MERCANTILE INVESTMENT COMPANY LIMITED

AND CONTROLLED ENTITIES

ABN 15 121 415 576

Annual Report
30 June 2021

Mercantile Investment Company Limited
And Controlled Entities
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Corporate Directory

Directors:	Mr Gabriel Radzyminski - Non-Executive Chairman Ms Melinda Snowden - Independent Non-Executive Director Mr Peter Velez - Independent Non-Executive Director
Company Secretary:	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@sandoncapital.com.au Website: www.sandoncapital.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 from official quotation 18 October 2019)** Fully paid ordinary shares. **MVTHA (Maturity date: 10 July 2026)** 4.8% p.a. Unsecured Notes.

On 27 May 2021, the Company announced a Restructure Proposal for the Unsecured Notes (MVTHA) paying interest of 8% per annum due to mature on 10 July 2021, and a conditional placement that would raise $15,000,000 from the issue of new MVT notes at a fixed price of $100 per note wholesale investors. The placement was conditional on Noteholders approving the Restructure Proposal.

The Restructure Proposal allowed existing Noteholders to choose whether to redeem some or all of their Notes or continue under the revised terms.

On 28 May 2021, the Company released the Notice of Meeting for an Extraordinary General Meeting of Noteholders on 23 June 2021 to consider the Restructure Proposal.

Noteholders were asked to consider the following changes to the terms:

- Extending the Maturity Date of the Notes from 10 July 2021 to 10 July 2026;
- A reduction in the interest rate from 8% per annum to 4.8% per annum;
- The introduction of a new investor protection that will see an increase in the interest rate payable by 2% per annum for periods during which the loan to asset ratio has exceeded 33.3% for the previous six months.
- Allowing the Company to redeem some or all of the outstanding Notes during the six month period immediately prior to the New Maturity date, at its sole discretion.

Corporate Directory (continued)

ASX Code (continued):

In addition, MVT's listed parent company, Sandon Capital Investments Limited, would provide a financial guarantee for MVT's payment obligation under the Note Terms if the Restructure Proposal was passed.

On 23 June 2021, Noteholders approved the Restructure Proposal at the Extraordinary General Meeting of Noteholders. This approval satisfied the sole condition of the Conditional Placement. As a consequence, the $15,000,000 placement subscription was classified as Unissued unsecured notes, pending the issue of the Notes on 1 July 2021.

As at 30 June 2021, Noteholders representing 82,250 notes totalling $8,250,900 had submitted redemption requests. These Notes were redeemed on 10 July 2021 and an amount relating to the redemption was classified as a current liability as at 30 June 2021.

On 1 July 2021 150,000 new Notes were issued pursuant to the Placement. There are now 290,578 unsecured Note on issue.

Mercantile Investment Company Limited
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Portfolio Composition
As at 30 June 2021

Listed Domestic Investments	Total Value $
Fleetwood Corporation Ltd	6,022,538
Yellow Brick Road Ltd	5,810,599
Australian Silica Quartz Group Ltd	4,658,642
BCI Minerals Ltd	3,270,000
Joyce Corporation Ltd	2,650,000
Coventry Group Ltd	2,112,221
Fitzroy River Corporation Ltd	1,638,929
Dawney & Co Ltd	1,395,204
Consolidated Operations Group Ltd	1,259,021
Cashwerkz Ltd	988,456
Kingsgate Consolidated Ltd	840,000
Sietel Ltd	517,541
MG Unit Trust	312,000
Iluka Resources Ltd	293,898
Clearview Wealth Ltd	219,436
Desane Group Holdings Ltd	201,306
MMA Offshore Ltd	176,711
Earlypay Ltd	148,705
Deterra Royalties Limited	144,540
Smart Parking Ltd	95,000
American Patriot Oil & Gas Ltd	63,000
Reverse Corporation Ltd	48,136
Quattro Plus Real Estate Ltd	29,239
Sub-total	**32,895,122**

Listed International Investments	Total Value $
Spectra Systems Corp PLC (UK)	12,077,476
Worsley Investors Limited (UK)	1,704,231
Hydro Hotel Eastbourne PLC (UK)	989,063
Enteq Upstream PLC (UK)	451,372
Smart (J.) & Co. (Contractors) PLC (UK)	306,632
Northamber PLC (UK)	273,734
Sub-total	**15,802,508**

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Portfolio Composition (continued)
As at 30 June 2021

Unlisted Domestic Investments	
CM Capital Venture Trust No 4	3,356,206
Archer Capital Fund 4	229,817
Scantech Ltd	108,602
DMX Corporation Ltd	4,800
Sub-total	**3,699,425**
Unlisted International Investments	
Foundation Life (NZ) Investment (NZ)	5,333,667
Sub-total	**5,333,667**
Total Portfolio Position at 30 June 2021	**57,730,722**

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 2021.

Directors

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

- Mr Gabriel Radzyminski
- Ms Melinda Snowden
- Mr Peter Velez

Principal Activities

MVT is an unlisted investment company whose assets are managed by an external investment manager, Sandon Capital Pty Ltd (the Manager). The Company is a wholly owned subsidiary of Sandon Capital Investments Limited (ASX: SNC). The principal activities of the Group during the financial year were investments in cash and securities, consumer finance and shipping services.

Dividends Paid or Recommended

No dividends were paid or are payable for the year ended 30 June 2021 (2020: nil).

Review of operations

The year to 30 June 2021 was one of exceptional returns, with gross portfolio returns of 42.8%. The Portfolio's nadir was in March 2020 as the COVID-19 pandemic took hold around the world so, one could be forgiven for thinking that 2021 fiscal year return simply reflects the rebound in equity markets. In fact, it is a result borne of the last three to four years of work on key investments. What we see in these portfolio positions are the fruits of several years' worth of effort by us (and in turn the companies themselves) to foster changes we believed would benefit the companies and their shareholders.

Richfield Maritime Agency (S) Pte Ltd

Richfield Maritime Agency (S) Pte Ltd (RMA), the Company's wholly owned Singapore based shipping agency, generated total revenue for the year ended 30 June 2021 of $0.02m (2020: $2.3m) and a net loss after tax of $0.01m (2020: profit of $0.4m).

RMA's operations were impacted by the effects of the COVID-19 pandemic on global trade and supply chains.

Ask Funding Limited

Ask Funding Limited (AKF) generated total revenue of $1.6m (2020: $2.1m) and a net loss after tax of $0.3m (2020: loss of $0.2m). This net loss includes an impairment of $1.5m (2020: $2.0m) relating to the write down of the loan book value. AKF'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.

AKF has progressively reduced its cost base in line with the run-off of receivables. AKF continues to closely monitor its revenue, cost base and cash flow to ensure operational viability. It will continue 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.

MVT, being the parent company of AKF, has undertaken to provide financial support to AKF to support the run-off strategy.

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

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 2021 (2020: nil)

Events Subsequent to the Reporting Date

On 27 May 2021, the Company announced a Restructure Proposal for the Unsecured Notes (MVTHA) paying interest of 8% per annum due to mature on 10 July 2021, and a conditional placement that would raise $15,000,000 from the issue of new MVT notes to at fixed price of $100 per note wholesale investors. The placement was conditional on Noteholders approving the Restructure Proposal.

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In addition, MVT's listed parent company, Sandon Capital Investments Limited, would provide a financial guarantee for MVT's payment obligation under the Note Terms if the Restructure Proposal was passed. On 23 June 2021, Noteholders approved the Restructure Proposal at the Extraordinary General Meeting of Noteholders. This approval satisfied the sole condition of the Conditional Placement. As a consequence, the $15,000,000 placement subscription was classified as Unissued unsecured notes, pending the issue of the Notes on 1 July 2021.

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Directors' Report (continued)

Review of operations (continued)

Events Subsequent to the Reporting Date (continued)

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Future Developments, Prospects and Business Strategies

The Company will continue to selectively invest in cash, term deposits, unlisted and listed securities and debt instruments that the Manager considers offer the prospect for attractive risk-adjusted returns.

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

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

Directors
Information regarding the Directors of the Company:

Mr Gabriel Radzyminski - *BA (Hons), MCom*
Non-Executive Chairman
Gabriel is the founder and Managing Director of Sandon Capital Pty Limited, a boutique investment management and advisory firm. He is the portfolio manager of funds managed by Sandon Capital Pty Limited. Gabriel is Chairman of Sandon Capital Investments Limited and is a non-executive director of Future Generation Investment Company Limited. Gabriel has been recently appointed the Chairman of Reverse Corp Limited.

Ms Melinda Snowden- *BEc, LLB, GAICD, FFin*
Independent Non-Executive Director
Melinda Snowden is a professional company director and experienced audit and risk committee member across a range of sectors. Melinda brings to the board a deep understanding of investment markets, governance disciplines and strategic insight.

Melinda's other current directorships include WAM Leaders Limited, Megaport Limited and Best and Less Group Holdings Limited. She is a former director of Mercer Investments (Australia) Limited, Kennards Self Storage Pty Ltd, MLC Limited, Vita Group Limited and SANE Australia.

Prior to leaving her executive career in 2010, Melinda was a corporate advisor for over 15 years with firms Grant Samuel, Merrill Lynch and Goldman Sachs in Australia and New York.

Mr Peter Velez - *LLB MA MSc*
Independent Non-Executive Director
Peter is a corporate lawyer specialising in equity capital markets, mergers and acquisitions and funds management. Peter has also advised extensively on activist corporate activity, ASX compliance and corporate governance. Peter has been a practising lawyer since 1989 having worked at then national firm Freehill Hollingdale and Page, Sydney boutique corporate firm Watson Mangioni from 1995 to 2016 and since 2016 with OB Law. He played a key role in the development of externally-managed listed investment companies (LIC) having been involved in the IPO of over 25 LICs.

Directors' Report (continued)

Directors (continued)

Company Secretary

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 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 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.

Directors' Meetings

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

	Directors' Meetings	
	Number of Eligible Meetings to Attend	Number Attended
Mr Gabriel Radzyminski	2	2
Ms Melinda Snowden	2	2
Mr Peter Velez	2	2

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:

	No. of Ordinary Shares Held at 30 June 2021
Mr Gabriel Radzyminski	-
Ms Melinda Snowden	-
Mr Peter Velez	-

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 two Non-Executive Directors and Non-executive Chairman. The Company Secretary 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
Peter Velez
Melinda Snowden

Non-executive Chairman
Gabriel Radzyminski

Remuneration Governance

There have been no fees payable to Directors.

Elements of Remuneration

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

There have been no fees paid or payable to Directors for the financial year ending 30 June 2021.

The Board has not issued any shares or options to Directors for the financial year ending 30 June 2021.

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

Directors' Report (continued)

Remuneration Report (continued)

Remuneration expenses for KMP

There have been no fees paid or payable to Directors for the financial year ending 30 June 2021.

	Cash & Salary	Short Term Bonus	Post Employment Benefits	Share based payments	Total
30 June 2021	**$**	**$**	**$**	**$**	**$**
Directors					
Mr Gabriel Radzyminski	-	-	-	-	-
Ms Melinda Snowden	-	-	-	-	-
Mr Peter Velez	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
30 June 2020*	**$**	**$**	**$**	**$**	**$**
Directors					
Mr Gabriel Radzyminski	3,750	125,000	356	-	129,106
Mr James Chirnside	8,216	-	781	-	8,997
Mr Daniel Weiss	9,164	-	-	-	9.164
Ms Katrina Langley	7,608	-	723	-	8.331
	28,738	**125,000**	**1,860**	**-**	**155,598**

**During the 30 June 2020 financial year, $15,000 was paid to the independent non-executive directors for services beyond the normal expectations of a non-executive director arising from the takeover of MVT.*

Mr Gabriel Radzyminski, Mr James Chirnside and Ms Katrina Langley were directly remunerated by the Company.

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

Mr James Chirnside, Mr Daniel Weiss and Ms Katrina Langley resigned as Non-Executive Directors of MVT on 13 September 2019. Mr Ron Brierley resigned on 19 December 2019.

Prior year 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.

Other Statutory Information

There have been no shares or options held by Directors of the Company, including their personally related parties for the financial years ending 30 June 2021 and 30 June 2020.

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

Directors' Report (continued)

Remuneration Report (continued)

Other transactions with KMP:	2021 $	2020 $
Sandon Capital Pty Ltd is an entity associated with Mr Gabriel Radzyminski. Sandon Capital Pty Ltd provided investment management and accounting services to the Company. All dealings are conducted at arm's length on normal commercial terms. The following amount was paid to Sandon Capital Pty Ltd.	188,175	187,054
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.	-	9,164
The Board awarded a discretionary cash bonus to Mr Radzyminski of $125,000 (inclusive of super) in November 2019. The bonus was paid in two equal instalments within the 2021 financial year.	-	125,000
In prior financial years, Mr Ron Brierley, a former Director, provided short-term, unsecured loans the Company to fund purchases of investments. The Company repaid the amount $nil (2020: $6.0m) in the 2020 financial year. Interest was paid at the RBA cash rate per annum. The balance represents the interest paid to Mr Brierley. There are no further loans or interest owing to Mr Brierley.	-	206,466
An entity associated with Mr Gabriel Radzyminski subscribed for 250 MVTHA notes ($25,000) during the 2017 financial year. Interest paid on these notes at 30 June 2021 was $2,000 (2020: $2,000)	2,000	2,000

This is the end of the Remuneration Report

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 25 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 25 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 2021 is set out on page 14.

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
Non-Executive Chairman

26 August 2021

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 audit of Mercantile Investment Company Limited for the year ended 30 June 2021, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 26 August 2021

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	2021	2020
Income		$	$
Revenue from continuing operations	8	3,392,964	7,447,637
Other income/(loss)	9	12,779,326	(10,229,096)
		16,172,290	(2,781,459)
Expenses			
Accounting fees		188,175	188,727
Audit fees	25	160,652	169,946
Taxation service fees		444,189	381,193
Finance costs	10	2,072,097	1,973,404
Service agreement fees		-	96,304
Company secretary fees		32,533	51,765
Share registry fees		32,886	152,402
Brokerage		10,999	33,101
Impairment charges	10	1,507,709	1,950,535
Legal and professional fees		157,860	289,020
ASIC and ASX charges		51,586	111,084
Employee benefit expenses	10	489,843	1,721,127
Insurance		35,120	47,578
Other operating costs	27	215,039	535,838
		5,398,688	7,702,024
Profit/ (Loss) Before Income Tax		10,773,602	(10,483,483)
Income tax (expense)/ benefit	11	(1,905,994)	2,982,825
Profit/ (Loss) for the period		8,867,608	(7,500,658)
Profit/ (Loss) Attributable to:			
Members of the parent entity		8,938,632	(7,452,281)
Non-controlling interest		(71,024)	(48,377)
		8,867,608	(7,500,658)
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		5,348,547	1,887,028
Total other comprehensive income		5,348,547	1,887,028
Total Comprehensive Income/ (loss) for the year		14,216,155	(5,613,630)
Total Comprehensive Income/ (loss) attributable to:			
Members of the Parent Entity		14,287,179	(5,565,253)
Non-Controlling Interest		(71,024)	(48,377)
		14,216,155	(5,613,630)
Earnings/ (Loss) per Share		**Cents**	**Cents**
- Basic Earnings/ (loss) per share	26	3.18	(2.65)
- Diluted Earnings/ (loss) per share	26	3.18	(2.65)

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

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Consolidated Statement of Financial Position
As at 30 June 2021

	Note	2021	2020
Assets		**$**	**$**
Current Assets			
Cash and cash equivalents	7	20,883,256	5,039,484
Trade and other receivables	18	105,386	460,841
Net loans and advances	15	3,146,000	3,146,000
Financial assets at fair value through profit or loss	14	35,353,538	25,462,498
Intercompany tax receivable from parent		181,464	1,320,314
Other current assets	18	88,495	74,362
Loan to parent entity	22	24,767,467	15,330,000
Current tax receivable		2,894	87,760
Total Current Assets		84,528,500	50,921,259
Non-Current Assets			
Financial assets at fair value through other comprehensive income	14	22,377,184	22,747,083
Property, plant & equipment		102,934	145,659
Right-of-use assets	24	379,283	590,993
Deferred tax assets	12	127,771	939,823
Total Non-Current Assets		22,987,172	24,423,558
Total Assets		**107,515,672**	**75,344,817**
Liabilities			
Current Liabilities			
Trade and other payables	19	4,066,833	2,421,418
Unsecured notes	16	8,250,900	-
Lease liability	20	181,051	196,961
Total Current Liabilities		12,498,784	2,618,379
Non-Current Liabilities			
Unsecured notes	16	14,057,800	22,055,932
Unissued unsecured notes	16	14,440,921	-
Lease liability	20	200,329	394,387
Deferred tax liabilities	12	1,932,628	12,234
Total Non-Current Liabilities		30,631,678	22,462,553
Total Liabilities		**43,130,462**	**25,080,932**
Net Assets		**64,385,210**	**50,263,885**
Equity			
Issued capital	5	28,834,628	28,834,628
Accumulated losses		(10,248,729)	(19,097,154)
Reserves	4	44,963,754	39,619,831
Members' interests		63,549,653	49,357,305
Non-controlling interest		835,557	906,580
Total Equity		**64,385,210**	**50,263,885**

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

Mercantile Investment Company Limited
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Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Notes	Issued Share Capital - Ordinary $	Accumulated Losses $	Reserves $	Non-Controlling Interests $	Total Equity $
Balance at 1 July 2019		**28,834,628**	**(12,664,345)**	**38,510,888**	**954,958**	**55,636,129**
Loss for the year			(7,452,281)		(48,377)	(7,500,658)
Other comprehensive income for the year:		-	-	1,887,028	-	1,887,028
Total comprehensive income for the year	**4**	**-**	**(7,452,281)**	**1,887,028**	**(48,377)**	**(5,613,630)**
Transactions with Owners:						
Foreign Currency Translation Reserve		-	-	325,415	-	325,415
Change in proportion of NCI		-	(84,028)	-	-	(84,028)
Share options issued		-	1,103,500	(1,103,500)	-	-
Balance at 30 June 2020		**28,834,628**	**(19,097,154)**	**39,619,831**	**906,581**	**50,263,886**
Profit for the Year		-	8,938,632	-	(71,024)	8,867,608
Other comprehensive income for the year:			-	5,348,547	-	5,348,547
Total comprehensive income for the year	4	**-**	**(10,158,22)**	**44,968,378**	**835,557**	**64,480,041**
Transactions with Owners:						
Foreign Currency Translation Reserve	4	-	-	(4,624)	-	(4,624)
Change in proportion of NCI		-	(90,207)	-	-	(90,207)
Balance at 30 June 2021		**28,834,628**	**(10,248,729)**	**44,963,754**	**835,557**	**64,385,210**

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash Flows from Operating Activities			
Dividends, distributions and other investment income received		1,916,982	7,508,790
Other payments in the course of ordinary operations		(1,461,233)	(5,377,421)
Proceeds from sale of trading securities		1,521,890	6,421,218
Payments for trading securities		(280,000)	(4,370,386)
Interest received		77,415	34,023
Loan repayments received		-	452,112
Income tax paid		-	(1,173,495)
Net Cash provided by Operating Activities	7	1,775,054	3,494,841
Cash Flows from Investing Activities			
Proceeds from disposal of financial assets		3,083,900	21,108,460
Payments for financial assets		(466,463)	(1,257,330)
Proceeds from return of capital		6,837,178	302,459
Loan to parent entity		(9,437,467)	(15,370,000)
Net Cash provided by Investing Activities		17,148	4,783,589
Cash Flows from Financing Activities			
Interest payments on MVT Notes		(1,783,738)	(1,787,154)
Repayment of loan		-	(6,000,000)
Interest paid		-	(206,466)
Proceeds from unissued notes	16	15,000,000	-
Net Cash provided by/ (used in) Financing Activities		13,216,262	(7,993,620)
Net Increase in Cash and Cash Equivalents held		15,008,464	284,810
Effects of exchange rate changes on cash and cash equivalents		835,308	(1,751,024)
Cash and cash equivalents at the beginning of financial year		5,039,484	6,505,698
Cash and Cash Equivalents at End of Financial Year	7	**20,883,256**	**5,039,484**

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

Basis of preparation

This financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a for profit basis;
- is presented in Australian dollars with all values rounded to the nearest dollar, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- 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 Company's accounting policies and
- was authorised for issue with a resolution of the Board of Directors on 26 August 2021.

a) New, revised or amending Accounting Standards and Interpretations adopted

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the Company.

New accounting standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

b) New and amended standards not adopted:

There are no other new accounting standards and interpretations that are available for early adoption at 30 June 2021, which will result in any material change in relation to the financial statements of Mercantile Investment Company Limited.

c) Controlled Entities (Subsidiaries)

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

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

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

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 2020 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.

Basis of preparation (continued)
c) Controlled Entities (Subsidiaries) (continued)

RMA is a reporting entity that has a 12 month financial reporting period ending 31 December 2020. In order to align with the consolidated Group's reporting period, RMA financials for the 12 months ending 30 June 2021 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.

d) 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.

e) 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.

	Country of	Percentage	
Parent Company	**Incorporation**	**June 2021**	**June 2020**
Mercantile Investment Company Limited	Australia	100	100
Controlled Entities of Mercantile Investment Company Limited			
Ask Funding Limited	Australia	72	72
ATL Exploration Pty Ltd	Australia	100	100
IPE Limited	Australia	100	100
Jack Hills Holdings Pty Ltd	Australia	100	100
Mercantile ADF Pty Ltd	Australia	100	100
Mercantile IAH Pty Ltd	Australia	100	100
Mercantile IAM Pty Ltd	Australia	100	100
Mercantile NZ Limited	New Zealand	100	100
Mercantile OFM Pty Ltd	Australia	100	100
MMX Investments Pty Ltd	Australia	100	100
MMX Port Holdings Pty Ltd	Australia	100	100
MMX Rail Holdings Pty Ltd	Australia	100	100
Murchison Metals Ltd	Australia	100	100
Richfield International Ltd	Australia	100	100
Richfield Marine Agencies (S) Pte Ltd	Singapore	100	100
Weld Range Mining Pty Ltd	Australia	100	100
Wellington Merchants Ltd	New Zealand	100	100

Percentage of voting power is in proportion to ownership.

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

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

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

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

Note reference	Critical accounting estimates and judgements	Page
Note 12	Deferred Tax Assets and Deferred Tax Liabilities	37
Note 14	Fair Value Estimation	46
Note 15	Net Loans and Advances	49
Note 18	Trade and Other Receivables	52

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

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

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

Note 1: Parent Company Financial Information

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

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

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

a) Interest bearing liabilities
At year end, the Parent Company MVTHA 8% Unsecured Notes due and payable on 10 July 2021 had been restructured, including to reduce the interest rate, extend the maturity and allow the redemption on 10 July 2021 for those noteholders seeking to do so. Refer to Note 6, Events Subsequent to the Reporting Date, for further details on the Note Restructure Proposal.

b) Contingent liabilities
The Parent Company did not have any contingent liabilities as at 30 June 2021 (2020: Nil). Refer Note 17.

c) Contractual commitments
The Parent Company has entered into an investment management agreement with Sandon Capital Pty Ltd as at 30 June 2021. Refer to the Directors' Report for more detail.

	2021 $	2020 $
Profit/(Loss) of the parent company		
Profit/(Loss) for the year	10,038,185	(6,682,519)
Total comprehensive income/(loss) for the year	10,702,579	(10,531,860)
Financial position of the parent company as at 30 June		
Current assets	71,871,125	21,747,758
Non-current assets	66,047,026	84,875,333
Current liabilities	(34,652,571)	(26,421,970)
Non-current liabilities	(31,743,051)	(22,123,164)
Net assets	71,522,529	57,074,700
Total equity of the parent company comprising of		
Issued capital	28,834,389	28,834,389
Capital profits reserves	32,772,406	29,463,707
Asset revaluation reserve	4,192,169	2,152,321
Retained profits	5,723,565	(2,375,716)
Share based payment reserve	-	-
Total equity attributable to shareholders of the parent company	71,522,529	58,074,700

Note 2: Payment of Dividends to Shareholders

The Group has not declared a dividend for the 2021 financial year (2020: nil).

	2021	2020
	$	$
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 26.0% (2020: 27.5%).	296,285	13,612,299
Franking dividend transferred to ultimate parent company being Sandon Capital Investments Limited	(296,285)	(13,612,299)
Franking credits	**-**	**-**

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 subsidiary RMA, 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.

Note 3: Segment Information (continued)

Consolidated – 2021	Securities	Consumer Finance	Shipping Services	Total
	$	$	$	$
Income	13,973,610	1,581,453	617,227	16,172,290
Expenses	(2,964,123)	(1,832,775)	(601,789)	(5,398,687)
Income before tax	11,009,486	(251,322)	15,438	(10,773,602)
Profit after tax	9,108,922	(251,322)	10,007	8,867,607
Material items include:				
Impairment of loans	-	(1,507,709)	-	(1,507,709)
Assets				
Segment assets	97,714,715	3,146,240	5,666,490	106,527,445
Trade and other receivables	-	-	-	105,386
Other current assets	-	-	-	88,495
Right-of-use assets	-	-	-	379,283
Property, plant & equipment	-	-	-	102,934
Deferred tax assets	-	-	-	127,771
Current tax benefit	-	-	-	2,894
Intercompany tax asset with Parent Company	-	-	-	181,464
				107,515,672
Liabilities				
Segment liabilities	(36,749,621)	-	(2,041,910)	(38,791,531)
Trade and other payables	-	-	-	(2,024,924)
Lease liability		-	-	(381,380)
Deferred tax liabilities	-	-	-	(1,932,628)
				(43,130,463)

Note 3: Segment Information (continued)

Consolidated – 2020	**Securities**	**Consumer Finance**	**Shipping Services**	**Total**
	$	**$**	**$**	**$**
Income	(7,191,069)	2,122,530	2,287,080	(2,781,459)
Expenses	(3,454,076)	(2,293,715)	(1,954,233)	(7,702,024)
(Loss) before tax	(10,645,146)	(171,184)	332,847	(10,483,483)
(Loss)/ Profit after tax	(7,573,822)	(171,184)	(273,588)	(8,018,594)
Material items include:				
Impairment of loans	-	(1,950,535)	-	(1,950,535)
Assets				
Segment assets	68,316,167	3,146,000	262,904	71,725,071
Trade and other receivables	-	-	-	460,841
Other current assets	-	-	-	74,362
Right-of-use assets			590,987	590,987
Property, plant & equipment	-	-	-	145,659
Deferred tax assets	-	-	-	939,823
Current tax benefit	-	-	-	87,760
Intercompany tax asset with Parent Company	-	-	-	1,320,314
				75,344,817
Liabilities				
Segment liabilities	(20,994,770)	-	(1,061,173)	(22,055,943)
Trade and other payables	-	-	-	(2,421,418)
Lease liability			(591,339)	(591,339)
Deferred tax liabilities	-	-	-	(12,234)
				(25,080,932)

Note 3: Segment Information (continued)

Consolidated - 2021	Australia $	Singapore $	Total $
Income	15,555,063	617,227	16,172,290
Non-current assets	22,499,455	487,717	22,987,172
Consolidated - 2020			
Income	(5,068,539)	2,287,080	(2,781,459)
Non-current assets	24,277,899	145,659	24,423,558

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.

	Note	2021 $	2020 $
a) Reserves			
Profit Reserve		40,333,062	37,024,363
Asset revaluation reserve		3,860,661	1,820,813
Foreign currency translation reserve		770,031	774,655
Share based payment reserve	21	-	-
		44,963,754	39,619,831
b) Major movements in reserves consist of:			
Profit reserve			
Balance 1 July		37,024,363	32,744,489
Revaluation of pre-existing investment in controlled entity		-	-
Realised gains on sale of long-term equity investments		3,308,699	4,279,874
Transfer to profit reserve			-
Balance 30 June		40,333,062	37,024,363
Asset Revaluation Reserve			
Balance 1 July		1,820,813	4,213,659
Movement in fair value of long-term equity investments, net of tax		5,348,547	1,887,028
Realised gains on sale of long-term equity investments		(3,308,699)	(4,279,874)
Balance 30 June		3,860,661	1,820,813

Note 4: Reserves (continued)

	2021	2020
	$	$
Foreign currency translation reserve		
Balance 1 July	774,655	449,240
Foreign exchange movement	(4,624)	325,415
Balance 30 June	770,031	774,655
Share based payment reserve		
Balance 1 July	-	1,103,500
Issuance of share-based options	-	-
Share purchased by Parent entity	-	(1,103,500)
Balance 30 June	-	-

c) Nature and purpose of reserves

Profit reserve
This reserve represents amounts allocated from retained profits (accumulated losses) and capital profits and losses transferred from the asset revaluation reserve on disposal of long-term investments.

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

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

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

Note 5: Share Capital and Capital Management

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

	2021 $	2020 $
280,700,000 (2020: 280,700,000) fully paid ordinary shares	28,834,628	28,834,628

Ordinary Shares	**2021** **No.**	**2020** **No.**	**2021** **$**	**2020** **$**
At the beginning of reporting period	280,700,000	280,700,000	28,834,628	28,834,628
Movement in Shares on Issue:				
Shares issued on options exercised	-	-	-	-
Capital raising costs, net of tax	-	-	-	-
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
No options were issued to any Directors for this financial year ending 30 June 2021.

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.

Refer to Note 6: Events Subsequent to the Reporting Date for further details on the Notes Restructure Proposal.

Note 6: Events Subsequent to the Reporting Date

On 27 May 2021, the Company announced a Restructure Proposal for the Unsecured Notes (MVTHA) paying interest of 8% per annum due to mature on 10 July 2021 and a Conditional Placement that would raise $15,000,000 from the issue of new MVT notes at a fixed price of $100 per note to wholesale investors. The placement was conditional on Noteholders approving the Restructure Proposal.

The Restructure Proposal allowed existing Noteholders to choose whether to redeem some or all of their Notes or continue under the revised terms.

On the 28 May 2021, the Company released the Notice of Meeting for an Extraordinary General Meeting of Noteholders on 23 June 21 to consider the Restructure Proposal.

Noteholders were asked to consider the following changes to the terms:

- Extending the Maturity Date of the Notes from 10 July 2021 to 10 July 2026;
- A reduction in the interest rate from 8% per annum to 4.8% per annum;
- The introduction of a new investor protection that will see an increase in the interest rate payable by 2% per annum for periods during which the loan to asset ratio has exceeded 33.3% for the previous six months.
- Allowing the Company to redeem some or all of the outstanding Notes during the six month period immediately prior to the New Maturity date, at its sole discretion.

In addition, MVT's listed parent company Sandon Capital Investments Limited would provide a financial guarantee for MVT's payment obligation under the Note Terms if the Restructure Proposal was passed.

On 23 June 2021, Noteholders approved the Restructure Proposal at the Extraordinary General Meeting of Noteholders. This approval satisfied the sole condition of the Conditional Placement. As a consequence, the $15,000,000 placement subscription was classified as Unissued unsecured notes, pending the issue of the Notes on 1 July 2021.

As at 30 June 2021, Noteholders representing 82,250 notes totalling $8,250,900 had submitted redemption requests. These Notes were redeemed on 10 July 2021 and an amount relating to the redemption was classified as a current liability as at 30 June 2021.

On 1 July 2021 150,000 new Notes were issued pursuant to the Conditional Placement. There are now 290,578 Note on issue.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

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 $993,861 (2020: $524,870). These are advance monies for freight and surcharges collected on behalf of the various clients of RMA.

	2021	2020
	$	$
Cash at bank and in hand	20,883,256	5,039,484
	20,883,256	5,039,484

	2021	2020
		$
Profit/ (Loss) after income tax	8,867,608	(7,500,658)
Non-Cash Flows in Profit or Loss:		
- Fair value gain on revaluation of trading equities	(4,688,709)	12,435,019
- Loss on acquisition of a controlled entity	-	-
- Depreciation	40,542	251,079
- Impairment	1,507,709	1,950,535
- Amortisation of MVT notes	288,360	143,838
- Interest income	(1,562,346)	(2,092,220)
- Interest and fees received	(22,210)	(3,755)
- Interest expense on MVT notes	1,783,737	1,787,154
- Other Non-Cash Items	280,215	83,169
Changes in assets and liabilities:		
- Decrease in Trade and Other Receivables	355,455	1,669,146
- Decrease in Deferred Tax Assets	811,791	568,855
- (Increase)/ Decrease in Other Assets	(14,133)	5,546
- (Decrease)/ Increase in Trade Payables and Accruals	1,645,417	(3,144,805)
- Decrease in income tax liability	-	(1,014,604)
- Decrease/ (Increase) in Deferred Tax Liabilities	1,876,523	(1,643,458)
Net cash provided by/(used in) In Operating Activities	1,775,054	3,494,841

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.

	2021	2020
From Continuing Operating Activities	**$**	**$**
Dividends received	1,088,294	1,708,396
Trust Distributions Received	71,204	1,330,718
Interest income	1,563,529	2,471,355
Return of Capital	22,164	-
Total Revenue	2,745,191	5,510,469
Shipping Services income	647,773	1,937,168
	3,392,964	**7,447,637**

	2021	2020
Dividends Received	**$**	**$**
Financial assets through other comprehensive income:		
- Investments held in portfolio at 30 June	187,021	778,941
- Investments sold during the year	-	57,122
Financial assets through profit and loss	901,273	872,333
	1,088,294	**1,708,396**

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

	2021	2020
	$	**$**
Realised (losses)/ gains on trading equities fair valued through profit and loss	(173,650)	(9,184,763)
Unrealised losses on trading equities fair valued through profit and loss	12,941,427	(1,199,424)
Foreign exchange movement	(134,321)	(188,191)
Sundry income	145,870	343,282
Total other income	**12,779,326**	**(10,229,096)**

Note 10: Expenses

Accounting Policy:

Impairment of 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.

	2021	2020
	$	$
Profit before income tax expenses includes the following specific expenses:		
Impairment charges		
Loans and advances	1,507,709	1,950,535
	1,507,709	1,950,535
Parent Company employee benefits expenses		
Directors' fees	-	28,029
Bonus expense	-	233,699
Superannuation expenses	-	3,093
	-	264,821
Subsidiary employee benefits expenses		
Directors' fees	232,983	587,705
Superannuation expenses	153,081	259,165
Wages and salaries	103,779	609,436
	489,843	1,456,306
Total employee benefit expenses	489,843	1,721,127
Finance Costs		
Directors interest	-	42,412
MVT note interest	1,783,737	1,787,154
MVT note expense amortisation	288,360	143,838
	2,072,097	1,973,404

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 26% (2020: 27.5%) adjusted for 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 group 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.

On the 3rd of the December 2019, MVT and all its subsidiaries became part of the tax consolidated group of SNC under the tax consolidated regime. The tax agreement is effective from the 3rd of December 2019 for the income year ending 30 June 2020 and future years. The Australian Taxation Office has been notified of this decision. As a result of tax consolidation, adjustments were required for the reset of tax bases of assets of the subsidiaries.

Controlled entities within the relevant tax consolidated group continue to be responsible under the Company's tax funding agreement for funding their share of tax payments that are required to be made by the Company. 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.

	2021	2020
	$	$
(a) Income tax expense / (benefit) recognised in profit or loss		
- Current tax movement	614,450	(1,652,204)
- Deferred tax movement	1,291,544	(1,330,621)
	1,905,994	(2,982,825)

Note 11: Income Tax (continued)

	2021	2020
	$	$
(b) The prima facie tax on profit from ordinary activities before income tax is as follows:		
Profit / (Loss) before income tax	10,773,602	(10,483,483)
Prima facie tax payable on profit/ (loss) before income tax at 26% (2020: 27.5%)	2,801,137	(2,882,958)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
- Imputation credit gross up	77,100	107,633
- Franking credits received	(296,540)	(391,391)
- Non-deductible/ non-assessable items	(484,408)	717,034
- Gain on reset of tax cost on SNC acquisition of MVT	-	(352,139)
- Prior year losses utilised not previously recognised	(192,643)	(31,252)
- Other	1,348	(149,752)
	1,905,994	(2,982,825)

*The corporate tax rates are 26%, 28% and 17% for Australian, New Zealand and Singapore derived income, respectively (2020: 27.5%, 28% and 17%).

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 26% (2020: 27.5%).

Deferred tax assets 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.

2021		**(Charged)/credited**			
	Opening Balance	**- to profit or loss**	**- to other comprehensive income**	**- directly to equity**	**Closing Balance**
	$	**$**		**$**	**$**
Deferred Tax Assets					
Capitalised share issue costs	73,646	(32,438)	-	-	41,208
Expensed borrowing costs	920	(920)	-	-	-
Accrued expense movements	124,260	(37,697)	-	-	86,563
Balance as at 30 June 2021	198,826	(71,055)	-	-	127,771

		(Charged)/credited			
	Opening Balance	**- to profit or loss**	**- to other comprehensive income**	**- directly to equity**	**Closing Balance**
	$	**$**		**$**	**$**
Deferred Tax Liability					
Accrued income movements	1,331	(1,331)	-	-	-
Financial assts at fair value through profit or loss (trading assets)	(241,846)	1,264,314	-	-	1,022,468
Financial assts at fair value through other comprehensive income	(499,151)	(41,856)	1,440,899	-	899,892
Other	10,903	(635)	-	-	10,268
Balance as at 30 June 2021	(728,763)	1,220,492	1,440,899	-	1,932,628

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

2020		**(Charged)/credited**			
	Opening Balance	**- to profit or loss**	**- to other comprehensive income**	**- directly to equity**	**Closing Balance**
	$	**$**		**$**	**$**
Deferred Tax Assets					
Capitalised share issue costs	66,988	6,658	-	-	73,646
Expensed borrowing costs	1,840	(920)	-	-	920
Accrued expense movements	59,007	65,253	-	-	124,260
Financial assts at fair value through other comprehensive income	1,380,843	-	(881,692)	-	499151
Financial assts at fair value through profit or loss (trading assets)	-	241,846	-	-	241,846
Balance as at 30 June 2020	1,508,678	312,837	(881,692)	-	939,823

		(Charged)/credited			
	Opening Balance	**- to profit or loss**	**- to other comprehensive income**	**- directly to equity**	**Closing Balance**
	$	**$**		**$**	**$**
Deferred Tax Liability					
Accrued income movements	79,829	(78,498)	-	-	1,331
Financial assts at fair value through profit or loss (trading assets)	1,564,960	(1,564,960)	-	-	-
Other	10,903	-	-	-	10,903
Balance as at 30 June 2020	1,655,692	(1,643,458)	-	-	12,234

Note 13: Financial Risk Management

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

Initial Recognition and Measurement

The consolidated entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial assets to another party without retaining control or substantially all risks and rewards of the 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 Consolidated Statement of Comprehensive Income 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 fair value at amortised cost

Notes held by the Group are classified as at fair value at amortised cost. 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 expense are recognised in profit or loss.

All other changes in the carrying amount of these redeemable notes are recognised in other comprehensive income.
When these notes are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Note 13: Financial Risk Management (continued)

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

	Note	2021	2020
		$	$
The Group holds the following financial instruments:			
Financial assets at amortised cost			
Cash and cash equivalents	7	20,883,256	5,039,484
Trade and other receivables	18	105,386	460,841
Loans and advances	15	3,146,000	3,146,000
Financial assets at fair value through profit and loss			
Trading equities	14	35,353,538	25,462,498
Financial assets at fair value through other comprehensive income			
Long term equity investments	14	22,377,184	22,747,083
Total financial assets		81,865,364	56,855,906
Financial liabilities at amortised cost			
Trade and other payables	19	4,066,834	2,421,418
Unsecured notes	16	22,308,700	22,055,932
Unissued unsecured notes	16	14,440,721	-
Total financial liabilities		40,816,455	24,477,352

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) 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.

Note 13: Financial Risk Management (continued)

a) Market Risk (continued)

i) Foreign exchange risk

As at 30 June 2020, 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 2020 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

	2021 AUD$	2020 AUD$
Financial Assets		
Cash and Cash equivalent		
United States Dollar	3,273,424	3,597,102
Singapore Dollar	2,379,690	1,270,108
New Zealand Dollar	936	3,824
	5,654,050	4,871,034
Trade and other receivables		
Singapore Dollar	66,331	117,245
New Zealand Dollar	-	-
	66,331	117,245
Trading equities		
British Pound	14,659,015	10,684,687
New Zealand Dollar	-	1,460,690
	14,659,015	12,145,377
Long term equity investments		
British Pound	1,143,493	983,461
New Zealand Dollar	5,333,667	5,345,652
	6,477,160	6,329,113
Total financial assets exposure to foreign exchange	**26,856,556**	**23,462,769**
Financial Liabilities		
Trade and other payables		
Singapore Dollar	2,041,910	1,061,173
New Zealand Dollar	33,069	69,173
Total financial liabilities exposure to foreign exchange	**2,074,979**	**1,124,346**

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.

	Impact on reserves	
	2021	**2020**
Financial Asset		
Change to Foreign Currency Reserve	**$**	**$**
Increase in foreign currency by 5%	209,200	170,486
Decrease in foreign currency by 5%	(209,200)	(170,486)
Change to Trade and other receivables		
Increase in foreign currency by 5%	2,454	4,104
Decrease in foreign currency by 5%	(2,454)	(4,104)
Change to Trading equities		
Increase in foreign currency by 5%	739,729	425,088
Decrease in foreign currency by 5%	(739,729)	(425,088)
Change to Long term equity investments		
Increase in foreign currency by 5%	239,655	221,519
Decrease in foreign currency by 5%	(239,655)	(221,519)
Financial Liabilities		
Trade and other payables		
Increase in foreign currency by 5%	76,774	39,352
Decrease in foreign currency by 5%	(76,774)	(39,352)

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 and LSE.

Sandon Capital Pty Ltd being the Investment Manager, 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 Manager.

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	
	2021	2020	2021	2020
	$	$	$	$
Trading equities				
Increase in fair value in trading equities by 5%	1,308,081	891,187		
Decrease in fair value in trading equities by 5%	(1,308,081)	(891,187)		
Long term equity investments				
Increase in fair value in long term equities by 5%			(827,956)	(796,148)
Decrease in fair value in long term, equities by 5%			827,956	796,148

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.

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 8.00%.

2021	Weighted average effective interest $	Floating interest rate $	Fixed rate interest $	Non-interest bearing	Total
Financial assets					
Cash and cash equivalents	0.00%	20,883,256	-	-	20,883,256
Net loans and advances	17.44%		3,146,000		3,146,000
Total financial assets exposure		**20,883,256**	**3,146,000**	**-**	**24,029,256**
Financial liabilities					
Unsecured Notes	8.00%	-	22,308,700	-	22,308,700
Unissued Notes	0.00%	-	15,000,000	-	15,000,000
Total financial liability exposure		**-**	**37,308,700**	**-**	**37,308,700**

2020	Weighted average effective interest $	Floating interest rate $	Fixed rate interest $	Non-interest bearing	Total
Financial assets					
Cash and cash equivalents	0.05%	5,039,484	-	-	5,039,484
Net loans and advances	17.44%	-	3,146,000	-	3,146,000
Total financial assets exposure		**5,039,484**	**3,146,000**	**-**	**8,185,484**
Financial liabilities					
Unsecured Notes	8.00%	-	22,308,700	-	22,308,700
Total financial liability exposure		**-**	**22,308,700**	**-**	**22,308,700**

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 (Net Loans and Advances).

The Group recognised a loss allowance for expected credit losses on investments in loans and advances of $1,507,849 (2020: $1,868,566). Refer to Note 15: Net Loans and Advances. No impairment losses are recognised in respect to any equity instruments measured at fair value.

Note 13: Financial Risk Management (continued)

b) Credit Risk (continued)

On 23 June 2021, MVT's ultimate parent company, SNC, has provided a financial guarantee for the benefit of all noteholders in relation to MVT's payment obligations under the note terms (pursuant to the Unsecured Note Restructure Proposal).

For the financial guarantee contract with MVT's noteholders provided by SNC, as at 30 June 2021, there had been no significant increase in the credit risk related to the financial guarantee contract associated with the restructure of the MVT notes.

d) Market Risk

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.

e) 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.

Note 13: Financial Risk Management (continued)

f) Maturity of financial liabilities

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

	Less than 12 Months	Greater than 12 Months	Total
2021	**$**	**$**	**$**
Trade and other payables	4,066,835	-	4,066,835
Current Tax Liability	-	-	-
Lease Liability	181,051	200,329	381,380
Unsecured Notes	8,250,900	-	8,250,900
Unsecured Notes		14,057,800	14,057,800
Unissued Notes	-	15,000,000	15,000,000
Total	12,498,786	29,258,129	41,756,915

f) Maturity of financial liabilities (continued)

	Less than 12 Months	Greater than 12 Months	Total
2020	**$**	**$**	**$**
Trade and other payables	2,421,420	-	2,421,420
Current Tax Liability	-	-	-
Lease Liability	196,961	394,387	591,348
Unsecured Notes	-	22,055,932	22,055,932
Total	2,618,381	22,450,319	25,068,700

Note 14: Fair Value Estimation

Fair Value Hierarchy

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

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

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

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

	Level 1	Level 2	Level 3	Total
As at 30 June 2021	**$**	**$**	**$**	**$**
Financial assets through other comprehensive income:				
- Listed domestic and international	16,521,175	517,542	-	17,038,717
- Unlisted domestic investments	-	-	4,800	4,800
- Unlisted international investments	-	-	5,333,667	5,333,667
	16,521,175	517,542	5,338,467	22,377,184
Financial assets through profit and loss:				
- Listed domestic and international investments	31,658,914	-	-	31,658,914
- Unlisted domestic and international investments	-	-	3,694,624	3,694,624
	31,658,914	-	3,694,624	35,353,538
Total assets	**48,180,089**	**517,542**	**9,033,091**	**57,730,722**

Note 14: Fair Value Estimation (continued)

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

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 investment in Foundation Life valued at $5,333,667 (2020: $5,345,652) 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.

Note 14: Fair Value Estimation (continued)

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

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	1,630,847	40,500	1,671,347
Loss recognised in profit and loss	(2,361,698)	(51,525)	(2,413,223)
Balance at 30 June 2021	**3,586,023**	**108,601**	**3,694,624**

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			
Return of capital	-	-	-
Loss recognised in other comprehensive income	-	(11,985)	(11,985)
Balance at 30 June 2021	**4,800**	**5,333,667**	**5,338,467**

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

	Impact to post-tax profit		**Impact on reserves**	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Trading equities				
Increase in fair value in trading equities by 5%	136,701	160,823		
Decrease in fair value in trading equities by 5%	(136,701)	(160,823)		
Long term equity investments				
Increase in fair value in long term equities by 5%			197,523	193,954
Decrease in fair value in long term equities by 5%			(197,523)	(193,954)

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 has recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

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.

	2021	2020
	$	$
Family law	9,619,768	8,113,092
Allowance for expected losses/impairment	(6,473,768)	(4,967,092)
Total	3,146,000	3,146,000

Note 15: Net Loans and Advances (continued)

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

	2021	2020
	$	$
Opening balance	3,164,000	3,455,099
Additions	1,584,555	1,975,751
Recoveries	(76,706)	(477,095)
Write off	-	60,812
Allowance of expected credit losses/impairment	(1,507,849)	(1,868,567)
Total	3,146,000	3,146,000

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 2021, AKF management have assessed a further impairment of $1,507,849 (2020: $1,868,567).

The Company'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 2021 of $2.8 million (2020: $2.8 million).

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.

Issued - unsecured notes	**2021**	**2020**
	$	**$**
Current unsecured – notes at amortised cost	8,250,900	-
Non-current unsecured notes at amortised cost	14,057,800	22,308,700
Less: capitalised costs	-	(252,768)
Non-current unsecured – notes at amortised cost	**14,057,800**	**22,055,932**
Unissued - unsecured notes		
Non-current unsecured – notes at amortised cost	15,000,000	-
Less: capitalised costs	(559,079)	-
Non-current unsecured – notes at amortised cost	**14,440,921**	**-**

On 27 May 2021, the Company announced a Restructure Proposal for the Unsecured Notes (MVTHA) paying interest of 8% per annum which were due to mature on 10 July 2021 and a conditional placement that would raise $15,000,000 from the issue of new MVT notes at a fixed price of $100 per note wholesale investors. The placement was conditional on Noteholders approving the Restructure Proposal.

The Restructure Proposal allowed existing Noteholders to choose whether to redeem some or all of their Notes or continue under the revised terms.

On 28 May 2021, the Company released the Notice of Meeting for an Extraordinary General Meeting of Noteholders on 23 June 2021 to consider the Restructure Proposal.

Noteholders were asked to consider the following changes to the terms:

- Extending the Maturity Date of the Notes from 10 July 2021 to 10 July 2026;
- A reduction in the interest rate from 8% per annum to 4.8% per annum;
- The introduction of a new investor protection that will see an increase in the interest rate payable by 2% per annum for periods during which the loan to asset ratio has exceeded 33.3% for the previous six months.
- Allowing the Company to redeem some or all of the outstanding Notes during the six month period immediately prior to the New Maturity date, at its sole discretion.

In addition, MVT's listed parent company, Sandon Capital Investments Limited, would provide a financial guarantee for MVT's payment obligation under the Note Terms if the Restructure Proposal was passed.

On 23 June 2021, Noteholders approved the Restructure Proposal at the Extraordinary General Meeting of Noteholders. This approval satisfied the sole condition of the Conditional Placement. As a consequence, the $15,000,000 placement subscription was classified as Unissued unsecured notes, pending the issue of the Notes on 1 July 2021.

Note 16: Unsecured Notes (continued)

As at 30 June 2021, Noteholders representing 82,250 notes totalling $8,250,900 had submitted redemption requests. These Notes were redeemed on 10 July 2021 and an amount relating to the redemption was classified as a current liability as at 30 June 2021.

As a result of the approval of the Restructure Proposal, on 30 June 2021 settlement of the $15,000,000 placement occurred.

On 1 July 2021 150,000 new Notes were issued pursuant to the Conditional Placement. There are now 290,578 Notes on issue.

Note 17: Contingent Liabilities

There are no contingent liabilities as at 30 June 2021 (30 June 2020: Nil).

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.

RMA has only 7 major customers who are regarded 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.

	2021	2020
Current assets	**$**	**$**
Trade receivables	102,629	352,849
Less: Allowance of expected credit losses	-	-
	102,629	352,849
Trade receivables	105,386	460,841
Other current assets	88,495	74,362
	193,881	535,203

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.

	2021	2020
	$	$
Unclaimed shareholder payments – secured *	1,137,882	1,137,882
Trade payables	1,934,794	488,837
Escrowed Port of Singapore	993,842	787,238
Sundry payables	-	7,461
Unsettled trades	315	-
Total current trade and other payables	4,066,833	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 Office of State Revenue. The balance is secured against the cash and cash equivalents of the Company.

Note 20: Lease Liabilities

Accounting Policy:
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.

	2021	2020
	$	$
Current	181,051	196,961
Non-current	200,329	394,387
Total lease liabilities	381,380	591,348

Note 21: Share Based Payments

Accounting Policy:
In prior financial years, Share-based compensation benefits were 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.

No options were issued to any Directors or other employees for this financial year ending 30 June 2021.

	Note	Opening Balance	Options Issued	Sale of Option to Parent Company	Closing Balance
Options 2021		**$**	**$**	**$**	**$**
Gabriel Radzyminski		-	-	-	-
Other employees		-	-	-	-
	4	-	-	-	-

		Opening Balance	Options Issued	Sale of Option to Parent Company	Closing Balance
Options 2020		**$**	**$**	**$**	**$**
Gabriel Radzyminski		506,000	235,750	(741,750)	-
Other employees		287,500	74,250	(361,750)	-
	4	793,500	310,000	(1,103,500)	-

Note 22: Related Parties

Transactions with related parties

	2021 $	2020 $
Sandon Capital Pty Ltd is an entity associated with Mr Gabriel Radzyminski. Sandon Capital Pty Ltd provided investment management and accounting services to the Company. All dealings are conducted at arm's length on normal commercial terms. The following amount was paid to Sandon Capital Pty Ltd.	188,175	187,054
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.	-	9,164
The Board awarded a discretionary cash bonus to Mr Radzyminski of $125,000 (inclusive of super) in November 2019. The bonus was paid in two equal instalments within the 2020 Financial Year.	-	125,000
In prior financial years, Mr Ron Brierley, a former director, provided short-term, unsecured loans the Company to fund purchases of investments. The Company repaid the amount $6.0m (2019: $8.0m) in the 2020 financial year. Interest was paid at the RBA cash rate per annum. The balance represents the interest paid to Mr Brierley. There are no further loans or interest owing to Mr Brierley.	-	206,466
The Company loaned to its Parent entity for an amount of $24,767,467 (2020:$15,330,000). It is anticipated the loan will be repaid within the next 12 months.	24,767,467	15,330,000
An entity associated with Gabriel Radzyminski subscribed for 250 MVTHA notes ($25,000) during the 2017 financial year. Interest paid on these notes at 30 June 2020 was $2,000 (2020: $2,000)	2,000	2,000

KMP Compensation

Elements of Remuneration

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

There have been no fees paid to Directors for the financial year ending 30 June 2021.

The Board has not issued any options to Directors for the financial year ending 30 June 2021.

No Directors, including their personal related parties, held shares in the Company during the years ended 30 June 2021 and 30 June 2020.

	Short-term Cash & Salary $	Post Employment Benefits $	Share based payments $	Total $
30 June 2021	-	-	-	-
30 June 2020*	153,738	1,860	-	155,598

* During the 30 June 2020 financial year, $15,000 was paid to the independent non-executive directors for services beyond the normal expectations of a non-executive director arising from the takeover of MVT.

Note 22: Related Parties (continued)

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.

Other Related party transactions

A no interest loan was provided to the parent company, SNC during the year. This balance is expected to be repaid in full within the next 12 months. At year end this balance was $24,767,467. No other related party transactions occurred other than those disclosed in this note.

Note 23: Contingencies and Commitments

Accounting Policy:

AASB 16 Leases was adopted effective from 1 July 20219.
The standard removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases and move all off-balance sheet operating leases onto the balance sheet.

a) Lease liabilities

The carrying amounts of lease liabilities and the maturity analysis are disclosure at Note 20 and Note 13, respectively.

Note 24: Right-of-use assets

	Office Equipment	Office Premises	Total
	$	$	
1 July 2020	132,906	458,087	590,993
Additions	-	-	-
Accumulated depreciation	(26,636)	(185,074)	(211,710)
30 June 2021	106,270	273,013	379,283

Note 25: Auditors Remuneration

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

	2021	2020
	$	$
Audit services		
Grant Thornton Sydney for audit and review of financial reports and other work under the *Corporations Act 2001*	160,652	70,000
Non-assurance services		-
Pitcher Partners Sydney for audit and review of financial reports and other work under the *Corporations Act 2001*	-	143,562
Non-assurance services		-
	160,652	213,562

Note 26: 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.

	2021 $	2020 $
Profit/ (Loss) attributable to members	8,938,632	(7,452,281)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	280,700,000	280,700,000
Basic and diluted earnings/(loss) per share (cents per share)	3.18	(2.65)

The Company currently has no outstanding options on issue (2020: nil).

Note 27: Other Operating Costs

	2021	2020
	$	$
Other operating expenses is made up of the following:		
Parent operating expenses		
Rent	-	3,818
Office expenses	(1,139)	19,540
Corporate expenses	-	-
Travel	-	1,070
Foreign exchange losses	(1,420)	(10,487)
Fees and commissions	38,740	38,370
Miscellaneous expenses	269	580
	36,450	52,891
Subsidiary operating expenses		
Rent	5,692	14,256
Office expenses	40,646	128,947
Travel	408	5,825
Bank fees	5,319	11,059
Depreciation	109,082	250,098
Entertainment	16,068	34,823
Miscellaneous expenses	1,374	37,939
	178,589	482,947
Total other operating costs	215,039	535,838

Note: Rent and office expense ceases to be incurred by the Parent Company following the completion of the takeover by SNC.

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 15 to 58, 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 2021 and of the performance for the year ended on that date of the Consolidated Group;

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

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

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

Gabriel Radzyminski
Chairman

26 August 2021

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Mercantile Investment Company Limited

Report on the audit of the financial report

Opinion

We have audited the 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 2021, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for 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 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

Grant Thornton

Key audit matter	How our audit addressed the key audit matter
Valuation of financial assets (Note 14)	
The investment portfolio consists of listed securities and unlisted securities. The fair value of financial assets traded in active markets are based on their quoted market prices. The fair value of financial assets that are not traded in an active market are determined using valuation techniques. Investments that involved significant judgement included those with unobservable inputs. Where observable data is not available, estimates must be developed based on the most appropriate source of data. We determined this to be a key audit matter given the size of the balance and the inherent judgement involved in determining the fair value of financial instruments.	Our procedures included, amongst others: • Obtaining an understanding and evaluating the investment management processes and controls; • Reviewing and evaluating *ASAE 3402 Assurance Reports on Controls at a Service Organisation* reports and bridging letters for third-party asset custodians; • Obtaining confirmation on investment holdings directly from third-party asset custodians; • Where readily observable data was available, performing independent price checks, recalculating the valuation and comparing it to the company's valuation; • For investments where there was limited or no observable inputs, we obtained confirmations of cost of the initial investment and assessed other relevant information supporting the fair value of the underlying net assets; • Reviewing significant investment additions and sales in the period back to contract notes, evaluating accuracy of the initial cost and sale; • Reviewing the last day traded on level 1 investments to assess whether the investments were actively traded; and • Assessing the adequacy of the financial statement disclosures.
Deferred tax balances (Note 12)	
Taxation for the Group is considered to be complex as the Group operated in several jurisdictions with different laws, regulations and authorities resulting in complex tax calculations and judgements. We determined this to be a key audit matter given the complexity of computations.	Our procedures included, amongst others: • Obtaining copies of management's tax calculations for the year ended 30 June 2021 and prior periods that were prepared by management's expert; • Evaluating the qualification of management's expert in order to assess their professional competence and capabilities as they relate to the work undertaken; • Testing the tax calculation model to ensure mathematical accuracy and completeness; • Agreeing significant input in the tax calculations to supporting documentation; • Considering and challenging the assumptions made by the Group in determining the tax calculations, including assessing the rationale on which deferred tax assets and liabilities were recognised; • Consulting with an internal expert to assess the reasonableness of key tax assumptions used by management's expert in the tax provision calculations; • Evaluating management's processes and controls to determine if they appropriately addressed the risks; and • Assessing the adequacy of the financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the 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 financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the 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 the 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 financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 10 to 12 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Mercantile Investment Company Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 26 August 2021