down	155%
Total comprehensive loss after tax attributable to members of the Parent Entity	(1,190,128)	Down	119%

	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Net Tangible Assets Per Share (NTA)</b>		
NTA before tax	0.196	0.213
NTA after tax	0.194	0.197

**Commentary on results and changes in the consolidated entity**

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

For further details, please refer to the Directors' Report.

**Dividends**

No dividends have been declared for the half-year ended 31 December 2018 (2017: nil).

*This report is based on the half-year financial report attached, which has been subject to independent review by the auditors, Pitcher Partners. All documents comprise information required by Listing Rule 4.2A.*

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

**Interim Financial Report  
for the Half-Year Ended 31 December 2018**

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

**For the half-year ended 31 December 2018**

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

**Corporate Directory**

<b>Directors:</b>	Sir Ron Brierley - Chairman & Non-Executive Director Mr Gabriel Radzyninski - Executive Director Mr James Chirnside - Independent Non-Executive Director Mr Daniel Weiss - Independent Non-Executive Director Ms Katrina Langley - Independent Non-Executive Director (appointed 6 November 2018) Mr Ronald Langley - Independent Non-Executive Director (resigned 31 October 2018) Dr Gary Weiss - Non-Executive Alternate Director	
<b>Company Secretary:</b>	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	
<b>Auditor:</b>	Pitcher Partners Level 22, MLC Centre 19 Martin Place Sydney NSW 2000	
<b>Registered Address:</b>	Level 5, 139 Macquarie Street Sydney NSW 2000	
<b>Contact Details:</b>	Telephone:	+61 2 8014 1188
	Email:	<a href="mailto:info@mercinv.com.au">info@mercinv.com.au</a>
	Website:	<a href="http://www.mercantileinvestment.com.au">www.mercantileinvestment.com.au</a>
<b>Share Registrar:</b>	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: +61 2 8280 7100 Website: <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a>	
<b>ASX Code:</b>	<b>MVT</b> Fully paid ordinary shares.	
	<b>MVTHA</b> Unsecured Notes.	
<b>NZX Code:</b>	<b>MVT</b> Fully paid ordinary shares.	

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

**Directors' Report**

The Directors of Mercantile Investment Company Limited ("MVT") present their report together with the financial statements of the Company and its controlled entities for the half-year ended 31 December 2018.

**Directors**

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

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

**Review and Results of Operations**

Revenue from ordinary activities was \$2,394,357 (2017:\$9,867,967) down 76% on the prior comparable period. There were significant decreases in unrealised gains in the Company's trading portfolio.

Loss after tax to members for the reporting period was \$2,445,419 (2017: Profit \$4,442,544) down 155% on the prior comparable period. MVT reported a \$1,255,291 unrealised gain in the fair value of long-term equity investments, which contributed to a Total Comprehensive Loss after tax to members of \$1,190,128, (2017: Income \$6,117,075) down 119% on the prior comparable period.

The Company reported a cash balance of \$8,972,272 as at 31 December 2018, which provides ample capacity to deploy should suitable investment opportunities arise.

Net tangible assets per share as at 31 December 2018 were reported as 19.6 cents on a pre-tax basis and 19.4 cents on an after-tax basis.

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. On 31 July 2018, IPE's Directors accepted the offer. By 25 September 2018, Mercantile OFM owned 100% of the IPE shares.

On 20 August 2018, the Company also launched an off-market takeover bid for all of the ordinary shares in Yellow Brick Road Holdings Limited at a cash price of \$0.09 per share. The offer was rejected and closed on 19 October 2018.

**Subsequent events**

In February 2019, Mercantile provided its subsidiary Ask Funding Limited (AKF) a loan of \$50,000 (2017: nil) on commercial terms to provide financial support for operational expenses.

On 12 February 2018, AKF received judgment in a legal dispute with the borrower of a Single Matrimonial Loan in the Family Court of Western Australia. The borrower was ordered to pay approximately \$2.8 million.

The trial in relation to the legal proceedings between the parties in the Family Court in Western Australia (which was the subject of the loan to the borrower) was heard in August 2016 and a judgment was handed down on 12 February 2018.

**Mercantile Investment Company Limited  
and Controlled Entities  
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**Directors' Report (continued)**

**Subsequent events (continued)**

The net carrying value of this loan as at 30 June 2017 was \$2.0 million, however after reviewing the judgment handed down on 12 February 2018, AKF determined to increase the net carrying value to \$2.8 million.

The judgment is now the subject of an appeal and a cross appeal filed by the various parties to the proceedings which has been set down for hearing in March 2019.

**Dividends**

No dividends were paid or are payable for the period ended 31 December 2018. The Directors intend to consider the capacity of MVT to pay dividends in the future.

**Rounding of amounts to nearest dollar**

In accordance with ASIC Corporations (Rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the financial report have been rounded to the nearest one dollar, or in certain cases, the nearest 1/10<sup>th</sup> cent (where indicated).

**Auditors independence declaration**

The lead auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2018.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Gabriel Radzynski  
Director



Signed on this 28 day of February 2019

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

In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

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

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



**Scott Whiddett**  
Partner

**Pitcher Partners**  
Sydney

28 February 2019

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

**Consolidated Statement of Comprehensive Income  
For the half-year ended 31 December 2018**

	Note	31 December 2018 \$	31 December 2017 \$
<b>Income</b>			
Revenue from continuing operations	2	3,990,298	3,371,319
Other income	2	(546,555)	6,496,648
Loss on acquisition	2	(1,049,386)	-
		2,394,357	9,867,967
<b>Expenses</b>			
Accounting fees		163,505	107,436
Audit fees		136,276	91,606
Taxation service fees		65,366	73,813
Finance costs		976,491	899,682
Service agreement fees		233,750	165,000
Company secretary fees		18,963	20,939
Share registry fees		166,998	116,715
Brokerage		22,528	15,747
Impairment charges		1,047,281	823,481
Legal and professional fees		323,853	214,579
ASIC and ASX charges		82,683	49,988
Share based payments		310,000	112,000
Employee benefit expenses		1,071,159	926,521
Other operating costs		785,938	390,637
		5,404,791	4,008,144
<b>(Loss)/Profit Before Income Tax</b>		(3,010,434)	5,859,823
Income tax benefit/ (expense)		464,317	(1,444,002)
<b>(Loss)/Profit for the period</b>		(2,546,117)	4,415,821
<b>(Loss)/ Profit Attributable to:</b>			
Members of the Parent Entity		(2,445,419)	4,442,544
Non-Controlling Interest		(100,698)	(26,723)
		(2,546,117)	4,415,821
<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		1,255,291	1,674,530
Total other comprehensive income		1,255,291	1,674,530
<b>Total Comprehensive (Loss)/ Profit for the half-year, net of tax</b>		(1,290,826)	6,090,351
<b>Total Comprehensive (Loss) / Profit attributable to:</b>			
Members of the Parent Entity		(1,190,128)	6,117,074
Non-Controlling Interest		(100,698)	(26,723)
		1,290,826	6,090,351
<b>(Loss)/ Earnings per Share</b>		<b>Cents</b>	<b>Cents</b>
- Basic (loss)/ earning per share		(0.87)	1.59
- Diluted (loss)/ earning per share		(0.87)	1.59

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  
For the half-year ended 31 December 2018**

	Note	31 December 2018 \$	30 June 2018 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		8,972,272	11,743,998
Trade and other receivables		1,963,239	2,337,479
Net loans and advances		3,441,500	3,533,231
Financial assets at fair value through profit or loss	6	37,128,271	25,715,784
Other current assets		94,649	89,281
<b>Total Current Assets</b>		<u>51,599,931</u>	<u>43,419,773</u>
<b>Non - Current Assets</b>			
Financial assets at fair value through other comprehensive income	6	45,243,313	47,734,505
Property, plant & equipment		24,782	22,591
Deferred tax assets		612,371	183,645
<b>Total Non-Current Assets</b>		<u>45,880,466</u>	<u>47,940,741</u>
<b>Total Assets</b>		<u><b>97,480,397</b></u>	<u><b>91,360,514</b></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		6,082,349	4,928,486
Loan Payable		14,000,000	5,000,000
Current tax liability		1,138,709	3,725,647
<b>Total Current Liabilities</b>		<u>21,221,058</u>	<u>13,654,133</u>
<b>Non-Current Liabilities</b>			
Unsecured notes	7	21,885,619	21,824,524
Deferred tax liabilities		-	703,373
<b>Total Non-Current Liabilities</b>		<u>21,885,619</u>	<u>22,527,897</u>
<b>Total Liabilities</b>		<u><b>43,106,677</b></u>	<u><b>36,182,030</b></u>
<b>Net Assets</b>		<u><b>54,373,720</b></u>	<u><b>55,178,484</b></u>
<b>Equity</b>			
Issued Capital	4	28,834,628	28,834,628
Accumulated losses		(13,170,560)	(10,454,943)
Reserves	5	37,715,003	35,719,474
Members' interests		53,379,071	54,099,159
Non-controlling interest		994,649	1,079,325
<b>Total Equity</b>		<u><b>54,373,720</b></u>	<u><b>55,178,484</b></u>

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 half-year ended 31 December 2018**

	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		4,442,544					(26,723)	4,415,821
<u>Other Comprehensive Income for the Year:</u>								
Movements in the fair value of long-term investments, net of tax				1,674,530				1,674,530
Realised gains on sale of investments			76,373	(76,373)				-
<u>Transactions with Owners:</u>								
Foreign Currency Translation Reserve					721,155			721,155
Cost of raising capital								
Share options issued / exercised	119,000					112,000		231,000
<b>Balance at 31 December 2017</b>	<b>28,836,120</b>	<b>(6,012,399)</b>	<b>22,267,979</b>	<b>4,889,743</b>	<b>(51,538)</b>	<b>793,500</b>	<b>931,786</b>	<b>51,655,191</b>
<b>Balance at 1 July 2018</b>	<b>28,834,628</b>	<b>(10,454,943)</b>	<b>29,118,386</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		(2,445,419)					(100,698)	(2,546,117)
<u>Other Comprehensive Income for the Year:</u>								
Movements in the fair value of long-term investments, net of tax				1,284,386				1,284,386
Realised gains on sale of investments			967,019	(967,019)				-
<u>Transactions with Owners:</u>								
Foreign Currency Translation Reserve					401,143			401,143
Non-controlling interests on acquisition of subsidiary							2,392,523	2,392,523
Change in proportion of NCI		(270,198)					(2,376,501)	(2,646,699)
Share options issued / exercised						310,000		310,000
<b>Balance at 31 December 2018</b>	<b>28,834,628</b>	<b>(13,170,560)</b>	<b>30,085,405</b>	<b>6,069,406</b>	<b>456,692</b>	<b>1,103,500</b>	<b>994,649</b>	<b>54,373,720</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 half-year ended 31 December 2018**

	<b>31 December 2018 \$</b>	<b>31 December 2017 \$</b>
<b>Cash Flows from Operating Activities</b>		
Dividends, distributions and other investment income received	3,221,730	3,580,837
Other payments in the course of ordinary operations	(3,482,564)	(296,597)
Proceeds from sale of trading securities	1,067,602	2,068,939
Payments for trading securities	(3,911,109)	(1,839,679)
Interest received	384,828	230,879
Loan repayments received	12,207	16,765
Income tax paid	(3,680,127)	(346,859)
<b>Net Cash (used in)/ provided by Operating Activities</b>	<b>(6,387,433)</b>	<b>3,657,488</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of financial assets	5,318,205	804,320
Payments for financial assets	(3,311,200)	(4,825,684)
Payment for IPE Limited investments	(4,488,575)	-
Subsequent purchase of non-controlling interest	(2,649,357)	-
Proceeds from return of capital	-	92,355
<b>Net Cash (used in) Investing Activities</b>	<b>(5,130,927)</b>	<b>(3,929,009)</b>
<b>Cash Flows from Financing Activities</b>		
Borrowing costs	(17,232)	(16,881)
Loan proceeds received	9,000,000	-
Interest paid	(76,808)	-
Interest Payments on MVT Notes	(899,682)	(899,682)
Share buy-back	(162,061)	-
<b>Net Cash provided by/ (used in) Financing Activities</b>	<b>7,844,217</b>	<b>(916,563)</b>
<b>Net Decrease in Cash and Cash Equivalents held</b>	<b>(3,674,142)</b>	<b>(1,188,084)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>902,416</b>	<b>(1,815)</b>
<b>Cash and Cash Equivalents at the beginning of the half-year</b>	<b>11,743,998</b>	<b>18,941,688</b>
<b>Cash and Cash Equivalents at end of the half-year</b>	<b>8,972,272</b>	<b>17,751,789</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**

**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 Standard AASB134: Interim Financial Reporting;
- 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 periods presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2018. The half-year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by the company during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.
- The Company adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. The Company adopted AASB 15 in accordance with the transition requirements in AASB 15, which permit entities to transition to AASB 15 by applying the Standard:
  - retrospectively to each prior reporting period presented; or
  - retrospectively with the cumulative effect of initially applying the Standard recognised as at the date of initial application (i.e., at the beginning of the annual reporting period in which the entity first applies the Standard).
- The Company adopted AASB 15 retrospectively to each prior reporting period presented, which resulted in no material impact in the recognition of revenue by the entity.
- 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.
- applied accounting policies of the Group which are consistent with those applied in the 30 June 2018 Annual Report.
- was authorised for issue with a resolution of the Board of Directors on 28 February 2019.

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

**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 1: Segment Information**

**Consolidated - 31**

**December 2018**

	<b>Securities</b>	<b>Consumer Finance</b>	<b>Shipping Services</b>	<b>Total</b>
	\$	\$	\$	\$
Revenue	24,678	1,055,981	1,313,698	2,394,357
Expenses	(3,039,782)	(1,355,612)	(1,009,397)	(5,404,791)
(Loss)/ Profit before tax	(3,015,103)	(299,631)	304,301	(3,010,434)
(Loss)/ Profit after tax				(2,546,117)
<i>Material items include:</i>				
Impairment of loans	-	(1,047,281)	-	(1,047,281)
<b>Assets</b>				
Segment assets	91,343,857	3,441,500	1,662,925	96,448,282
Trade and other receivables	-	-	-	300,313
Other current assets	-	-	-	94,649
Property, plant & equipment	-	-	-	24,782
Deferred tax assets	-	-	-	612,371
				<u>97,480,397</u>
<b>Liabilities</b>				
Segment liabilities	(21,885,619)	-	(3,516,972)	(25,402,591)
Loan Payable				(14,000,000)
Trade and other payables	-	-	-	(2,565,377)
Current tax liability	-	-	-	(1,138,709)
				<u>(43,106,677)</u>

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

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

**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 1: Segment Information (continued)**

<b>Consolidated - 31 December 2017</b>	<b>Securities \$</b>	<b>Consumer Finance \$</b>	<b>Shipping Services \$</b>	<b>Total \$</b>
Revenue	7,631,867	999,699	1,236,401	9,867,967
Expenses	(1,757,508)	(1,094,261)	(1,156,375)	(4,008,144)
Profit before tax	5,874,359	(94,562)	80,026	5,859,823
Profit after tax				4,415,821
<i>Material items include:</i>				
Impairment of loans	-	(823,481)	-	(823,481)
Write down of goodwill	-	-	-	-
<b>Assets</b>				
Segment assets	80,707,516	2,958,977	1,238,099	84,904,592
Trade and other receivables	-	-	-	23,589
Other current assets	-	-	-	104,888
Deferred tax asset	-	-	-	178,245
				<u>85,211,314</u>
<b>Liabilities</b>				
Segment liabilities	(21,765,012)	-	(3,013,892)	(24,778,904)
Trade and other payables				(1,552,022)
Current tax liability				(2,969,169)
Deferred tax liability				(4,256,028)
				<u>(33,556,123)</u>

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

**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 2 (a): Revenue from continuing operations**

	<b>31 December 2018 \$</b>	<b>31 December 2017 \$</b>
Dividends received	470,807	283,212
Trust Distributions Received	1,078,952	1,053,051
Interest income	1,301,359	1,166,593
Shipping Services income	1,139,180	868,463
	<b><u>3,990,298</u></b>	<b><u>3,371,319</u></b>

**Note 2 (b): Other income**

Realised (losses) / gain on trading equities fair valued through profit and loss	(307,316)	2,148,182
Unrealised (losses)/ gains on trading equities fair valued through profit and loss	(666,639)	4,214,705
Foreign gain/ (losses) exchange movement	236,903	(255,808)
Sundry income	190,497	389,569
	<b><u>(546,555)</u></b>	<b><u>6,496,648</u></b>

**Note 2 (c): Loss on acquisition**

Loss on acquisition of a controlled entity	10	(1,049,386)	-
		<b><u>(1,049,386)</u></b>	<b><u>-</u></b>

**Note 3: Payment of dividends to shareholders**

The group has not declared a dividend for the period (2017: nil).

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

**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 4: Issued Capital**

**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.*

	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
280,700,000 (June 2018: 280,700,000) fully paid ordinary shares	28,834,628	28,834,628

	<b>31 December 2018 No.</b>	<b>30 June 2018 No.</b>	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
<b>Ordinary Shares</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>				
Share options exercised	-	700,000	-	119,000
Capital raising costs, net of tax	-	-	-	(1,492)
Closing Balance at Reporting Date	280,700,000	280,700,000	28,834,628	28,834,628

There are 50,000,000 options remaining unexercised.

Gabriel Radzynski has been issued the following options at nil consideration:

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

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

<b>Option Issued Date</b>	<b>Exercise price \$ per option</b>	<b>Expiration date</b>	<b>No. of Options</b>	<b>No. Options exercised</b>
7 October 2016	0.20	31 December 2020	5,000,000	-
26 October 2017	0.23	31 December 2021	5,000,000	-
21 November 2018	0.24	31 December 2022	6,750,000	-
			<b>16,750,000</b>	<b>-</b>



**Mercantile Investment Company Limited  
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**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 5: Reserves**

	31 December 2018 \$	30 June 2018 \$
<b>a) Reserves</b>		
Profit Reserve	30,085,405	29,118,386
Asset Revaluation Reserve	6,069,406	5,752,039
Foreign currency translation reserve	456,692	55,549
Share based payment reserve	1,103,500	793,500
	<u>37,715,003</u>	<u>35,719,474</u>
<b>b) Major movements in reserves consist of:</b>		
<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	1,284,386	2,758,387
Revaluation of pre-existing investment in controlled entity	-	-
Realised gains on sale of long term equity investments	(967,019)	(297,934)
Balance 31 December	<u>6,069,406</u>	<u>5,752,039</u>
<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	967,019	297,934
Transfer to profit reserve	-	6,628,846
Balance 31 December	<u>30,085,405</u>	<u>29,118,386</u>

**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 Interim Financial Report**  
**For the half-year ended 31 December 2018**

**Note 6: 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 31 December 2018</b>				
Financial assets at fair value through other comprehensive income:				
- Listed domestic and international investments	37,373,824	270,000	-	37,643,824
- Unlisted domestic investments	-	-	378,300	378,300
- Unlisted international investments	-	-	7,221,189	7,221,189
	<u>37,373,824</u>	<u>270,000</u>	<u>7,599,489</u>	<u>45,243,313</u>
Financial assets at fair value through profit and loss				
- Listed domestic and international investments	28,839,746	6,600	-	28,846,346
- Unlisted domestic and international investments	-	4,000	8,277,925	8,281,925
	<u>28,839,746</u>	<u>10,600</u>	<u>8,277,925</u>	<u>37,128,271</u>
<b>Total financial assets</b>	<u><b>66,213,570</b></u>	<u><b>280,600</b></u>	<u><b>15,877,414</b></u>	<u><b>82,371,584</b></u>

**Mercantile Investment Company Limited  
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**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 6: Fair value estimation (continued)**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2018</b>				
Financial assets at fair value through other comprehensive income:				
- Listed domestic and international investments	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 at fair value 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 financial 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.

Included within Level 3 of the hierarchy are unlisted securities such as shares in private companies, trusts and unlisted foreign notes. In order to determine the fair value of these investments, valuation techniques such as comparisons to similar investments for which market observable inputs are available, latest available net tangible assets per share, the adjusted last sale price or the fair value of the expected redemption value in the notes have been adopted. As at December 2018, Level 3 investment now include the portfolio of IPE Limited which was acquired during the year. Refer to Note 10 for details on acquisition.

At 31 December 2018, financial assets at fair value through other comprehensive income had an unrealised loss of \$2,184,423. Financial assets at fair value through profit and loss had an unrealised loss of \$666,639.

**Note 7: Interest bearing liabilities**

	31 December 2018 \$	30 June 2018 \$
Unsecured notes	22,308,700	22,308,700
Less: capitalised costs	(423,081)	(484,176)
<b>Non-current unsecured – notes at amortised cost</b>	<u><b>21,885,619</b></u>	<u><b>21,824,524</b></u>

These notes carry an interest entitlement of 8% per annum.  
The maturity date of the notes is 10 July 2021.

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**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 8: Commitments for expenditure**

**Capital commitments**

There were no Capital Commitments outstanding as at 31 December 2018.

**Lease commitments – Richfield Marine Agencies Pte Ltd**

Commitments for minimum payments in relation to non-cancellable operating leases are payable as follows:

Not later than one year	230,327	237,288
Later than one year but not later than five years	44,257	164,238
	<b>274,584</b>	<b>401,526</b>

**Note 9: Events subsequent to balance date**

In February 2019, Mercantile provided its subsidiary Ask Funding (AKF) a loan of \$50,000 (2017: nil) on commercial terms to provide financial support for operational expenses.

On 12 February 2018, AKF received judgement in a legal dispute with the borrower of a Single Matrimonial Loan in the Family Court of Western Australia. The borrower was ordered to pay approximately \$2.8 million.

The trial in relation to the legal proceedings between the parties in the Family Court in Western Australia (which was the subject of the loan to the borrower) was heard in August 2016 and a judgment was handed down on 12 February 2018.

The net carrying value of this loan as at 30 June 2017 was \$2.0 million, however after reviewing the judgment handed down on 12 February 2018, AKF determined to increase the net carrying value to \$2.8 million.

The judgment is now the subject of an appeal and a cross appeal filed by the various parties to the proceedings which has been set down for hearing in March 2019.

**Note 10: Controlled Entities acquired during the period**

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

On 4 July 2018, the Company announced to the 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 totaling 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.

**Mercantile Investment Company Limited  
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**Notes to the Interim Financial Report  
For the half-year ended 31 December 2018**

**Note 10: 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)
Loss on acquisition	1,049,386
Impairment of acquisition	(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 31 December 2018	(118,028)
Expense contribution from date of acquisition to 31 December 2018	(407,266)
Income tax contribution from date of acquisition to 31 December 2018	164,655
	<b>(360,640)</b>

From the date of acquisition to 31 December 2018, the Company's share of IPE's net loss after tax is \$360,640.

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

**Mercantile Investment Company Limited  
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**Directors' Declaration  
For the half-year ended 31 December 2018**

The Directors declare that:

1. the financial statements and notes, as set out on pages 5 to 18, are in accordance with the *Corporations Act 2001*, including:
  - (a) comply with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the financial position of the consolidated entity as at 31 December 2018 and of its performance for the half-year ended on that date;
2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors' made pursuant to section 303(5)(a) of the Corporations Act 2001 on behalf of the directors.

Gabriel Radzynski  
Director



Signed this 28 day of February 2019

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

**Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Mercantile Investment Company Limited ("the company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2018, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Mercantile Investment Company Limited and the entities it controlled at half-year's end or from time to time during the half-year.

**Directors' Responsibility for the Interim Financial Report**

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *"Review of a Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *"Interim Financial Reporting"* and the *Corporations Regulations 2001*. As the auditor of Mercantile Investment Company Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## **Independence**

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

## **Conclusion**

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



**Scott Whiddett**  
Partner



**Pitcher Partners**  
Sydney

28 February 2019