

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

**Interim Financial Report
for the Half-Year Ended 31 December 2020**

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

For the half-year ended 31 December 2020

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**Mercantile Investment Company Limited
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Corporate Directory

Directors: Mr Gabriel Radzynski - Non-Executive Chairman
Ms Melinda Snowden - Independent Non-Executive Director
Mr Peter Velez - Independent Non-Executive Director

Company Secretary: Mr Mark Licciardo
Mertons Corporate Services Pty Ltd
Level 7, 330 Collins Street
Melbourne VIC 3000

Auditor: Grant Thornton Audit Pty Ltd
Level 17
383 Kent 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
Website: 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

ASX Code: **MVT (delisted and ceased official quotation on 18 October 2019)**
Fully paid ordinary shares.

MVTHA (Maturity date: 10 July 2021)
8% p.a Unsecured Notes.

**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 2020.

Directors

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

Mr Gabriel Radzynski	Non-Executive Chairman
Ms Melinda Snowden	Independent Non-Executive Director
Mr Peter Velez	Independent Non-Executive Director

Review and Results of Operations

Revenue from ordinary activities was \$9,911,768 (2019: \$3,411,307) up 191% on the prior comparable period. There were significant increases in unrealised gains in the Company's trading portfolio.

Profit after tax to members for the reporting period was \$4,839,703 (2019: Profit \$150,837) up 3,109% on the prior comparable period. MVT reported a \$3,207,106 unrealised gain in the fair value of long-term equity investments, which contributed to a Total Comprehensive Income after tax to members of \$8,046,809 (2019: \$5,189,924), up 55% on the prior comparable period.

The Company reported a cash balance of \$5,352,497 as at 31 December 2020.

Subsequent events

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

Dividends

No dividends were paid or are payable for the period ended 31 December 2020.

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

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 1/10th 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 2020.

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

A handwritten signature in black ink, appearing to read 'G. Radzynski', is written over a light blue horizontal line.

Gabriel Radzynski
Director

Signed on this 24 day of February 2021

Auditor's Independence Declaration

To the Directors of Mercantile Investment Company Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Mercantile Investment Company Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance

Sydney, 24 February 2021

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

**Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2020**

	Note	31 December 2020	31 December 2019
Income			\$
Revenue from continuing operations	3	1,891,958	5,027,669
Other income	3	8,019,810	(1,616,362)
		<u>9,911,768</u>	<u>3,411,307</u>
Expenses			
Accounting fees		94,125	99,352
Audit fees		108,926	113,254
Taxation service fees		248,446	175,078
Finance costs		898,724	942,093
Service agreement fees		-	96,304
Company secretary fees		13,222	34,141
Share registry fees		91,966	135,139
Brokerage		10,999	16,859
Impairment charges on loans		679,657	1,104,030
Legal and professional fees		85,008	208,665
ASIC and ASX charges		12,264	66,057
Employee benefit expenses		609,671	1,051,742
Other operating costs		334,220	319,983
		<u>3,187,228</u>	<u>4,362,697</u>
Profit Before Income Tax		6,724,540	(951,390)
Income tax (expense)/ benefit		(1,908,207)	1,089,370
Profit/(Loss) for the period		<u>4,816,333</u>	<u>137,980</u>
Profit/(Loss) Attributable to:			
Members of the Parent Entity		4,839,703	150,837
Non-Controlling Interest		(23,370)	(12,857)
		<u>4,816,333</u>	<u>137,980</u>
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Movement in fair value of long term equity investments, net of tax		3,207,106	5,039,087
Total other comprehensive income		<u>3,207,106</u>	<u>5,039,087</u>
Total Comprehensive Profit/(Loss) for the half-year, net of tax		<u>8,023,439</u>	<u>5,117,067</u>
Total Comprehensive Profit/(Loss) attributable to:			
Members of the Parent Entity		8,046,809	5,189,924
Non-Controlling Interest		(23,370)	(12,857)
		<u>8,023,439</u>	<u>5,117,067</u>
(Loss)/ Earnings per Share		Cents	Cents
- Basic (loss)/ earning per share		1.72	0.05
- Diluted (loss)/ earning per share		1.72	0.05

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

**Mercantile Investment Company Limited
and Controlled Entities
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**Consolidated Statement of Financial Position
For the half-year ended 31 December 2020**

		31 December 2020 \$	30 June 2020 \$	31 December 2019 (Restated)* \$
	Note			
Assets				
Current Assets				
Cash and cash equivalents		5,352,497	5,039,484	5,949,862
Trade and other receivables		678,573	460,841	3,527,747
Net loans and advances	8	3,146,000	3,146,000	10,541,500
Financial assets at fair value through profit or loss	6	32,277,260	25,462,498	38,389,799
Intercompany tax receivable from parent		143,009	1,320,314	-
Other current assets		61,514	74,362	131,563
Loan to parent entity		21,358,000	15,330,000	-
Current tax receivable		79,052	87,760	-
Total Current Assets		63,095,905	50,921,259	58,540,471
Non-Current Assets				
Financial assets at fair value through other comprehensive income	6	21,788,101	22,747,083	30,019,081
Property, plant & equipment		118,262	145,659	70,176
Right-of-use-assets		469,044	590,993	-
Deferred tax assets		164,265	939,823	1,442,681
Total Non-Current Assets		22,539,672	24,423,558	31,531,938
Total Assets		85,635,577	75,344,817	90,072,409
Liabilities				
Current Liabilities				
Trade and other payables	9	3,620,698	2,421,418	4,757,238
Current lease liability	10	181,329	196,961	-
Intercompany with Parent Entity		-	-	1,195,680
Unsecured notes	7	22,227,197	-	-
Current tax liability		-	-	491,543
Total Current Liabilities		26,029,244	2,618,379	6,444,461
Non-Current Liabilities				
Unsecured notes	7	-	22,055,932	22,008,214
Lease liability		287,715	394,387	-
Deferred tax liability		1,043,730	12,234	-
Total Non-Current Liabilities		1,331,445	22,462,553	22,008,214
Total Liabilities		27,360,669	25,080,932	28,452,675
Net Assets		58,274,908	50,263,885	61,619,734
Equity				
Issued Capital	5	28,834,628	28,834,628	28,834,628
Accumulated losses		(14,301,740)	(19,097,154)	(11,160,940)
Reserves		42,858,809	39,619,831	43,003,945
Members' interests		57,391,697	49,357,305	60,677,633
Non-controlling interest		883,211	906,580	942,101
Total Equity		58,274,908	50,263,885	61,619,734

*See Note1 for details regarding the restatement as a result of error.

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

**Mercantile Investment Company Limited
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**Restated Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2020**

	Issued Share Capital - Ordinary \$	Accumulated Losses \$	Reserve \$	Non- Controlling Interests \$	Total Equity \$
Balance at 1 June 2019	28,834,628	(12,664,345)	38,510,888	954,957	55,636,128
Correction of error (net of tax)		249,068	270,606	-	519,674
Restated balance as at 1 July 2019	28,834,624	(12,415,277)	38,781,494	954,957	56,155,802
Profit for the Year	-	150,837	-	(12,856)	137,981
Other comprehensive income for the year	-	-	5,039,087	-	5,039,087
	28,834,628	(12,264,440)	43,820,581	942,101	61,332,870
Total comprehensive income for the year	-				
<u>Transactions with Owners:</u>					
Foreign Currency Translation Reserve	-	-	289,864	-	289,864
Share options issued / exercised	-	1,103,500	(1,103,500)	-	-
Balance at 31 December 2019	28,834,628	(11,160,940)	43,006,945	942,101	61,622,734
Balance at 1 July 2020	28,834,628	(19,097,154)	39,619,831	906,580	50,263,885
(Loss) for the Year	-	4,839,703	-	(23,369)	4,816,334
Other comprehensive income for the year	-	-	3,207,106	-	3,207,106
Total comprehensive income for the year		(14,257,451)	42,826,937	883,211	58,287,325
<u>Transactions with Owners:</u>					
Foreign Currency Translation Reserve	-	-	31,872	-	31,872
Change in proportion of NCI	-	(44,289)	-	-	(44,289)
Balance at 31 December 2020	28,834,628	(14,301,740)	42,858,809	883,211	58,274,908

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

**Mercantile Investment Company Limited
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**Consolidated Statement of Cash Flows
For the half-year ended 31 December 2020**

	31 December 2020 \$	31 December 2019 \$
Cash Flows from Operating Activities		
Dividends, distributions and other investment income received	1,295,570	3,195,276
Other payments in the course of ordinary operations	(1,559,294)	(1,995,565)
Proceeds from sale of trading securities	1,138,760	1,253,673
Payments for trading securities	(374,737)	(3,529,837)
Interest received	632	11,919
Loan repayments received	-	388,416
Income tax paid	-	(1,868,767)
Net Cash provided by/(used in) Operating Activities	500,931	(2,544,885)
Cash Flows from Investing Activities		
Proceeds from disposal of financial assets	383,131	18,664,599
Payments for financial assets	189,147	-
Net cash acquired on acquisition of a controlled entity	-	(1,978,721)
Funding to Parent Entity	(6,028,000)	-
Payment for IPE Limited investments	-	(7,350,000)
Proceeds from return of capital	5,304,100	207,096
Net Cash (used in)/provided by Investing Activities	(151,622)	9,542,974
Cash Flows from Financing Activities		
Borrowing costs	-	-
Loan proceeds received	76,718	-
Loan repayment	-	(6,000,000)
Interest paid	-	(206,466)
Interest Payments on MVT Notes	(898,724)	(899,682)
Share buy-back	-	-
Net Cash used in Financing Activities	(822,006)	(14,456,148)
Net Decrease in Cash and Cash Equivalents held	(472,697)	(108,059)
Effects of exchange rate changes on cash and cash equivalents	785,710	(431,690)
Cash and Cash Equivalents at the beginning of Financial Year	5,039,484	6,489,611
Cash and Cash Equivalents at end of the half-year	5,352,497	5,949,862

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

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Basis of preparation of the half-year Financial Report

This consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Mercantile Investment Company Limited (the Company) during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

This half-year financial report covers the Company and its controlled entities as a consolidated entity. Mercantile Investment Company Limited is a company limited by shares, incorporated and domiciled in Australia.

The address of the Company's registered office and principal place of business is Level 5, 139 Macquarie Street, Sydney, NSW, 2000.

The Company is a for-profit entity for the purpose of preparing the financial statements. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting *Standard IAS 34 Interim Financial Reporting*.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2020.

Parent Entity

Sandon Capital Investment Limited is the parent entity of the Company and its subsidiaries.

Tax Consolidation

The Company is part of the Sandon Capital Investments Limited (SNC) tax consolidated group under the tax consolidated regime.

The half-year financial report was authorised for issue by the directors on 24 February 2021.

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 1: Restatement of prior period errors

(a) correction of error in accounting for deferred tax

During the financial year ended 30 June 2020, the directors undertook a review of tax bases of assets and liabilities of the consolidated group. In particular, the deferred tax assets and deferred tax liabilities relating to acquired controlled entities being IPE Limited, Wellington Merchants Limited and Richfield International Ltd.

It was found due to errors arising from the staggered approach in the acquisition of all three entities and becoming part of the Mercantile Investment Company Limited consolidated tax group, the deferred tax asset recorded in prior period was incorrect.

(b) correction of error in measurement of the unrealised gain and deferred tax liabilities

In conjunction with the error correction process followed as per Note 1(a), the directors re-evaluated the cost base of a financial asset at fair value through other comprehensive income for 2019. It was identified that the cost base of these assets was understated as a result of error arising from various corporate actions and sell-down of the assets.

The unrealised gain of the financial asset has impacted the groups deferred tax liability balance for the same year and therefore needed to be restated.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	Note	31 December 2019	Adjustments	31 December 2019 Restated
Statement of Financial Position		\$	\$	\$
Deferred tax asset	a,b	1,513,634	(70,953)	1,442,681
Total Non-Current Assets		31,602,891	(70,953)	31,531,938
Reserves		42,736,339	267,606	43,003,945
Accumulated losses		(10,821,072)	(339,868)	(11,160,940)
Total equity		61,691,996	(72,262)	61,619,734

	Note	30 June 2019	Adjustments	30 June 2019 Restated
Statement of Financial Position		\$	\$	\$
Deferred tax asset	a,b	441,925	1,066,753	1,508,678
Total Non-Current Assets		39,730,403	1,066,753	40,797,156
Deferred tax liabilities	a,b	-	1,655,692	1,655,692
Total Non-Current Liabilities		21,929,608	1,655,692	23,585,294
Accumulated losses		(12,075,406)	(588,939)	(12,664,345)
Total equity		56,225,067	(588,939)	55,636,128

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 2: Segment Information

Consolidated - 31 December 2020	Securities \$	Consumer Finance \$	Shipping Services \$	Total \$
Revenue	8,404,243	756,504	751,021	9,911,768
Expenses	(1,292,530)	(839,200)	(1,055,498)	(3,187,228)
Profit/(Loss) before tax	7,111,713	(82,696)	(304,477)	6,724,540
Profit/(Loss) after tax	4,892,700	(82,696)	6,329	4,816,333
<i>Material items include:</i>				
Impairment of loans	-	(679,657)	-	(679,657)
Assets				
Segment assets	75,469,048	3,146,000	5,997,916	84,612,964
Trade and other receivables				678,572
Other current assets				61,514
Property, plant & equipment				118,262
Deferred tax asset				164,265
				<u>85,635,577</u>
Liabilities				
Segment liabilities	(22,227,197)		(2,709,203)	(24,936,400)
Trade and other payables				(1,380,540)
Current tax liability				-
Deferred tax liability				(1,043,730)
				<u>(27,360,670)</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.

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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 2: Segment Information (continued)

Consolidated - 31 December 2019	Securities \$	Consumer Finance \$	Shipping Services \$	Total \$
Revenue	985,159	1,237,526	1,188,622	3,411,307
Expenses	(2,024,818)	(1,283,021)	(1,054,858)	(4,362,697)
(Loss)/Profit before tax	(1,039,659)	(45,495)	133,764	(951,390)
(Loss)/Profit after tax	115,834	(45,495)	67,641	137,980
<i>Material items include:</i>				
Impairment of loans	-	(1,104,030)	-	(1,104,030)
Assets				
Segment assets	82,274,244	3,191,500	2,222,033	87,687,777
Trade and other receivables	-	-	-	740,211
Other current assets	-	-	-	131,563
Property, plant & equipment	-	-	-	70,176
Deferred tax asset	-	-	-	1,442,681
				<u>90,072,408</u>
Liabilities				
Segment liabilities	(22,008,214)	-	(3,259,514)	(25,267,727)
Trade and other payables	-	-	-	(1,497,725)
Intercompany with Parent Entity	-	-	-	(1,195,680)
Current tax liability	-	-	-	(491,543)
Deferred tax liability	-	-	-	-
				<u>(28,452,675)</u>

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 2: Segment Information (continued)

Consolidated – 31 December 2020	Australia \$	Singapore \$	Total \$
Revenue	9,160,747	751,021	9,911,768
Non-current assets	22,421,410	118,262	22,539,672
Consolidated – 31 December 2019			
Revenue	2,222,684	1,188,623	3,411,307
Non-current assets	31,461,762	70,176	31,531,938

Note 3 (a): Revenue from continuing operations

	31 December 2020 \$	31 December 2019 \$
Revenue		
Dividends received	489,227	1,216,683
Trust Distributions Received	24,006	1,143,726
Interest income	752,443	1,599,968
Return of Capital	22,164	-
Revenue from contracts with shipping services income customers*	604,118	1,067,292
	1,891,958	5,027,669

The revenue from the shipping services commission is recognised based on point in time. The customers (principals) are shipping lines and ship owners. All the contracts are less than 12 months.

Note 3 (b): Other income

Realised (loss)/gain on trading equities fair valued through profit and loss	(198,749)	119,393
Unrealised gain/ (loss) on trading equities fair valued through profit and loss	8,369,237	(1,962,553)
Foreign (loss)/gain exchange movement	(303,655)	97,673
Sundry income	152,978	129,125
	8,019,811	(1,616,362)

Note 4: Payment of dividends to shareholders

The group has not declared a dividend for the period (2019: nil).

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 5: Issued Capital

	31 December 2020 \$	30 June 2020 \$
280,700,000 (June 2020: 280,700,000) fully paid ordinary shares	28,834,628	28,834,628

	31 December 2020 No.	30 June 2020 No.	31 December 2020 \$	30 June 2020 \$
Ordinary Shares				
At the beginning of reporting period	280,700,000	280,700,000	28,834,628	28,834,628
<u>Movement in Shares on Issue:</u>				
Share options exercised	-	-	-	-
Capital raising costs, net of tax	-	-	-	-
Closing Balance at Reporting Date	280,700,000	280,700,000	28,834,628	28,834,628

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 \$
As at 31 December 2020				
Financial assets at fair value through other comprehensive income				
- Listed domestic and international investments	16,014,084	430,550	-	16,444,634
- Unlisted domestic investments	-	-	4,800	4,800
- Unlisted international investments	-	-	5,338,667	5,338,667
	16,014,084	430,550	5,343,467	21,788,101
Financial assets at fair value through profit and loss				
- Listed domestic and international investments	28,355,516	-	-	28,355,516
- Unlisted domestic and international investments	-	-	3,921,744	3,921,744
	28,355,516	-	3,921,744	32,277,260
Total financial assets	44,369,600	430,550	9,265,211	54,065,361

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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 6: Fair value estimation (continued)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2020				
Financial assets at fair value through other comprehensive income:				
- Listed domestic and international investments	17,061,739	334,892	-	17,396,631
- Unlisted domestic investments	-	-	4,800	4,800
- Unlisted international investments	-	-	5,345,652	5,345,652
	<u>17,061,739</u>	<u>334,892</u>	<u>5,350,452</u>	<u>22,747,083</u>
Financial assets at fair value through profit and loss				
- Listed domestic and international investments	21,025,998	-	-	21,025,998
- Unlisted domestic and international investments	-	-	4,436,500	4,436,500
	<u>21,025,998</u>	<u>-</u>	<u>4,436,500</u>	<u>25,462,498</u>
Total financial assets	<u>38,087,737</u>	<u>334,892</u>	<u>9,786,952</u>	<u>48,209,581</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.

Included in level 2 of the hierarchy are unlisted investment companies. The fair value of the investment has been based on their net asset backing, being the underlying value of their cash, cash equivalents and investment portfolio values at the end of the reporting period.

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.

Valuation techniques and inputs used in level 2 and 3 fair value measurements

Level 3 Financial assets at fair value through other comprehensive income includes an investment in Foundation Life valued at \$5,338,664 (June 2020: \$5,608,915), 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.

Within level 3 Financial assets at fair value through profit and loss consists of IPE Limited's unlisted portfolio valued at \$3,841,410 (June 2020: \$4,952,141). The value of 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.

Transfer between level 1 and 2

There has been no investment transferred from level 1 to level 2 in the fair value hierarchy between levels during the period.

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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 6: Fair value estimation (continued)

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

Financial assets at fair value through other comprehensive income

	Unlisted domestic investments \$	Unlisted international investments \$	Total \$
Consolidation			
Balance at 1 July 2019	4,800	6,630,077	6,634,877
Sale of investments	-	-	-
Return of Capital	-	-	-
Loss recognised in other comprehensive income	-	(1,284,425)	(1,284,425)
Balance at 30 June 2020	4,800	5,345,652	5,350,452
			-
Sale of investments	-		
Distribution	-		
Unrealised Loss recognised in other comprehensive income	-	(6,985)	(6,985)
Balance at 31 December 2020	4,800	5,338,667	5,343,467

Financial assets at fair value through profit and loss

	Unlisted domestic investments \$	Unlisted international investments \$	Total \$
Consolidation			
Balance at 1 July 2019	7,330,055	280,634	7,610,689
Return of Capital	1,043,340		1,043,340
Loss recognised in profit and loss	(4,056,521)	(161,008)	(4,217,529)
Balance at 30 June 2020	4,316,874	119,626	4,436,500
Return of Capital	(98,600)	(18,336)	(116,936)
Unrealised Loss recognised in profit and loss	(405,130)	7,310	(397,820)
Balance at 31 December 2020	3,813,144	108,600	3,921,744

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

	Impact on reserves December 2020	June 2020	Impact to post-tax profit December 2020	June 2020
Long term equity investments				
Increase in fair value in long term equities by 5%	145,105	240,514		
Decrease in fair value in long term, equities by 5%	(145,105)	(240,514)		
Trading equities				
Increase in fair value in trading equities by 5%			193,954	160,823
Decrease in fair value in trading equities by 5%			(193,954)	(160,823)

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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 7: Interest bearing liabilities

The unsecured notes carry an interest entitlement of 8% per annum with the maturity date of 10 July 2021. As at 31 December 2020, the classification of this interest-bearing liability transferred from non-current in June 2020 to current in December 2020.

	31 December 2020 \$	30 June 2020 \$
Unsecured notes	22,308,700	-
Less: capitalised costs	(81,503)	-
Current unsecured – notes at amortised cost	22,227,197	-
	31 December 2020 \$	30 June 2020 \$
Unsecured notes	-	22,308,700
Less: capitalised costs	-	(252,768)
Non-current unsecured – notes at amortised cost	-	22,055,932

Note 8: Net loan and advances

	31 December 2020 \$	30 June 2020 \$
Family law	8,946,442	8,133,092
Allowance of expected losses/ impairment	(5,800,442)	(4,967,092)
Total	3,146,000	3,146,000

Since the completion of the compulsory acquisition of the Company, funding of \$21,358,000 (June 20: \$15,330,000) has been provided to the parent entity.

The movement in the allowance of expected losses/ impairment in respect of loans and advances for the periods is as follows:

	31 December 2020 \$	30 June 2020 \$
Opening balance	3,146,000	3,455,099
Additions	756,504	1,975,751
Recoveries	(79,847)	(477,095)
Write offs	-	60,812
Allowance of expected losses/impairment	(679,657)	(1,868,567)
	3,146,000	3,146,000

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2020**

Note 9: Trade and other payables

	31 December 2020	30 June 2020
	\$	\$
Unclaimed shareholders – secured*	1,137,882	1,137,882
Trade payables	855,832	488,837
Escrowed Port of Singapore	1,626,984	787,238
Sundry payables	-	7,461
	3,620,698	2,421,418

* 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 Government of Western Australia, Department of Finance - Office of State Revenue. The balance is secured against the cash and cash equivalents of the Company.

Note 10: Lease liability

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

RMA commenced a lease of an office premises and office equipment from a non-related parties under non-cancellable operating lease agreements. The lease has varying terms escalation clauses and renewal rights.

	31 December 2020	30 June 2020
	\$	\$
Current	181,329	196,961
Non-current	287,715	394,387
Total lease liabilities	469,044	591,348

Note 11: Events subsequent to balance date

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

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

**Directors' Declaration
For the half-year ended 31 December 2020**

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) complying 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 2020 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 24 day of February 2021

Independent Auditor's Report

To the Members of Mercantile Investment Company Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Mercantile Investment Company Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Mercantile Investment Company Limited does not give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 in the same terms if given to the directors as at the time of this auditor's review report.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 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, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance

Sydney, 24 February 2021