

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

**Interim Financial Report
for the Half-Year Ended 31 December 2021**

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

For the half-year ended 31 December 2021

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

Corporate Directory

Directors: Mr Gabriel Radzynski - Non-Executive Chairman
Ms Melinda Snowden - Independent Non-Executive Director
Mr Peter Velez - Independent Non-Executive Director
Ms Jacqueline Sullivan - Independent Non-Executive Director (appointed 24 January 2022)

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

Auditor: Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

Registered Address: Level 5, 139 Macquarie Street
Sydney NSW 2000

Contact Details: Telephone: +61 2 8014 1188
Email: info@mercinv.com.au
Website: www.mercantileinvestment.com.au

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

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

MVTHA
4.8% p.a Unsecured Notes.

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

Directors' Report

The Directors of Mercantile Investment Company Limited ("MVT") present their report together with the financial statements of the Company and its controlled entities for the half-year ended 31 December 2021.

Directors

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

Mr Gabriel Radzynski	Non-Executive Chairman
Ms Melinda Snowden	Independent Non-Executive Director
Mr Peter Velez	Independent Non-Executive Director
Ms Jacqueline Sullivan	Independent Non-Executive Director (appointed 24 January 2022)

Review and Results of Operations

Revenue from ordinary activities of \$3,906,986 (2020: \$9,911,768) was down 61% on the prior comparable period. Unrealised gains from the Company's trading portfolio were lower than gains in the prior comparable period. Dividend income of \$548,724 (2020: \$489,227), increased 12% and shipping services revenues of \$683,035 (2020: \$604,118) increased 13%. Interest income of \$708,365 (2020: \$752,443), was down 6%.

Profit after tax to members for the reporting period was \$1,177,644 (2020: \$4,839,703) down 76% on the prior comparable period. MVT reported a \$1,506,242 unrealised gain in the fair value of long-term equity investments, which contributed to a Total Comprehensive Income after tax to members of \$2,683,886 (2020: \$8,046,809), down 67% on the prior comparable period.

The Company paid \$648,347 in interest to noteholders of the listed Unsecured Notes paying 4.8% per annum (ASX: MVTHA). There were 290,578 Notes on issue as at 31 December 2021.

The Company reported a cash balance of \$5,010,589 as at 31 December 2021.

Subsequent events

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

Dividends

No dividends were paid or are payable for the period ended 31 December 2021.

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

Rounding of amounts to nearest dollar

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

Auditors independence declaration

The lead auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2021.

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



Gabriel Radzynski
Director

Signed on this 21st day of February 2022

Auditor's Independence Declaration

To the Directors of Mercantile Investment Company Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Mercantile Investment Company Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance

Sydney, 21 February 2022

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

**Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2021**

	Note	31 December 2021	31 December 2020
Income			\$
Revenue from continuing operations	2	1,940,124	1,891,958
Other income	2	1,966,862	8,019,810
		<hr/>	<hr/>
		3,906,986	9,911,768
Expenses			
Accounting fees		93,775	94,125
Audit fees		168,631	108,926
Taxation service fees		262,114	248,446
Finance costs		803,687	898,724
Company secretary fees		13,132	13,222
Share registry fees		40,208	91,966
Brokerage		1,543	10,999
Impairment charges on loans		712,890	679,657
Legal and professional fees		114,874	85,008
ASIC and ASX charges		24,565	12,264
Employee benefit expenses		516,533	609,671
Insurance		19,507	19,925
Other operating costs		212,709	314,295
		<hr/>	<hr/>
		2,984,168	3,187,228
Profit Before Income Tax		922,818	6,724,540
Income tax benefit/(expense)		207,349	(1,908,207)
Profit for the period		<hr/>	<hr/>
		1,130,167	4,816,333
Profit Attributable to:			
Members of the Parent Entity		1,177,644	4,839,703
Non-Controlling Interest		(47,477)	(23,370)
		<hr/>	<hr/>
		1,130,167	4,816,333
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		1,506,242	3,207,106
Total other comprehensive income		1,506,242	3,207,106
Total Comprehensive Profit for the half-year, net of tax		<hr/>	<hr/>
		2,636,409	8,023,439
Total Comprehensive Profit attributable to:			
Members of the Parent Entity		2,683,886	8,046,809
Non-Controlling Interest		(47,477)	(23,370)
		<hr/>	<hr/>
		2,636,409	8,023,439
Earnings per Share		Cents	Cents
- Basic earning per share		0.42	1.72
- Diluted earning per share		0.42	1.72

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

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

**Consolidated Statement of Financial Position
For the half-year ended 31 December 2021**

	Note	31 December 2021 \$	30 June 2021 \$
Assets			
Current Assets			
Cash and cash equivalents		5,010,589	20,883,256
Trade and other receivables		430,308	105,386
Net loans and advances	7	3,146,000	3,146,000
Financial assets at fair value through profit or loss	5	36,418,075	35,353,538
Intercompany receivable from parent	10	28,885,358	24,948,931
Other current assets		74,814	88,495
Current tax receivable		-	2,894
Total Current Assets		73,965,144	84,528,500
Non-Current Assets			
Financial assets at fair value through other comprehensive income	5	24,267,235	22,377,184
Property, plant & equipment		95,000	102,934
Right-of-use-assets		290,128	379,283
Deferred tax assets		94,281	127,771
Total Non-Current Assets		24,746,644	22,987,172
Total Assets		98,711,788	107,515,672
Liabilities			
Current Liabilities			
Trade and other payables	8	2,277,632	4,066,833
Current lease liability	9	179,336	181,051
Unsecured notes	6	-	8,250,900
Current tax liability		475,822	-
Total Current Liabilities		2,932,790	12,498,784
Non-Current Liabilities			
Unsecured notes	6	28,544,729	14,057,800
Unissued unsecured notes	6	-	14,440,921
Lease liability		130,137	200,329
Deferred tax liability	11	183,053	1,932,628
Total Non-Current Liabilities		28,857,919	30,631,678
Total Liabilities		31,790,709	43,130,462
Net Assets		66,921,079	64,385,210
Equity			
Issued Capital	4	28,834,628	28,834,628
Accumulated losses		(9,071,087)	(10,248,729)
Reserves		46,369,458	44,963,754
Members' interests		66,132,999	63,549,653
Non-controlling interest		788,080	835,557
Total Equity		66,921,079	64,385,210

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 half-year ended 31 December 2021**

	Issued Share Capital - Ordinary \$	Accumulated Losses \$	Reserve \$	Non- Controlling Interests \$	Total Equity \$
Balance at 1 June 2020	28,834,628	(19,097,154)	39,619,831	906,580	50,263,885
(Loss) for the Year	-	4,839,703	-	(23,369)	4,816,334
Other comprehensive income for the year	-	-	3,207,106	-	3,207,106
Total comprehensive income for the year	-	(14,257,451)	42,826,937	883,211	58,287,325
<u>Transactions with Owners:</u>					
Foreign Currency Translation Reserve	-	-	31,872	-	31,872
Share options issued / exercised	-	(44,289)	-	-	(44,289)
Balance at 31 December 2020	28,834,628	(14,301,740)	42,858,809	883,211	58,274,908
Balance at 1 July 2021	28,834,628	(10,248,729)	44,963,754	835,557	64,385,210
Profit for the Year	-	1,177,644	-	(47,477)	1,130,167
Other comprehensive income for the year	-	-	1,506,242	-	1,506,242
Total comprehensive income for the year	-	(9,071,085)	46,469,996	788,080	67,021,619
<u>Transactions with Owners:</u>					
Foreign Currency Translation Reserve	-	-	(100,540)	-	(100,540)
Change in proportion of NCI	-	-	-	-	-
Balance at 31 December 2021	28,834,628	(9,071,085)	46,369,456	788,080	66,921,079

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

**Mercantile Investment Company Limited
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**Consolidated Statement of Cash Flows
For the half-year ended 31 December 2021**

	31 December 2021 \$	31 December 2020 \$
Cash Flows from Operating Activities		
Dividends, distributions and other investment income received	1,127,390	1,295,570
Other payments in the course of ordinary operations	(3,231,278)	(1,559,294)
Proceeds from sale of trading securities	303,858	1,138,760
Payments for trading securities	-	(374,737)
Interest received	648	632
Income tax paid	307,661	-
Net Cash (used in)/provided by Operating Activities	(1,491,721)	500,931
Cash Flows from Investing Activities		
Proceeds from disposal of financial assets	-	383,131
Payments for financial assets	(306,730)	189,147
Funding to Parent Entity	(5,650,000)	(6,028,000)
Proceeds from return of capital	587,766	5,304,100
Net Cash used in by Investing Activities	(5,368,964)	(151,622)
Cash Flows from Financing Activities		
Loan proceeds received	-	76,718
Repayment to Noteholders	(8,250,901)	
Interest Payments on MVT Notes	(746,679)	(898,724)
Net Cash used in Financing Activities	(8,997,580)	(822,006)
Net Decrease in Cash and Cash Equivalents held	(15,858,265)	(472,697)
Effects of exchange rate changes on cash and cash equivalents	(14,403)	785,710
Cash and Cash Equivalents at the beginning of Financial Year	20,883,257	5,039,484
Cash and Cash Equivalents at end of the half-year	5,010,589	5,352,497

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

**Mercantile Investment Company Limited
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Basis of preparation of the half-year Financial Report

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Mercantile Investment Company Limited (the Company) during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

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

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

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2021.

Parent Entity

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

Tax Consolidation

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

The half-year financial report was authorised for issue by the directors on 21 February 2022.

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 1: Segment Information

**Consolidated - 31 December
2021**

	Securities	Consumer Finance	Shipping Services	Total
	\$	\$	\$	\$
Revenue	2,274,184	708,249	924,553	3,906,986
Expenses	(1,423,908)	(876,248)	(684,014)	(2,984,170)
Profit/(Loss) before tax	850,276	(167,999)	240,539	922,816
Profit/(Loss) after tax	1,075,979	(167,999)	222,188	1,130,168
<i>Material items include:</i>				
Impairment of loans		(712,890)		(712,890)
Assets				
Segment assets	90,083,396	3,194,230	4,449,631	97,727,257
Trade and other receivables				430,308
Other current assets				74,814
Right-of-use assets				290,128
Property, plant & equipment				95,000
Deferred tax asset				94,281
				<u>98,711,788</u>
Liabilities				
Segment liabilities	(28,544,729)	-	(682,241)	(29,226,970)
Trade and other payables				(1,595,391)
Lease liability				(309,473)
Current tax liability				(475,822)
Deferred tax liability				(183,053)
				<u>(31,790,709)</u>

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

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 1: Segment Information (continued)

Consolidated - 31 December 2020	Securities \$	Consumer Finance \$	Shipping Services \$	Total \$
Revenue	8,404,243	756,504	751,021	9,911,768
Expenses	(1,292,530)	(839,200)	(1,055,498)	(3,187,228)
Profit/(Loss) before tax	7,111,713	(82,696)	(304,477)	6,724,540
Profit/(Loss) after tax	4,892,700	(82,696)	6,329	4,816,333
<i>Material items include:</i>				
Impairment of loans	-	(679,657)	-	(679,657)
Assets				
Segment assets	75,469,047	3,146,000	5,997,916	84,612,963
Trade and other receivables				678,573
Other current assets				61,514
Property, plant & equipment				118,262
Deferred tax asset				164,265
				<u>85,635,577</u>
Liabilities				
Segment liabilities	(22,227,197)	-	(2,709,202)	(24,936,399)
Trade and other payables				(911,496)
Lease liability				(469,044)
Current tax liability				-
Deferred tax liability				(1,043,730)
				<u>(27,360,669)</u>

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 1: Segment Information (continued)

Consolidated – 31 December 2021	Australia \$	Singapore \$	Total \$
Revenue	2,982,433	924,553	3,906,986
Non-current assets	24,361,516	385,128	24,746,644
Consolidated – 31 December 2020			
Revenue	9,160,747	751,021	9,911,768
Non-current assets	22,421,410	118,262	22,539,672

Note 2 (a): Revenue from continuing operations

	31 December 2021 \$	31 December 2020 \$
Revenue		
Dividends received	548,724	489,227
Trust Distributions Received	-	24,006
Interest income	708,365	752,443
Return of Capital	-	22,164
Revenue from contracts with shipping services income customers*	683,035	604,118
	<u>1,940,124</u>	<u>1,891,958</u>

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

Note 2 (b): Other income

Realised (loss) on trading equities fair valued through profit and loss	(153,001)	(198,750)
Unrealised gain on trading equities fair valued through profit and loss*	1,705,940	8,369,237
Foreign gain/(loss) exchange movement	117,930	(303,655)
Sundry income	295,993	152,978
	<u>1,966,862</u>	<u>8,019,810</u>

* An asset acquired in the prior period has been revalued at the period end as a result of the underlying company ceasing operations, this has resulted in a loss of \$775K being recognised reducing the overall unrealised gains on trading equities fair valued through profit and loss compared to prior period.

Note 3: Payment of dividends to shareholders

The group has not declared a dividend for the period (2020: nil).

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 4: Issued Capital

	31 December 2021	30 June 2021
	\$	\$
280,700,000 (June 2021: 280,700,000) fully paid ordinary shares	28,834,628	28,834,628

	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Ordinary Shares	No.	No.	\$	\$
At the beginning of reporting period	280,700,000	280,700,000	28,834,628	28,834,628
<u>Movement in Shares on Issue:</u>				
Share options exercised	-	-	-	-
Capital raising costs, net of tax	-	-	-	-
Closing Balance at Reporting Date	280,700,000	280,700,000	28,834,628	28,834,628

Note 5: Fair value estimation

Fair Value Hierarchy

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

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

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 31 December 2021				
Financial assets at fair value through other comprehensive income				
- Listed domestic and international investments	18,084,843	778,203	-	18,863,046
- Unlisted domestic investments	-	-	4,800	4,800
- Unlisted international investments	-	-	5,399,389	5,399,389
	18,084,843	778,203	5,404,189	24,267,235
Financial assets at fair value through profit and loss				
- Listed domestic and international investments	32,819,016	-	-	32,819,016
- Unlisted domestic and international investments	-	-	3,599,059	3,599,059
	32,819,016	-	3,599,059	36,418,075
Total financial assets	50,903,859	778,203	9,003,248	60,685,310

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 5: Fair value estimation (continued)

	Level 1	Level 2	Level 3	Total
As at 30 June 2021	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
- Listed domestic and international investments	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 at fair value 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 financial assets	44,180,089	517,542	9,033,091	57,730,722

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. Transaction costs of financial assets carried at fair value through profit or loss are expensed. However initial measurement for financial assets held at amortised cost and financial asset held at fair value through other comprehensive income include transaction costs.

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

Level 3 of the hierarchy are unlisted securities such as shares in private companies, trusts and unlisted foreign notes. In order to determine the fair value of these investments, valuation techniques such as comparisons to similar investments for which market observable inputs are available, latest available net tangible assets per share, the adjusted last sale price or the fair value of the expected redemption value in the notes have been adopted.

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

Level 3 Financial assets at fair value through other comprehensive income includes an investment in Foundation Life valued at \$5,399,389 (June 2021: \$5,333,667), based on its share of Foundation Life's shareholder equity and notes. This value is reported in Foundation Life's reviewed half yearly and audited full year accounts (in March and September respectively). The method of fair value of the investment is consistent with prior years.

Within level 3 Financial assets at fair value through profit and loss consists of IPE Limited's unlisted portfolio valued at \$3,478,171 (June 2021: \$3,586,023). The value of the unlisted private equity funds held via IPE are determined by the monthly valuations provided by each of the managers of the underlying private equity funds.

Transfer between level 1 and 2

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 5: Fair value estimation (continued)

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

Financial assets at fair value through other comprehensive income

	Unlisted domestic investments \$	Unlisted international investments \$	Total \$
Consolidation			
Balance at 1 July 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
Sale of investments	-	-	-
Distribution	-	-	-
Unrealised Loss recognised in other comprehensive income	-	65,722	65,722
Balance at 31 December 2021	4,800	5,399,389	5,404,189

Financial assets at fair value through profit and loss

	Unlisted domestic investments \$	Unlisted international investments \$	Total \$
Consolidation			
Balance at 1 July 2020	4,316,874	119,626	4,436,500
Return of Capital	1,630,847	40,500	1,671,347
Unrealised 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
Return of Capital	295,074	-	295,074
Unrealised Loss recognised in profit and loss	(402,926)	12,287	(390,639)
Balance at 31 December 2021	3,478,171	120,888	3,599,059

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

	Impact on reserves		Impact to post-tax profit	
	December 2021	June 2021	December 2021	June 2021
Long term equity investments				
Increase in fair value in long term equities by 5%	(910,021)	(827,956)		
Decrease in fair value in long term, equities by 5%	910,021	827,956		
Trading equities				
Increase in fair value in trading equities by 5%			1,365,678	1,308,081
Decrease in fair value in trading equities by 5%			(1,365,678)	(1,308,081)

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 6: Unsecured Notes

The unsecured notes carry an interest entitlement of 4.8% per annum with the maturity date of 10 July 2026. 82,250 notes totaling \$8,250,900 classified as current liability as at 30 June 2021 were redeemed on 10 July 2021.

All unissued – unsecured notes were issued on 1 July 2021.

Issued -unsecured notes	31 December 2021 \$	30 June 2021 \$
Current unsecured – notes at amortised cost	-	8,250,900
Non-current unsecured notes at amortised cost	29,057,800	14,057,800
Less: capitalised costs	(513,071)	-
Non-current unsecured – notes at amortised cost	28,544,729	14,057,800
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 1 July 2021, 150,000 new notes were issued pursuant to the placement.

Note 7: Net loan and advances

	31 December 2021 \$	30 June 2021 \$
Family law	10,487,384	9,619,768
Allowance of expected losses/ impairment	(7,341,384)	(6,473,768)
Total	3,146,000	3,146,000

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

	31 December 2021 \$	30 June 2021 \$
Opening balance	3,164,000	3,164,000
Additions	712,890	1,584,555
Recoveries	-	(76,706)
Write offs	-	-
Allowance of expected losses/impairment	(712,890)	(1,507,849)
	3,146,000	3,146,000

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

**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 8: Trade and other payables

	31 December 2021	30 June 2021
	\$	\$
Unclaimed shareholders – secured*	1,137,879	1,137,882
Trade payables	444,866	1,934,794
Escrowed Port of Singapore	694,010	993,842
Unsettled trades	877	315
Total trade and other payables	2,277,632	4,066,833

* The balance of this liability relates to the MMX capital return payments which were returned to the Company by the Share Registry in a prior year, pending claims from previous MMX shareholders or remission to the Government of Western Australia, Department of Finance - Office of State Revenue. The balance is secured against the cash and cash equivalents of the Company.

Note 9: Lease liability

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

In prior years RMA entered into a lease of an office premises and office equipment from a non-related parties under non-cancellable operating lease agreements. The lease has varying terms, escalation clauses and renewal rights.

	31 December 2021	30 June 2021
	\$	\$
Current	179,336	181,051
Non-current	130,137	200,329
Total lease liabilities	309,473	381,380

Note 10: Intercompany receivable from parent

	31 December 2021	30 June 2021
	\$	\$
Loan to parent entity	30,417,467	24,767,467
Intercompany tax receivable from parent	-	181,464
Intercompany tax payable to parent	(1,532,109)	-
Total Intercompany receivable from parent	28,885,358	24,948,931

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

**Notes to the Interim Financial Report
For the half-year ended 31 December 2021**

Note 11: Deferred tax

In finalising the 30 June 2021 Income Tax Return, the company elected to crystalize certain deferred tax liabilities, which has resulted in the liability being transferred to the Sandon Capital Investments Limited in accordance with the tax sharing arrangements under the tax consolidation regime.

Note 12: Events subsequent to balance date

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

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

**Directors' Declaration
For the half-year ended 31 December 2021**

The Directors declare that:

1. the financial statements and notes, as set out on pages 5 to 18, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position of the consolidated entity as at 31 December 2021 and of its performance for the half-year ended on that date;
2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Gabriel Radzynski
Director

Signed this 21st day of February 2022

Independent Auditor's Review Report

To the Members of Mercantile Investment Company Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Mercantile Investment Company Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance

Sydney, 21 February 2022