

Mercantile Investment Company Limited

ABN 15 121 415 576
Level 11, 139 Macquarie Street
Sydney NSW 2000
Tel 02 8014 1188
Fax 02 8084 9918

26 September 2014

The Manager
ASX Market Announcements

Mercantile Investment Company Limited (ASX:MVT) (the “Company”) Annual General Meeting Documents

Mercantile Investment Company Limited hereby provides copies of documents relating to the Company's Annual General Meeting which will be dispatched to shareholders today. Included in the attachments are:

- Notice of Annual General Meeting and Explanatory Memorandum; and
- Proxy Form.

Also attached is a copy of the Annual Report to be dispatched to those shareholders who have requested a copy.

For further information contact:

Gabriel Radzyninski
Director
Ph: +0408 936 357

Mercantile Investment Company Limited

(ABN 15 121 415 576)

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of Mercantile Investment Company Limited (**Mercantile**) will be held as follows:

Date: **27 October 2014**

Time: **11.00 am**

Venue: **Christie Conference Centre, The Yangtze Room, Mezzanine Level, 3 Spring Street, Sydney**

BUSINESS

Financial statements and reports

To receive and consider the Company's annual financial report, including the directors' report and audit report for the year ended 30 June 2014.

1. Remuneration report

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That the Company adopt the remuneration report for the year ended 30 June 2014 in accordance with Section 250R(2) of the Corporations Act."

Notes:

- (a) The vote on this resolution is advisory only and does not bind the Directors or the Company.
- (b) Mercantile's key management personnel and their closely related parties must not cast a vote on the remuneration report unless they are appointed in writing as a proxy for a member eligible to vote on the resolution and that proxy specifies how to vote on the resolution.
- (c) The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

2. Re-election of Sir Ronald Brierley as a Director

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Sir Ronald Brierley, who retires by rotation in accordance with the Company's constitution and, being eligible for re-election, be re-elected as a Director."

Without limitation, Rules 19.2 and 19.3 of the Company's constitution are relevant to this resolution.

3. Approval of 10% Placement Facility

To consider and if thought fit, pass the following resolution as a **special resolution**:

"That for the purposes of Listing Rule 7.1A, the Directors are authorised to issue up to 10% of the Company's share capital calculated in accordance with Listing Rule 7.1A and otherwise on the terms and conditions set out in the Explanatory Memorandum attached."

OTHER BUSINESS

To consider any other business that may lawfully be brought forward in accordance with the constitution of the Company or the law.

VOTING EXCLUSIONS

1. Resolution 1 is indirectly connected with the remuneration of members of the key management personnel of the Company (**KMP Members**). In accordance with the requirements of the *Corporations Act 2001 (Cth)* (**Corporations Act**) the Company will disregard any votes cast (in any capacity) on Resolution 1 by or on behalf of:

- a KMP Member other than the Chairman; and
- a closely related party of those persons (such as close family members and any companies the person controls).

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

In regard to votes cast by the Chairman as proxy for a person entitled to vote in accordance with a direction on the proxy form, the Company will not disregard such votes by the Chairman provided that the appointment expressly authorises the Chairman to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a KMP Member.

What this means for Shareholders: If you intend to appoint a KMP Member (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on Resolution 1. If you appoint the Chairman as your proxy, and you do not direct your proxy how to vote on Resolution 1 on the proxy form, you will be expressly authorizing the Chairman of the Meeting to exercise the proxy even if the resolution is connected, directly or indirectly, with the remuneration of the KMP which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

2. In relation to Resolution 3, the Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, or any of their associates. However, the Company need not disregard a vote if it is cast:
- as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the form to vote as the proxy decides.

OTHER INFORMATION

An Explanatory Memorandum accompanies and forms part of this notice of Annual General Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

VOTING BY PROXY

Any Shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of that Shareholder.

The proxy does not need to be a Shareholder of the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

Proxies must be:

- (a) lodged at the Company's share registry, Computershare Investor Services Pty Limited; or
- (b) faxed to the fax number specified below

not later than 11.00 am (AEDT) on 25 October 2014.

Address (hand deliveries): Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Address (postal deliveries): Computershare Investor Services Pty Limited

GPO Box 242, Melbourne VIC 3001

Fax number for lodgement: (within Australia) 1800 783 447

(outside Australia) +61 3 9473 2555

The proxy form has been enclosed. Please read all instructions carefully before completing the proxy form.

CUSTODIAN VOTING

For Intermediary Online subscribers only (custodians), please visit www.intermediaryonline.com to submit your voting intentions.

ENTITLEMENT TO VOTE

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares will be taken to be held by the persons who held them as registered Shareholders at 7.00 pm (AEDT) on 25 October 2014. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

VOTING INTENTIONS

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

In respect of undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

By order of the Board



Mark Licciardo
Company Secretary

Mercantile Investment Company Limited

(ABN 15 121 415 576)

Explanatory Memorandum

This Explanatory Memorandum sets out further information regarding the proposed resolutions to be considered by Shareholders of Mercantile Investment Company Limited (**Mercantile**) at the 2014 Annual General Meeting to be held commencing at 11.00 am on 27 October 2014 at the Christie Conference Centre, The Yangtze Room, Mezzanine Level, 3 Spring Street, Sydney.

The Directors recommend that Shareholders read this Explanatory Memorandum before determining whether or not to support the resolutions.

FINANCIAL STATEMENTS AND REPORTS

Under Section 317 of the Corporations Act, Mercantile is required to lay its annual financial report, directors' report and remuneration report before its Shareholders at its Annual General Meeting. The annual financial report is submitted for Shareholders' consideration and discussion at the Annual General Meeting as required. Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the report they wish to discuss.

Representatives of Mercantile's auditor, MNSA Pty Ltd, will be present for discussion purposes on matters of relevance to the audit.

RESOLUTION 1 - REMUNERATION REPORT

Board recommendation and undirected proxies. The Board recommends that shareholders vote in **FAVOUR** of resolution 1. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of resolution 1.

Resolution 1 provides Shareholders the opportunity to vote on Mercantile's remuneration report. The remuneration report is contained in the directors' report. Under Section 250R(2) of the Corporations Act, Mercantile must put the adoption of its remuneration report to a vote at its Annual General Meeting.

This vote is advisory only and does not bind the Directors or Mercantile.

The Board will consider the outcome of the vote and comments made by Shareholders on the remuneration report at this meeting when reviewing Mercantile's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of Mercantile's directors other than the managing director must be offered up for election.

Key management personnel (including Directors) and their closely related parties must not cast a vote on the remuneration report, unless as holders of directed proxies for Shareholders eligible to vote on Resolution 1.

Mercantile encourages all shareholders to cast their votes on this resolution. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form

RESOLUTION 2 - RE-ELECTION OF SIR RONALD BRIERLEY AS A DIRECTOR

Board recommendation and undirected proxies. The Board recommends that shareholders vote in **FAVOUR** of resolution 2. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of resolution 2.

Under Rule 19.2 of Mercantile's constitution one third of Mercantile's Directors, or the whole number nearest to one third, must retire unless re-elected.

Resolution 2 provides for the re-election of Sir Ronald Brierley as Director of Mercantile in accordance with Rule 19.3 of Mercantile's constitution.

The Directors (excluding Sir Ronald Brierley) unanimously recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – APPROVAL OF 10% PLACEMENT FACILITY

Board recommendation and undirected proxies. The Board recommends that shareholders vote in **FAVOUR** of resolution 3. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of resolution 3.

ASX Listing Rule 7.1A provides eligible companies (which includes the Company) the ability to raise an additional 10% of issued capital by way of placements over a 12 month period. This is in addition to a company's ability to issue up to 15% of its issued capital in a 12 month period without Shareholder approval. The number of Shares which may be issued by a company under Listing Rule 7.1A is calculated in accordance with the following formula:

$$(A \times D) - E$$

where

A is the number of shares on issue 12 months before the date of issue or agreement:

- plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- plus the number of fully paid ordinary shares issued in the 12 months with the approval of Shareholders under Listing Rule 7.1 or Listing Rule 7.4;
- less the number of fully paid ordinary shares cancelled in the 12 months.

D is 10%.

E is the number of shares issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or Listing Rule 7.4.

The Directors are seeking approval to have the additional capacity to issue a number of shares representing 10% of the issued share capital of the Company pursuant to Listing Rule 7.1A. ("**10% placement facility**")

While the company does not have any immediate plans to issue shares, purposes for which shares may be issued pursuant to Resolution 3 may include the raising of capital to facilitate further investment opportunities.

The shares must be issued at an issue price that is at least 75% of the Volume Weighted Average Price for the Company's equity securities over the 15 trading days on which trades in that class were recorded immediately before:

- (a) the date on which the price at which the equity securities are to be issued or agreed; or
- (b) if the equity securities are not issued within 5 trading days of the date in paragraph (a) above, the date on which the equity securities are issued.

The Company may issue some of the shares for non-cash consideration, for example, as part of the consideration for an acquisition of assets but the issue price attributable to the shares shall be at least 75% of the Volume Weighted Average Price as referred to above.

In the event that shares are issued for non-cash consideration, the Company will announce to the market the valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any shares.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% placement facility under Listing Rule 7.1A. The identity of the allottees of Shares will be determined on a case by case basis having regard to factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including rights issue or other issues in which existing Shareholders can participate;
- the effect of the issue of the shares on the control of the Company;
- the financial situation of the Company;
- advice from corporate, financial and broking advisors; and
- the potential benefits an allottee could provide to the Company as a strategic investor (if applicable).

The allottees under the 10% placement facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Provided that Shareholder approval is granted for Resolution 3, then there is a risk that the Share price may be lower on the issue date than on the date on which approval is given to this Resolution 3, and the shares may be issued at a discount to the market price for those equity securities. The table below is provided on a post consolidation basis to illustrate the potential dilution of existing Shareholders on the basis of the current market price of shares and the current number of shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this notice.¹

¹ The table has been prepared on the following assumptions:

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$ 0.065 50% decrease in Issue Price	\$ 0.130 Issue Price	\$ 0.260 100% increase in Issue Price
Current Variable A 268,764,671	10% Voting dilution	26,876,467	26,876,467	26,876,467
	Funds raised	\$ 1,746,970	\$ 3,493,941	\$ 6,987,881
50% increase in current Variable A 403,147,007	10% Voting dilution	40,314,701	40,314,701	40,314,701
	Funds raised	\$ 2,620,456	\$ 5,240,911	\$ 10,481,822
100% increase in current Variable A 537,529,342	10% Voting dilution	53,752,934	53,752,934	53,752,934
	Funds raised	\$ 3,493,941	\$ 6,987,881	\$ 13,975,763

The table shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of shares the Company has on issue. The number of shares on issue may increase as a result of issues of shares that do not require approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of shares has decreased by 50% and increased by 100% as against the current market price.

If Shareholder approval is granted for Resolution 3, then that approval will expire on the earlier of:

- 27 October 2015, being 12 months from the date of the Meeting; or
- the date Shareholder approval is granted to a transaction under Listing Rule 11.1.2 (proposed change to nature and scale of activities) or Listing Rule 11.2 (change involving main undertaking).

QUESTIONS AND COMMENTS BY SHAREHOLDERS AT THE MEETING

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions or make comments on the management of the Company at the Annual General Meeting.

Similarly, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions to the Company's external Auditor, MNSA Pty Ltd ("MNSA"), relevant to:

- the conduct of the audit;
- the preparation and contents of the audit;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to MNSA if the question is relevant to the content of MNSA's audit report or the conduct of its audit of the Company's financial report for the year ended 30 June 2014.

Relevant written questions to MNSA must be no later than 7:00pm (AEDT) on 20 October 2014. A list of those questions will be made available to Shareholders attending the meeting. MNSA will either answer questions at the meeting or table written answers to them at the meeting. If written answers are tabled at the meeting, they will be made available to Shareholders as soon as practicable after the meeting.

PLEASE SEND WRITTEN QUESTIONS FOR MNSA TO:

By facsimile - +61 3 9602 4709;

Post to – Mercantile Investment Company Limited - Level 11, 139 Macquarie Street, Sydney NSW 2000

by no later than 7:00pm (AEDT) on 20 October 2014.

-
- The Company issues the maximum number of shares available under Listing Rule 7.1A;
 - No shares are issued on the conversion of options before the date of issue of the shares;
 - The table shows only the effect of shares issues under Listing Rule 7.1A and does not factor in the Company's ability to issue up to 15% of its issued capital under Listing Rule 7.1;
 - The issue price is \$0.13, being the closing price of the shares on ASX on 17 September 2014.

GLOSSARY

In this Explanatory Memorandum, and the Notice of Meeting:

AEDT	Australian Eastern Daylight Time.
Board	means the board of directors of the Company.
Company	means Mercantile Investment Company Limited.
Constitution	means the constitution of the Company.
Director	means a director of the Company.
Explanatory Memorandum	means this explanatory memorandum which forms part of the Notice of Meeting.
Listing Rules	means the listing rules of the ASX Limited.
Meeting	means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on 27 October 2014.
Shareholder	means a holder of a Share.
Share	means an ordinary share in the capital of the Company.

Mercantile Investment Company Limited

ABN 15 121 415 576

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 MVT
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 11.00am (AEDT) on Saturday 25 October 2014

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- ☒ Review your securityholding
- ☒ Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Mercantile Investment Company Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Mercantile Investment Company Limited to be held at the Christie Conference Centre, The Yangtze Room, Mezzanine Level, 3 Spring Street, Sydney on Monday 27 October 2014 at 11.00am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Board recommendations and undirected proxies: To fully inform shareholders in exercising their right to vote, the Board recommends that shareholders vote, and the Chairman of the Meeting intends to vote undirected proxies (to the extent permitted by law), in the manner set out beside each resolution.

Board recommendations			For	Against	Abstain
For	Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 2	Re-election of Sir Ronald Brierley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 3	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

_____ / _____ / _____

Date

M V T

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Computershare +

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576

Annual Report 2014

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

ANNUAL FINANCIAL REPORT – 30 JUNE 2014

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MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

Portfolio Composition As at 30 June 2014

Australian Securities Exchange Listed Positions at 30 June 2014

Name	Total Value \$
Ingenia Communities Group	24,509,434
Murchison Metals Limited	3,645,715
Trinity Group	2,273,628
Fitzroy River Corporation Limited	2,224,515
Australian Pharmaceutical Industries Limited	1,475,000
ASK Funding Limited	1,197,412
ING Private Equity Access Limited	1,065,438
Cellnet Group Limited	610,856
Joyce Corporation Limited	510,000
Alternative Investment Trust	250,000
White Energy Company Limited	150,000
Yancoal Australia Limited	25,000
TAG Limited	23,168
Dolomatrix International Limited	16,500
TOTAL	<u>37,976,666</u>

Australian Unlisted Investment Positions at 30 June 2014

Adelaide Managed Funds Asset Backed Yield Trust	<u>520,901</u>
TOTAL	<u>520,901</u>

United Kingdom Stock Exchange Listed Position at 30 June 2014

Impact Holdings (UK) PLC	<u>818,656</u>
TOTAL	<u>818,656</u>

Loans Receivable at 30 June 2014

Impact Holdings (UK) PLC	<u>871,534</u>
TOTAL	<u>871,534</u>

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

1. CHAIRMAN'S LETTER

25 August 2014

Dear Shareholder

I present you with the Annual Report and Accounts for the year ended 30 June 2014.

Mercantile Investment Co Ltd enjoyed a reasonably productive year to 30 June 2014.

The value of the share portfolio held up well and we made several moves which augur well for the future.

Since balance date, we have completed the full integration of Murchison Metals Ltd (MMX), issuing 18.19 million new shares in MVT in the process. This will assist our aim of achieving economies of scale and reaching optimum size for an ASX listed entity.

We are somewhat cautious regarding the overall level of the share market in the next 12 months but otherwise we expect another satisfactory result in 2014/15.

Yours sincerely



Ron Brierley
Chairman
25 August 2014

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

2. DIRECTORS' REPORT

Your Directors present their report on the Company for the year ended 30 June 2014.

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

Sir Ron Brierley	Chairman & Non-Executive Director
Mr Gabriel Radzynski	Executive Director
Mr James Chirside	Independent Non-Executive Director
Mr Ronald Langley	Independent Non-Executive Director
Dr Gary Weiss	Non-Executive Director

The Company Secretary during the financial year:

Mark Licciardo

Principal Activities

The principal activities of the entity during the financial year were investment in cash and securities which will provide attractive risk adjusted returns, including by way of short term trading, profit making ventures and holding shares for dividend yield/long term capital appreciation, as appropriate.

There was no significant change in the nature of the entity's principal activities during the financial year.

Operating Results

The Company generated Comprehensive Income, net of tax, for the year ended 30 June 2014 of \$7.53m (2013: Profit of \$6.28m), and an Operating Loss, net of tax of \$0.11m (2013: Loss of \$0.22m).

The reduction in Operating Loss arises primarily from the unrealised gains in movement of market value of investments held for trading.

Comprehensive Income per share is a profit of 3.00 cents (2013: 2.50 cents). The market price of the Company's shares increased over the year from \$0.10 per share at 30 June 2013 to \$0.135 per share at 30 June 2014 (2013: increased from \$0.08 per share to \$0.10 per share).

During the year the Net Tangible Assets (after tax) (NTA) increased from \$0.10 to \$0.13 (2013: increased from \$0.08 to \$0.10).

The increase in NTA is primarily due to the impact of increase in the market value of the Company's investments.

Dividends Paid or Recommended

No dividends were paid or are payable for the year ended 30 June 2014.

Financial Position

The net assets of the Company now consist of a predominance of listed securities; \$39.3m in listed and unlisted securities and \$1.1m in cash compared with \$28.1m in listed and unlisted securities and \$1.3m in cash at 30 June 2013.

During the year the total Financial Assets increased from \$29.9m to \$41.4m.

Review of Operations

During the year, the Company continued to invest in listed securities it believes offer attractive risk adjusted returns, including profit making ventures and holding shares for dividend yield/long term capital appreciation, as appropriate.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

2. DIRECTORS' REPORT (CONTINUED)

Review of Operations (Continued)

On 17 March 2014, the Company and Murchison Metals Limited ('MMX') (in which the company held approximately 27.88% of shares on issue) entered into a Scheme Implementation Agreement ('SIA') that would merge the two companies by way of a scheme of arrangement. The scheme proposal involved MMX undertaking a selective reduction of capital under which all of the MMX shares (other than those held by the Company and its associates) would be cancelled. In consideration for the cancellation of their shares, MMX shareholders would have the option of either:

- choosing to receive cash consideration (being the amount equal to the MMX pre-tax net tangible assets ('NTA') per share less any transaction costs associated with implementing the Scheme) for 100% of their shares (Cash Consideration);
- to exchange 100% of their shares in the Company (calculated by reference to the relative pre-tax NTA backing per share of MMX and the Company less any transaction costs associated with implementing the scheme) (Scrip Consideration); or
- 50/50 combination of cash and scrip in Mercantile.

On 8 May 2014, the Supreme Court of New South Wales approved the release of the Scheme Booklet for the proposed merger with MMX. The Scheme Booklet incorporating the explanatory statement of the proposed merger, proxy forms for the Scheme Meeting, General Meeting and Class Meeting and election forms were dispatched to MMX shareholders on 15 May 2014.

The Scheme Meeting, General Meeting and Class Meeting of MMX shareholders were convened on 19 June 2014. MMX shareholders approved the scheme of arrangement at the various meetings.

At the Scheme Meeting, shareholders voted in favour of the Scheme. At the General Meeting, shareholders voted in favour of the subscription by MMX for new shares which will comprise the scrip consideration component under the Scheme. At the Class Meeting, shareholders voted in favour of a resolution to cancel all MMX shares other than those held by the Company and its associates.

On 23 June 2014, the Supreme Court of New South Wales approved the Scheme of Arrangement and the Court Order was lodged with ASIC on 24 June 2014.

After Balance Date Events

The implementation of the merger with MMX was completed on 8 July 2014.

The Scheme Consideration was issued as follows:

- Scrip Consideration – 0.3171 new shares was issued for each MMX share held by Scheme participants as at 1 July 2014. 18,186,971 new shares have been issued at a price of \$0.1523 per share.
- Cash Consideration - \$0.0483 was distributed for each MMX share held by Scheme participants as at 1 July 2014. The total Cash Consideration was distributed as a cheque or direct deposit on 8 July 2014.

The Company obtained control of MMX on 8 July 2014 and MMX will be included in the consolidated Group from that date.

The Company has committed to invest NZD\$4.75 million in a combination of units in Foundation Life Holding Trust and redeemable preference notes in Foundation Life (NZ) Holdings Limited. Foundation Life will acquire a residual life assurance business, subject to the customary regulatory approvals. The Company has paid a deposit of \$184,780 and will pay the balance of the commitment once Foundation Life obtains all the necessary approvals.

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

Future Developments, Prospects and Business Strategies

As the merger scheme of arrangement has been completed, the Company believes that the increase in capital will increase the Company's investment capacity.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

2. DIRECTORS' REPORT (CONTINUED)

Future Developments, Prospects and Business Strategies (Continued)

The Company will also continue to selectively invest in share market opportunities that Directors consider offer the prospect for attractive risk-adjusted returns. Although the present focus is on the Australian market, as the Directors have extensive international investment knowledge, occasional overseas opportunities will arise as these sorts of opportunities are considered to be part of the normal activities of the Company.

Environmental Issues

The Company's operations are such that they are not directly affected by environmental regulations.

Information on Directors and Company Secretary

Sir Ron Brierley – (Chairman and Non-Executive Director)

Sir Ron founded Brierley Investments Ltd in 1961 and as Chairman of that company implemented his investment approach successfully over the next 30 years, retiring as a director in 2001. Sir Ron was appointed Chairman of Guinness Peat Group PLC (GPG) in 1990 where he also applied his investment approach. Sir Ron stepped down as Chairman of GPG in 2010, and remains a non-executive director.

He is the Chairman of the Board and holds directorship in Guinness Peat Group PLC.

Interest in Shares and Options - 122,411,120 ordinary shares beneficially held by Siblow Pty Ltd.

Mr Gabriel Radzynski – BA (Hons), MCom (Executive Director)

Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd, a funds management and advisory firm specialising in activist investing. He is the portfolio manager of the Sandon Capital Activist Fund and Sandon Capital Investments Limited. Sandon Capital also provides advisory services to shareholders seeking to implement activist strategies.

He is Chairman of Sandon Capital Investments Limited and is a non-executive director of Future Generation Investment Fund Limited. Gabriel is also a director of Sandon Capital Opportunities Pty Limited.

Mr James Chirnside – (Independent Non-Executive Director)

James has been exclusively focussed on investment management for twenty-nine years in Sydney, Hong Kong, London, and Melbourne.

James is a Director of Mann Distribution Pty Limited, a marketing agent for Mannbio Holdings Limited. Mannbio Holdings is a specialist Biopharma Fund Manager founded in the UK by investor Jim Mellon. James ran Asia Pacific Asset Management between 2002 and 2012. APAM was an Australian and Asian equities fund, and Fund of Fund manager. From 2000-2001 James worked for Challenger Financial Group in Sydney as a product development manager responsible for hedge fund investments. During the 1990's James managed emerging market hedge funds in Hong Kong and London for Regent Fund Management - now AIM listed Charlemagne Capital. Between 1988 and 1992 James ran a Proprietary trading book for County NatWest Investment Bank, based in London. Here he was primarily focussed on Country Funds and derivative arbitrage strategies.

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

James holds directorships in Cadence Capital Limited, Murchison Metals Limited and WAM Capital Limited.

Dr. Gary Weiss – LLB (Hons), LLM, JSD (Non-Executive Director)

Gary is the Chairman of Clearview Wealth Ltd and Secure Parking Pty Ltd, Executive Director of Ariadne Australia Limited, and a director of Premier Investments Limited, Ridley Corporation Limited, Pro-Pac Packaging Limited and Victor Chang Cardiac Research Institute.

Gary has extensive international business experience and has been involved in numerous cross-border mergers and acquisitions.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

2. DIRECTORS' REPORT (CONTINUED)

Information on Directors and Company Secretary (Continued)

Dr. Gary Weiss – LLB (Hons), LLM, JSD (Non-Executive Director)

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

Interest in Shares and Options - 14,915,001 ordinary shares beneficially held by Portfolio Services Pty Limited and 900,000 Fully Paid ordinary shares beneficially held by Bivaru Pty Limited (Superannuation Account).

Mr. Ronald Langley – BCom (Hons) (Independent Non-Executive Director)

Ron has been an international value investor for the past 35 years and has held directorships in companies in several countries around the world. After living in the US for 25 years and building 2 substantial businesses, Ron returned to Sydney in 2009 and manages a personal investment fund which includes some unlisted emerging companies.

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

Interest in Shares and Options - 12,500,000 Fully Paid Ordinary Shares

Mark Licciardo – B Bus (Acc), GradDip CSP, FCIS, MAICD (Company Secretary)

Mr Licciardo is a Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed, unlisted public and private companies. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mr Licciardo is a former Chairman of the Chartered Secretaries Australia (CSA) in Victoria, a fellow of CSA, a member of the Australian Institute of Company Directors (AICD) and a director of several public and private companies.

This report details the nature and amount of remuneration for each Director of Mercantile Investment Company Limited. The current employees of the Company are one Executive Director and four Non-Executive Directors. The Company Secretary is remunerated under a service agreement with Mertons Corporate Services Pty Ltd.

Remuneration policy

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

REMUNERATION REPORT (Audited)

Where specialist services beyond the normal expectations of a Non-Executive Director are provided to the company, payment will be made on a normal commercial basis. Works under this arrangement have been carried out by Gabriel Radzynski through Sandon Capital Pty Limited at arm's-length market rates. Further details are contained in Note 23.

Directors' Remuneration

The remuneration policy has been tailored to align the interest between shareholders, executive directors and executives.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

2. DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (Audited) (Continued)

	Employee Short-Term Benefits	Post-Employment Benefits	Total
	Cash, Salary & Commissions	Superannuation	
	\$	\$	\$
2014			
Directors			
Mr. James Chirnside	15,000	1,388	16,388
Mr. Gabriel Radzynski	15,000	1,388	16,388
Mr. Ronald Langley	15,000	1,388	16,388
Dr. Gary Weiss (including GST)	17,985	-	17,985
Sir Ron Brierley	-	-	-
	62,985	4,164	67,149
2013			
Directors			
Mr. James Chirnside	15,000	1,350	16,350
Mr. Gabriel Radzynski	15,000	1,350	16,350
Mr. Ronald Langley	15,000	1,688	16,688
Dr. Gary Weiss (including GST)	17,985	-	17,985
Sir Ron Brierley	-	-	-
	62,985	4,388	67,373

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

Cash, salary and superannuation shown above for Dr Weiss reflect monthly director's fees paid to Ariadne Australia Limited and include GST.

The total pool of Non-Executive Directors' Fees, excluding consultancy services, approved by the shareholders is currently \$200,000 p.a.

Meetings of Directors

During the period, four meetings of directors (and two committees of directors meetings) were held.

Attendances by each director during the year were as follows:

	Directors' Meetings		Committee Meetings			
	Number Eligible to Attend	Number Attended	Audit & Risk		Remuneration	
			Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Mr Gabriel Radzynski	4	4	-	-	-	-
Mr James Chirnside	4	4	2	2	-	-
Dr Gary Weiss	4	3	2	2	-	-
Mr Ronald Langley	4	4	2	2	-	-
Sir Ron Brierley	4	4	-	-	-	-
Total Meetings Held	4		2		-	-

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

2. DIRECTORS' REPORT (CONTINUED)

Indemnifying Officers or Auditor

During or since the end of the financial period the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

The company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the company or the improper use by the Directors of their position.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit & Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the Corporations Act 2001 and APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No non-audit services were performed by the current auditors during the year ended 30 June 2014 (2013: Nil).

Auditors Independence Declaration

The lead auditor's independence declaration as required under s.307c of the Corporations Act 2001 for the year ended 30 June 2014 is set out on page 12.

Signed in accordance with a resolution of the Board of Directors.



Sir Ron Brierley
Chairman

Dated 25 August 2014

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

3. CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors of Mercantile Investment Company Limited ('MVT' or 'the Company') is responsible for the corporate governance of the Company. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on a company's website.

Accordingly, a copy of the company's CGS is available on the company's website at www.mercantileinvestment.com.au under the Governance section.



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

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C
OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MERCANTILE INVESTMENT COMPANY LIMITED
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd

MNSA Pty Ltd

Mark Schiliro

Sydney

25 August 2014

MERCANTILE INVESTMENT COMPANY LIMITED
ABN 15 121 415 576 and Controlled Entities

5. FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2014

		Consolidated	
		June	June
		2014	2013
	Note	\$	\$
Revenue	2	398,143	484,050
Realised (Loss)/ Gains on Trading Portfolio	2	(184)	93,421
Other Income	2	36,500	37,828
Unrealised Gains/ (Loss) on Market Value Movement	2	451,175	(92,407)
Fund Administration Expenses		(4,432)	(3,185)
Remuneration Costs	3	(67,324)	(67,636)
Listed Company Expenses	3	(717,444)	(555,777)
Marketing and Development Expenses		(5,387)	(13,456)
Occupancy Costs		(13,673)	(13,223)
Depreciation	13	(5,010)	(12,854)
Foreign Exchange Gains		39,014	2,572
Finance Costs		(84,589)	(5,287)
Loss on Disposal of Non-Current Assets		-	(18,503)
Profit/ (Loss) Before Income Tax		26,789	(164,457)
Income Tax Expense	4	(135,351)	(51,548)
Loss for the year		(108,562)	(216,005)
Other Comprehensive Income			
Gain on Revaluation of Available-for-sale Financial Assets			
Items that will not be reclassified to profit or loss:			
Gain on disposal of investments available for sale		3,150,200	956,666
Fair Value Adjustment		6,407,883	7,907,048
Deferred Tax Impact relating to items that will not be reclassified		(1,922,365)	(2,372,114)
Other Comprehensive Income for the Year, Net of Tax		7,635,718	6,491,600
Total Comprehensive Income for the Year		7,527,156	6,275,595
Loss Attributable to:			
Members of the Parent Entity		(108,562)	(216,005)
Non-Controlling Interest		-	-
		(108,562)	(216,005)
Total Comprehensive Income Attributable to:			
Members of the Parent Entity		7,527,156	6,275,595
Non-Controlling Interest		-	-
		7,527,156	6,275,595
Earnings per Share			
From Continuing Operations			
- Basic loss per share (cents per share)	8	(0.04)	(0.09)
- Diluted loss per share (cents per share)	8	(0.04)	(0.09)
From Comprehensive Income			
- Basic earnings per share (cents per share)	8	3.00	2.50
- Diluted earnings per share (cents per share)	8	3.00	2.50

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

Consolidated Statement of Financial Position

As at 30 June 2014

		Consolidated	
		June	June
		2014	2013
	Note	\$	\$
Assets			
Current Assets			
Cash and Cash Equivalents	9	1,129,258	1,357,461
Trade and Other Receivables	10	34,924	489,293
Financial Assets	11	4,866,296	3,477,736
Other Current Assets	12	193,120	8,735
Current Tax Assets	15	59	59
Total Current Assets		6,223,657	5,333,284
Non-Current Assets			
Financial Assets	11	34,449,927	24,668,300
Trade and Other Receivables	10	871,534	-
Property, Plant & Equipment	13	5,830	7,648
Deferred Tax Assets	15	36,218	144,465
Total Non-Current Assets		35,363,509	24,820,413
Total Assets		41,587,166	30,153,697
Current Liabilities			
Trade and Other Payables	16	138,318	88,510
Borrowings	17	2,912,241	1,005,206
Total Current Liabilities		3,050,559	1,093,716
Non-Current Liabilities			
Deferred Tax Liabilities	15	4,830,215	2,772,498
Total Non-Current Liabilities		4,830,215	2,772,498
Total Liabilities		7,880,774	3,866,214
Net Assets		33,706,392	26,287,483
Equity			
Issued Capital	18	24,773,530	24,881,777
Reserves	19	16,561,023	8,925,305
Retained Earnings		(7,628,161)	(7,519,599)
Total Equity		33,706,392	26,287,483

MERCANTILE INVESTMENT COMPANY LIMITED
ABN 15 121 415 576 and Controlled Entities

Consolidated Statement of Cash Flows
For the year ended 30 June 2014

		Consolidated	
		June	June
		2014	2013
	Note	\$	\$
Cash Flows from Operating Activities			
Dividends Received		357,174	338,880
Payments to Suppliers and Employees		(773,060)	(625,793)
Proceeds from Sale of Shares held for trading		3,005	2,108,100
Purchase of Shares held for trading		(940,573)	(3,853,322)
Capital Return Payments		-	460,000
Interest Received		33,695	23,249
Interest Paid		(89,794)	(82)
Trust Distributions Received		1,160,149	417,694
Underwriting Fee Received		36,500	37,828
Income Tax Paid		230,192	(267,367)
Net Cash Provided by/ (Used in) Operating Activities	21	17,288	(1,360,813)
Cash Flows from Investing Activities			
Proceeds from Sale of Investments		5,150,772	2,643,546
Purchase of Investments		(6,374,181)	(6,707,510)
Capital Return Payments		80,000	1,537,444
Purchase of Capital Assets		(3,192)	(2,134)
Net Cash (Used in) Investing Activities		(1,146,601)	(2,528,654)
Cash Flows from Financing Activities			
Loan Advanced		(826,351)	-
Loan Provided		1,912,241	1,000,000
Deposit paid for share purchase agreement		(184,780)	-
Net Cash Provided by Financing Activities		901,110	1,000,000
Net (Decrease) in Cash & Cash Equivalents Held		(228,203)	(2,889,467)
Cash & Cash Equivalents at Beginning of Financial Year		1,357,461	4,246,928
Cash & Cash Equivalents at End of Financial Year	9	1,129,258	1,357,461

MERCANTILE INVESTMENT COMPANY LIMITED
ABN 15 121 415 576 and Controlled Entities

Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

Consolidated	Issued Share Capital – Ordinary \$	Retained Earnings \$	Realised Capital Profits Reserve \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2013	24,881,777	(7,519,599)	2,515,234	6,410,071	26,287,483
Loss for the Year	-	(108,562)	-	-	(108,562)
<i>Other Comprehensive Income for the Year</i>					
Gains on Disposal of Investments Available for Sale to 30 June 2014	-	-	3,150,200	-	3,150,200
Net unrealised gains for stocks held at 30 June 2014	-	-	-	4,485,518	4,485,518
Total Comprehensive Income for the Year	-	-	3,150,200	4,485,518	7,635,718
Deferred Tax Relating to Capital Raising Costs	(108,247)	-	-	-	(108,247)
Subtotal	24,773,530	(7,628,161)	5,665,434	10,895,589	33,706,392
Dividends Paid or Provided for	-	-	-	-	-
Balance at 30 June 2014	24,773,530	(7,628,161)	5,665,434	10,895,589	33,706,392
Balance at 1 July 2012	24,992,645	(7,303,594)	1,558,568	875,137	20,122,756
Loss for the Year	-	(216,005)	-	-	(216,005)
<i>Other Comprehensive Income for the Year</i>					
Gains on Disposal of Investments Available for Sale to 30 June 2013	-	-	956,666	-	956,666
Net unrealised gains for stocks held at 30 June 2013	-	-	-	5,534,934	5,534,934
Total Comprehensive Income for the Year	-	-	956,666	5,534,934	6,491,600
Deferred Tax Relating to Capital Raising Costs	(110,868)	-	-	-	(110,868)
Subtotal	24,881,777	(7,519,599)	2,515,234	6,410,071	26,287,483
Dividends Paid or Provided for	-	-	-	-	-
Balance at 30 June 2013	24,881,777	(7,519,599)	2,515,234	6,410,071	26,287,483

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001. Mercantile Investment Company Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report includes the consolidated financial statements and notes of Mercantile Investment Company Limited and controlled entities ('Consolidated Group' or 'Group' or 'Company'). Mercantile Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Mercantile Investment Company Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied, unless otherwise stated.

The financial report was approved for release by the Board of Directors on 25 August 2014.

Reporting Basis and Conventions

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian dollars unless otherwise stated.

In preparing this financial report, the significant judgements made by management in applying the accounting policies and the key sources of estimates or uncertainty were the same as those that applied historically.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial report incorporates the assets, liabilities and results of entities controlled by Mercantile Investment Company Limited at the end of the reporting period. A controlled entity is any entity over which Mercantile Investment Company Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

A list of controlled entities is contained in Note 14 to the financial statements.

Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group. Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies (Continued)

(b) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method.

The acquisition method requires the acquirer of the business to be identified. The business combination will be accounted for as at acquisition date, which is the date that control over the acquiree, is obtained by the parent entity. At that date, the parent entity shall recognise in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be measured reliably.

Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entities incremental borrowing rate.

Goodwill arising on acquisition is recognised initially at the excess of cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(c) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(d) Income Tax

The income tax expense/ (income) for the year comprises current income tax expense/ (income) and deferred tax expense/ (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/ (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies (Continued)

(d) Income Tax (Continued)

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. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a combination of prime cost and diminishing value basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies (Continued)

(f) Financial Instruments

Initial Recognition and Measurement

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 (ie 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.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Loans and receivables

Loans and receivables 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 derecognised.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies (Continued)

(f) Financial Instruments (Continued)

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial assets.

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies (Continued)

(g) 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.

(h) Investment in Subsidiaries

Investment in subsidiary companies in the parent's financial statements is stated at cost, net of any impairment losses.

Details of investment in subsidiaries are provided in Note 14.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of three months or less.

(j) Trade and other Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

(k) Earnings per Share (EPS)

Basic earnings per share is determined by dividing the operating profit after tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the operating profit after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

(l) Revenue and Other Income

Dividend revenue is recognised when the right to receive a dividend has been established.

Interest revenue is recognised using the effective interest method.

The realised gain or loss on disposal of investments is recognised at the date of transaction. All unrealised gains or losses which represent movements in the market value of the portfolio of listed investments are recognised through the Asset Revaluation Reserve on the Statement of Financial Position.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Operating Segments

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from trust distribution, dividend income, interest income and from sale of its investment portfolio.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies (Continued)

(n) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment

The financial assets available-for-sale and held-for-trading of Mercantile Investment Company Limited are valued at fair value. The Directors assess impairment of all other assets at each reporting date by evaluating conditions specific to the Group that may lead to impairment of these assets. Where an impairment trigger exists, the recoverable amount of the assets is determined.

In accordance with AASB 112 Income Taxes, deferred tax assets/liabilities have been recognised for unrealised losses/gains in the investment portfolio at current tax rates to the point that management believes that they will be utilised.

Key Judgements - Impairment

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

(o) 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 Tax 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 are stated inclusive of the amount 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.

GST is accounted for on a cash basis for activity statement purposes.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(q) New and Amended Accounting Standards and Interpretations

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

AASB 10: Consolidated Financial Statements. This standard provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies (Continued)

(q) New and Amended Accounting Standards and Interpretations (Continued)

This standard did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group.

AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13*. This standard sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value.

This standard did not materially impact the fair value amounts reported in the Group's financial statements.

(r) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's Directors have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

- AASB 9: *Financial Instruments* and associated amending standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

- AASB 2012-3: *Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments.

- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment.

- AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

- AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

	Consolidated	
	June	June
	2014	2013
	\$	\$
<hr/>		
NOTE 2: REVENUE AND OTHER INCOME		
Revenue		
- Dividends Received	357,174	234,050
- Trust Distributions Received	-	226,751
- Interest Received	40,969	23,249
	<hr/>	<hr/>
Total Revenue	398,143	484,050
	<hr/>	<hr/>
Realised (Loss)/ Gains on Trading Portfolio	(184)	93,421
Unrealised Gains/ (Loss) on Market Value Movement	451,175	(92,407)
	<hr/>	<hr/>
Other Income		
- Underwriting Fee	36,500	37,828
	<hr/>	<hr/>
Total Other Income	36,500	37,828
	<hr/>	<hr/>
Total Revenue and Other Income	885,634	522,892
	<hr/>	<hr/>
NOTE 3: EXPENSES		
Remuneration Costs		
Director Fees	62,985	62,985
Superannuation	4,164	4,388
Other	175	263
	<hr/>	<hr/>
	67,324	67,636
	<hr/>	<hr/>
Listed Company Costs		
Accounting & Secretarial Costs	116,572	116,298
Audit Fees	35,640	38,500
Director & Officer Insurance	11,197	11,458
Legal and Professional Fees		
- Non Recurring Costs ¹	171,708	52,554
- Recurring Costs	-	1,195
ASIC & ASX Charges	32,429	29,107
Share Registry Costs	24,281	21,954
Corporate Work Costs	165,000	157,297
Taxation Services ²	160,617	127,414
	<hr/>	<hr/>
	717,444	555,777
	<hr/>	<hr/>

¹ A number of legal costs incurred during 2014 are not expected to recur, and are therefore considered non-recurring. These include costs relating to the proposed take-over offer of GLL which did not proceed as well as costs in relation to the merger Scheme of Arrangement with MMX.

² A large proportion of the taxation services costs were one-off and not expected to recur.

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

	Consolidated	
	June	June
	2014	2013
	\$	\$
<hr/>		
NOTE 4: INCOME TAX EXPENSE		
(a) The components of tax expense comprise:		
- Deferred Tax	135,351	25,325
- Under Provision for Tax – Prior Year	-	26,223
	<u>135,351</u>	<u>51,548</u>
(b) The prima facie tax on (loss)/ profit from ordinary activities before income tax as follows:		
- Prima face tax payable on (loss)/ profit from ordinary activities before income tax at 30% (2013: 30%)	8,037	(49,337)
Add: Tax Effect of:		
- Franking Credits	43,994	30,092
- Other Assessable Income	1,171,354	340,046
- Non-Deductible Expenditure	67,011	53,586
Less: Tax Effect of:		
- Group Losses/ (Gains) not recognised	195	2,267
- Non-Assessable Income	(176,449)	(772)
- Tax Losses Utilised	(944,240)	(241,196)
- Other Allowable Items	(10,096)	(16,253)
- Rebateable Fully Franked Dividends	(43,994)	-
- Deduction under Sec 40-880	(115,812)	(118,433)
Under Provision for Tax – Prior Year	-	26,223
Deferred Tax	<u>135,351</u>	<u>25,325</u>
INCOME TAX EXPENSE	<u>135,351</u>	<u>51,548</u>
Approximate carried forward Revenue Losses as at 30 June 2014: \$4.9m (2013: \$8.1m). There were no capital losses to be carried forward at 30 June 2014 (30 June 2013 – Nil). The Company has determined that current year taxable profits will be offset against prior year carried forward revenue losses.		
Deferred tax assets relating to capital raising costs have been recognised in the Statement of Financial Position totalling \$36,218.		
Franking Credits		
The ability for Mercantile Investment Company Limited to pay franked dividends is dependent upon the Company paying tax. At 30 June 2014 the Company was liable for tax on taxable profits and total imputation credits from the receipt of franked dividends of \$146,646 was used to reduce tax on taxable profits.		
Balance of franking account at year end arising from:		
Opening balance at 1 July	495,258	127,642
Payment of provision for income tax	-	267,309
Franking credits on dividends received	<u>146,646</u>	<u>100,307</u>
	<u>641,904</u>	<u>495,258</u>

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

Consolidated	
June	June
2014	2013
\$	\$

NOTE 5: KEY MANAGEMENT COMPENSATION

(a) Names and Positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Sir Ron Brierley	Non-Executive Director & Chairman
Mr. Gabriel Radzynski	Executive Director
Mr. James Chirnside	Independent Non-Executive Director
Dr. Gary Weiss	Non-Executive Director
Mr. Ronald Langley	Independent Non-Executive Director

(b) Aggregate compensation made to Key Management Personnel

Short-term Employee Benefits	62,985	62,985
Post-Employment Benefits	4,164	4,388
	<u>67,149</u>	<u>67,373</u>

(c) Shareholdings

Number of Shares held directly, indirectly or beneficially by Key Management Personnel, or by entities to which they were related, were:

2014	Balance 1 July 2013	Net Change Other	Balance 30 June 2014
Mr. James Chirnside	-	-	-
Mr. Gabriel Radzynski	-	-	-
Sir Ron Brierley**	122,411,120	-	122,411,120
Dr. Gary Weiss**	15,815,001	-	15,815,001
Mr. Ronald Langley	12,500,000	-	12,500,000
	<u>150,726,121</u>	-	<u>150,726,121</u>

** Held through Indirect Interest.

2013	Balance 1 July 2012	Net Change Other	Balance 30 June 2013
Mr. James Chirnside	-	-	-
Mr. Gabriel Radzynski	-	-	-
Sir Ron Brierley **	122,411,120	-	122,411,120
Dr. Gary Weiss **	15,815,001	-	15,815,001
Mr. Ronald Langley	12,500,000	-	12,500,000
	<u>150,726,121</u>	-	<u>150,726,121</u>

** Held through Indirect Interest.

(d) Options & Rights Holdings

There were no options held directly, indirectly or beneficially by Key Management Personnel, or by entities to which they were related for the year ended 30 June 2014.

NOTE 6: AUDITOR'S REMUNERATION

Remuneration of the auditor of the entity for:

- Audit and Review of Financial Report	<u>35,640</u>	<u>38,500</u>
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MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

	Consolidated	
	June	June
	2014	2013
	\$	\$
<hr/>		
NOTE 7: DIVIDENDS		
No dividends were paid or provided for during the year (2013: Nil).		
Listed Investment Company capital gains account		
Balance of the Listed Investment Company (LIC) capital gains account	5,665,434	2,515,234
This would equate to an attributable amount of	6,333,392	3,183,192
Distributable LIC capital gains may entitle certain shareholders to a special capital gains concession in their taxation return, as set out in the dividend statement. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains.		
NOTE 8: EARNINGS PER SHARE		
<i>(a) Reconciliation of earnings used in calculating basic and diluted earnings per share</i>		
Net loss attributable to members	<u>(108,562)</u>	<u>(216,005)</u>
Loss used in calculating basic and diluted EPS	<u>(108,562)</u>	<u>(216,005)</u>
<i>(b) Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS</i>		
	<u>250,577,700</u>	<u>250,577,700</u>
Weighted average number of options outstanding	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares and options outstanding during the year used in calculating diluted EPS	<u>250,577,700</u>	<u>250,577,700</u>
Comprehensive Income:		
Loss for the year	(108,562)	(216,005)
Other Comprehensive Income for the year, Net of Tax	<u>7,635,718</u>	<u>6,491,600</u>
Total Comprehensive Income for the year	<u>7,527,156</u>	<u>6,275,595</u>
NOTE 9: CASH AND CASH EQUIVALENTS		
Cash at Bank and in Hand	<u>1,129,258</u>	<u>1,357,461</u>
Reconciliation of Cash		
Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and Cash Equivalents	<u>1,129,258</u>	<u>1,357,461</u>

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

Consolidated

June **June**
2014 **2013**
\$ **\$**

NOTE 10: TRADE AND OTHER RECEIVABLES

Current – Loans & Receivables

Other Receivables	13,991	235,720
Amounts Receivable from:		
- Sundry Debtors	9,659	2,018
- Trust Distributions Receivable	11,274	251,555
	34,924	489,293

There are no balances within trade and other receivables that contain assets that are impaired. Those balances past due are expected to be received in full. All assets are assessed for impairment and are provided for in full, where identified to be impaired.

Non-Current – Loans & Receivables

Loan – Impact Holdings (UK)	871,534	-
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On 11 July 2013, the Company advanced GBP500,000 to Impact Holdings (UK). Interest is payable at the end of each quarter at a rate of 4.5% per annum.

Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Non-Current - Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group's significant credit risk exposure is in United Kingdom due to the loan to Impact Holdings (UK). The only credit risk exposure in India as at 30 June 2013 was the amount of tax refundable to the Company from prior years. The tax refund has been paid to the Company during the year. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

AUD

United Kingdom	871,534	-
Australia	34,924	251,795
India	-	237,498
	906,458	489,293

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trading terms (as detailed in the table) are considered to be high credit quality.

	Gross Amount	Past due and Impaired	Past due but not impaired				Within initial Trade Terms
			< 30	31-60	61 -90	>90	
2014							
Other Receivables	906,458	-	34,924	-	-	-	871,534
Total	906,458	-	34,924	-	-	-	871,534
2013							
Other Receivables	489,293	-	-	-	-	-	489,293
Total	489,293	-	-	-	-	-	489,293

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

Notes to the Financial Statements

		Consolidated	
		June	June
		2014	2013
	Note	\$	\$
<hr/>			
NOTE 11: FINANCIAL ASSETS			
CURRENT & NON-CURRENT			
Current - Financial Assets Held-for-Trading	11(a)	4,866,296	3,477,736
Non-Current - Available-for-Sale Financial Assets	11(b)	34,449,927	24,668,300
		<u>39,316,223</u>	<u>28,146,036</u>
(a) Financial Assets Held-for-Trading Comprise:			
CURRENT			
- Shares in listed corporations held-for-trading		4,866,296	3,477,736
Total Current Financial Assets		<u>4,866,296</u>	<u>3,477,736</u>
(b) Available-for-Sale Financial Assets comprise:			
NON-CURRENT			
Investments, at fair value			
Units in unlisted trust available-for-sale		520,901	506,018
Shares in domestic and overseas listed corporations available-for-sale		33,929,026	24,162,282
Total Non-Current Financial Assets		<u>34,449,927</u>	<u>24,668,300</u>
NOTE 12: OTHER ASSETS			
Current			
Deposits paid ¹		184,780	-
Prepayments		8,340	8,735
Total Other Assets		<u>193,120</u>	<u>8,735</u>
¹ The Company is investing in an entity that is acquiring a NZ based life insurer. A deposit of \$184,780 was payable when the Unit holder Agreement was signed. If all regulatory approvals are received, the Company's total initial commitment to this investment will be NZD\$4.75m.			
NOTE 13: PROPERTY, PLANT AND EQUIPMENT			
PLANT AND EQUIPMENT			
Plant and Equipment:			
At Cost		23,279	23,279
Accumulated Depreciation		<u>(20,989)</u>	<u>(17,765)</u>
		<u>2,290</u>	<u>5,514</u>
Website Development Costs:			
At Cost		5,326	2,134
Accumulated Depreciation		<u>(1,786)</u>	<u>-</u>
		<u>3,540</u>	<u>2,134</u>
Total Plant and Equipment		<u>5,830</u>	<u>7,648</u>

MERCANTILE INVESTMENT COMPANY LIMITED

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Notes to the Financial Statements

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment	Furniture and Fixtures	Website Development Costs	Total
	\$	\$	\$	\$
Consolidated:				
Balance at 1 July 2012	31,055	5,816	-	36,871
Additions	-	-	2,134	2,134
Write-offs	(14,976)	(3,527)	-	(18,503)
Depreciation Expense	(12,273)	(581)	-	(12,854)
Balance at 30 June 2013	3,806	1,708	2,134	7,648
Balance at 1 July 2013	3,806	1,708	2,134	7,648
Additions	-	-	3,192	3,192
Write-offs	-	-	-	-
Depreciation Expense	(3,001)	(223)	(1,786)	(5,010)
Balance at 30 June 2014	805	1,485	3,540	5,830

NOTE 14: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		June 2014	June 2013
Parent Entity			
Mercantile Investment Company Limited	Australia	100	100
Controlled Entities of Mercantile Investment Company Limited:			
Asia Diversified Fund Pty Ltd	Australia	100	100
India Asset Management Pty Ltd	Australia	100	100
India Asset Holdings Pty Ltd	Australia	100	100
Olympus Funds Management Pty Ltd	Australia	100	100

Percentage of voting power is in proportion to ownership.

Murchison Metals Limited became a controlled entity on 8 July 2014.

Opening balance	Charged to income	Charged directly to equity	Closing balance
\$	\$	\$	\$

NOTE 15: CURRENT & DEFERRED TAX

Consolidated

2014

Deferred Tax Liability

Fair Value Gain	2,772,498	135,351	1,922,366	4,830,215
Balance at 30 June 2014	2,772,498	135,351	1,922,366	4,830,215

Deferred Tax Assets

Transaction costs on equity issue	144,465	-	(108,247)	36,218
Balance at 30 June 2014	144,465	-	(108,247)	36,218

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Notes to the Financial Statements

	Consolidated	
	June	June
	2014	2013
	\$	\$
NOTE 15: CURRENT & DEFERRED TAX (CONTINUED)		
2013		
Deferred Tax Liability		
Fair Value Gain	375,059	25,325
	2,372,114	2,772,498
Balance at 30 June 2013	375,059	25,325
	2,372,114	2,772,498
Deferred Tax Assets		
Transaction costs on equity issue	255,333	-
	(110,868)	144,465
Balance at 30 June 2013	255,333	-
	(110,868)	144,465

Deferred tax assets totalling \$36,218 relating to capital raising costs have been recognised in the Statement of Financial Position.

	Consolidated	
	June	June
	2014	2013
	\$	\$
Current Tax Asset	59	59

NOTE 16: TRADE AND OTHER PAYABLES**Current**

Unsecured Liabilities		
Trade Payables	66,828	35,859
Sundry Payables and Accrued Expenses	71,447	52,548
GST Payable	43	103
	138,318	88,510

Due to the short term nature of trade payables, their carrying value is assumed to approximate their fair value.

NOTE 17: BORROWINGS**Current**

Unsecured Short-Term Loan	2,912,241	1,005,206
---------------------------	------------------	------------------

Sir Ron Brierley provided an advance of \$1m on 24 May 2013 to fund the Company's purchase of shares in domestic and overseas corporations. An additional advance of \$1.9m was advanced in 2014. Interest is payable at 5% per annum. All interest payable on the loan was paid before 30 June 2014.

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Notes to the Financial Statements

	Consolidated	
	June	June
	2014	2013
Note	\$	\$
<hr/>		
NOTE 18: ISSUED CAPITAL		
250,577,700 (2013: 250,577,700) fully paid securities	<u>24,773,530</u>	<u>24,881,777</u>
An additional 18,186,971 fully paid ordinary shares were issued on 8 July 2014 at a price of \$0.1523 per share.		
(a) Ordinary Shares		
	2014	2013
	No.	No.
At the beginning of reporting period	250,577,700	250,577,700
Movement in Ordinary Shares issued during period:		
Shares issued	-	-
Net share issue costs		
		(108,247)
		(110,868)
At Reporting Date – 30 June	<u>250,577,700</u>	<u>250,577,700</u>
	<u>24,773,530</u>	<u>24,881,777</u>

(b) Capital Management

Management controls 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 entity can fund its operations and continue as a going concern.

Mercantile Investment Company Limited does not have any externally imposed capital requirements.

Apart from the \$2.9m loan provided by Sir Ron Brierley, Mercantile Investment Company Limited does not have any debt at 30 June 2014 (2013: Nil).

NOTE 19: RESERVES

Asset Revaluation Reserve	19(a)	10,895,589	6,410,071
Realised Capital Gains Reserve	19(b)	5,665,434	2,515,234
		<u>16,561,023</u>	<u>8,925,305</u>

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets. This includes available-for-sale investments. Under certain circumstances dividends can be declared from this reserve.

Opening Balance at 1 July	6,410,071	875,137
Revaluation of Investment Portfolio	6,407,883	7,907,048
Provision for Tax on Unrealised Gains	<u>(1,922,365)</u>	<u>(2,372,114)</u>
Closing balance at 30 June	<u>10,895,589</u>	<u>6,410,071</u>

(b) Realised Capital Gains Reserve

The reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio. As the balance relates to net realised gains it may be distributed as cash dividends at the discretion of the Directors.

The net capital gains on disposal of investments held for sale for the year was \$3,150,200 and has been transferred to the Realised Capital Gains Reserve.

Opening Balance at 1 July	2,515,234	1,558,568
Transfer from Retained Earnings	-	-
Gains on disposal of investments available for sale	<u>3,150,200</u>	<u>956,666</u>
Closing Balance at 30 June	<u>5,665,434</u>	<u>2,515,234</u>

MERCANTILE INVESTMENT COMPANY LIMITED

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Notes to the Financial Statements

	Consolidated	
	June	June
	2014	2013
Note	\$	\$
NOTE 20: CONTINGENT LIABILITIES AND CONTINGENT ASSETS		
There are no contingent assets or liabilities as at 30 June 2014 (2013: Nil).		
NOTE 21: CASH FLOW INFORMATION		
(a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax		
Loss after Income Tax	<u>(108,562)</u>	<u>(216,005)</u>
Non-Cash Flows in Profit:		
- Net Loss/ (Gains) on Disposal of Investments	184	(93,421)
- Unrealised (Gains) on Foreign Currency	(45,185)	(2,572)
- Realised Loss on Sale of Fixed Assets	-	18,503
- Depreciation	5,010	12,854
- Unrealised (Gains)/ Loss on Market Value Movement	(315,825)	117,731
- Tax-Deferred Portion on Trust Distributions Received	919,867	442,499
Changes in assets and liabilities:		
- Decrease/ (Increase) in Trade Receivables	454,370	(148,553)
- Decrease/ (Increase) in Other Assets	395	(935)
- (Increase) in Financial Investments	(937,568)	(1,285,222)
- (Decrease)/ Increase in Income Tax Payable	-	(241,144)
- Increase in Trade Payables & Accruals	<u>44,602</u>	<u>35,452</u>
Cash Flow from Operations	<u><u>17,288</u></u>	<u><u>(1,360,813)</u></u>
NOTE 22: PARENT ENTITY		
Statements of Financial Position		
Assets		
Current Assets	6,183,776	5,331,124
Non-Current Assets	<u>35,397,804</u>	<u>24,819,729</u>
Total Assets	<u>41,581,580</u>	<u>30,150,853</u>
Liabilities		
Current Liabilities	3,049,629	1,096,177
Non-Current Liabilities	<u>4,830,215</u>	<u>2,772,498</u>
Total Liabilities	<u>7,879,844</u>	<u>3,868,675</u>
Net Assets	33,701,736	26,282,178
Issued Capital	24,773,530	24,881,777
Retained Earnings	(7,632,817)	(7,524,904)
Reserves	<u>16,561,023</u>	<u>8,925,305</u>
Shareholders' Equity	<u>33,701,736</u>	<u>26,282,178</u>
Statement of Profit or Loss and Other Comprehensive Income		
Profit/ (Loss)	27,439	(156,902)
Total Comprehensive Income	7,663,157	6,334,698

MERCANTILE INVESTMENT COMPANY LIMITED

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Notes to the Financial Statements

		Consolidated	
		June	June
		2014	2013
Note		\$	\$
<hr/>			
NOTE 23: RELATED PARTY TRANSACTIONS			
Transactions with related parties			
Sandon Capital Pty Ltd is an entity associated with Mr. Gabriel Radzynski. Sandon Capital provided general consulting and corporate advisory services to Mercantile Investment. All dealings are conducted at arm's length on normal commercial terms.			
		165,000	157,297
Ariadne Australia Limited is an entity associated with Dr. Gary Weiss. Director's fees for Dr Gary Weiss were paid to Ariadne Australia Limited at the same rate as other Directors' of the Company but including GST.			
		17,985	17,985
A short-term loan was advanced to the Company by Sir Ron to fund purchases of investments. Interest is payable at 5% per annum.			
All Interest payable on loan advanced by Sir Ron was paid before 30 June 2014.			
		1,912,241	1,000,000
During the year, the Company paid management fees to Sandon Capital Pty Limited on behalf of MMX and they were reimbursed in full by MMX.			
NOTE 24: FINANCIAL RISK MANAGEMENT			
Financial Risk Management			
The Group's financial instruments consisted mainly of shares listed on the Australian Securities Exchange. Other financial instruments include deposits with banks, loans, accounts receivable and payable.			
The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:			
Financial Assets			
Cash and Cash Equivalents	9	1,129,258	1,357,461
Trade and Other Receivables	10	34,924	489,293
Financial assets at fair value through profit or loss			
Financial Assets Held-for-trading	11	4,866,296	3,477,736
Available-for-sale financial assets			
Units in unlisted trust	11	520,901	506,018
Shares in listed corporations	11	33,929,026	24,162,282
Loans	10	871,534	-
		<u>41,351,939</u>	<u>29,992,790</u>
Financial Liabilities			
Trade and Other Payables	16	138,318	88,510
Borrowings	17	2,912,241	1,005,206
		<u>3,050,559</u>	<u>1,093,716</u>

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Notes to the Financial Statements

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Risk Management Policies (Continued)

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2014				
Financial Assets:				
Available-for-sale financial assets				
- Units in unlisted trust	-	-	520,901	520,901
- Shares in listed corporations	<u>33,929,026</u>	-	-	<u>33,929,026</u>
	<u>33,929,026</u>	-	520,901	<u>34,449,927</u>
Held-for trading Financial Assets				
- Listed Investments	<u>4,866,296</u>	-	-	<u>4,866,296</u>
2013				
Financial Assets:				
Available-for-sale financial assets				
- Units in unlisted trust	-	-	506,018	506,018
- Shares in listed corporations	<u>24,162,282</u>	-	-	<u>24,162,282</u>
	<u>24,162,282</u>	-	506,018	<u>24,668,300</u>
Held-for trading Financial Assets				
- Listed Investments	<u>3,477,736</u>	-	-	<u>3,477,736</u>

Specific Financial Risk Exposures and 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 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.

(i) Price Risk

The Group is exposed to share price risk through its investment holdings on the Australian Securities Exchange. All equity investments (other than investment in AYT and Impact Holdings (IHUK)) are publicly traded on Australian Securities Exchange (ASX) and holdings are predominantly in small capitalisation companies with varying degrees of liquidity. AYT is an illiquid, unlisted investment. IHUK is listed on the London Stock Exchange (LSE).

The Group's exposure to price risk, which is the risk that an instruments value will fluctuate as a result of changes in a securities price on classes of financial assets and liabilities, is as follows:

	Consolidated	
	June	June
	2014	2013
	\$	\$
Financial Assets:		
Available-for-sale financial assets – Units in unlisted trust	520,901	506,018
Available-for-sale financial assets – Shares in listed domestic and overseas corporations	33,929,026	24,162,282
Financial assets held-for-trading	4,866,296	3,477,736
	<u>39,316,223</u>	<u>28,146,036</u>

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Notes to the Financial Statements

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific Financial Risk Exposures and Management (Continued)

(ii) Foreign Currency Risk

As at 30 June 2014, the Group is exposed to fluctuations in the British Pound/Australian Dollar exchange rate arising only from the loan advanced to Impact Holdings (UK). At 30 June 2013, the Group was exposed to fluctuations in the Indian Rupee/Australian Dollar exchange rate arising only from the amount refundable from Indian tax authorities for tax paid in India for prior years.

The Directors monitor the appropriateness of their policy by periodically reviewing the continuing appropriateness of such an approach.

As at 30 June 2014, the Group had the following exposure in Australian Dollars to British Pounds without any currency hedging:

	Consolidated	
	June 2014	June 2013
	\$	\$
Financial Assets:		
Loans	871,534	-
Trade and Other Receivables	-	237,498
	<u>871,534</u>	<u>237,498</u>
Financial Liabilities:		
Trade and Other Payables	-	-
	<u>-</u>	<u>-</u>

(iii) Interest Rate Risk

At 30 June 2014 the Company had a loan of \$2,912,241 advanced by Sir Ron Brierley to fund the Company's purchase of shares in domestic and overseas corporations.

Interest is payable at 5% per annum on the loan from Sir Ron and the interest was repaid before 30 June 2014.

The Directors believe the exposure is relatively low and does not pose potential risk to the Company.

The Group's exposure to interest rate risk, which is the risk that the financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate \$		Fixed Interest Rate \$	
Consolidated	2014	2013	2014	2013	2014	2013
Financial Assets:						
Cash and Cash Equivalents	0.40%	0.28%	1,129,258	1,357,461	-	-
Trade and Other Receivables			-	-	-	-
Loan Receivable			-	-	871,534	-
Total Financial Assets			<u>1,129,258</u>	<u>1,357,461</u>	<u>871,534</u>	<u>-</u>
Financial Liabilities:						
Trade and Other Payables			-	-	-	-
Borrowings	5.00%	5.00%	-	-	2,912,241	1,005,206
Total Financial Liabilities			<u>-</u>	<u>-</u>	<u>2,912,241</u>	<u>1,005,206</u>
Net Exposure			<u>1,129,258</u>	<u>1,357,461</u>	<u>(2,040,707)</u>	<u>(1,005,206)</u>

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Notes to the Financial Statements

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific Financial Risk Exposures and Management (Continued)

(iii) Interest Rate Risk (Continued)

Consolidated	Non-Interest Bearing		Total	
	\$		\$	
	2014	2013	2014	2013
Financial Assets:				
Cash and cash equivalents	-	-	1,129,258	1,357,461
Trade and Other Receivables	-	-	-	-
Loan Receivable	-	-	871,534	-
Total Financial Assets	-	-	2,000,792	1,357,461
Financial Liabilities:				
Trade and Other Payables	138,318	88,510	138,318	88,510
Borrowings	-	-	2,912,241	1,005,206
Total Financial Liabilities	138,318	88,510	3,050,559	1,093,716
Net Exposure	(138,318)	(88,510)	(1,049,767)	(263,745)

(iv) Liquidity Risk

The Group's objective is to maintain sufficient cash and cash equivalents to meet the needs of operations through cash flow monitoring and forecasting, which is done on a weekly basis. In addition, the focus of the investment portfolio on small cap and highly liquid securities ensures that the Group has access to significant proportion of its portfolio within a short time frame.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2014. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

The table below reflects the maturity of financial assets and liabilities based on management's expectations. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Consolidated	Within 1 Year		1 to 5 Years		Over 5 Years		Total Contracted Cash Flows	
	\$		\$		\$		\$	
	2014	2013	2014	2013	2014	2013	2014	2013
Financial Liabilities due for payment								
Trade and Other Payables	138,318	1,093,716	2,912,241	-	-	-	3,050,559	1,093,716
Total Expected Outflows	138,318	1,093,716	2,912,241	-	-	-	3,050,559	1,093,716
Financial Assets – cash flows realisable								
Cash and Cash Equivalents	1,129,258	1,357,461	-	-	-	-	1,129,258	1,357,461
Trade and Other Receivables	34,924	489,293	-	-	-	-	34,924	489,293
Loan	-	-	871,534	-	-	-	871,534	-
Investments – Available-for-sale	-	-	34,449,927	24,668,300	-	-	34,449,927	24,668,300
Investments – Held-for-trading	4,866,296	3,477,736	-	-	-	-	4,866,296	3,477,736
Total anticipated inflows	6,030,478	5,324,490	35,321,461	24,668,300	-	-	41,351,939	29,992,790
Net Inflow on Financial Instruments	5,892,160	4,230,774	32,409,220	24,668,300	-	-	38,301,380	28,899,074

MERCANTILE INVESTMENT COMPANY LIMITED

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Notes to the Financial Statements**NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)****Specific Financial Risk Exposures and Management (Continued)****(v) 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 counter party, with a maximum exposure equal to the carrying amount of these instruments.

Cash is only invested with highly rated international financial institutions in Australia.

Receivable balances are monitored on an ongoing basis and the Group has no debts past due or impaired.

Net Fair Values

The Group's financial assets and liabilities are carried at amounts that approximate their fair value.

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts that an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities have been valued at the quoted market price at balance date adjusted for transaction costs expected to be incurred.

	Note	Net Carrying Value 2014 \$	Net Fair Value 2014 \$	Net Carrying Value 2013 \$	Net Fair Value 2013 \$
Consolidated					
Financial Assets					
Cash and Cash Equivalents	i	1,129,258	1,129,258	1,357,461	1,357,461
Trade and Other Receivables	i	34,924	34,924	489,293	489,293
Loan	iii	871,534	871,534	-	-
Available for Sale Investments – Units in Unlisted Trust	ii	520,901	520,901	506,018	506,018
Available for Sale Investments – Shares in Listed Corporations	ii	33,929,026	33,929,026	24,162,282	24,162,282
Investments – held-for-trading	ii	4,866,296	4,866,296	3,477,736	3,477,736
Total Financial Assets		41,351,939	41,351,939	29,992,790	29,992,790
Financial Liabilities					
Trade and Other Payables	i	138,318	138,318	88,510	88,510
Borrowings	iii	2,912,241	2,912,241	1,005,206	1,005,206
Total Financial Liabilities		3,050,559	3,050,559	1,093,716	1,093,716

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.
- (ii) For listed available-for-sale and held-for-trading financial assets, closing quoted market prices at reporting date are used. The fair value of unlisted available-for-sale financial assets has been determined based on the audited net tangible asset value of that investment as at 30 June 2014.
- (iii) Borrowings and loans receivable are short-term in nature and recorded at fair value.

MERCANTILE INVESTMENT COMPANY LIMITED

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Consolidated	
June	June
2014	2013
\$	\$

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)**Sensitivity Analysis**

The Group has performed a sensitivity analysis relating to its exposure to price risk, foreign currency risk and interest rate risk, at the end of the reporting period. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Price Risk**Held-for-trading financial assets**

Change in Profit

- Increase in portfolio prices by 20.0%	973,259	695,547
- Decrease in portfolio prices by 20.0%	(973,259)	(695,547)

Held-for-trading financial assets are actively managed on a short term basis and are fair valued through the Statement of Comprehensive Income. Any movement in the portfolio price will be realised in the Statement of Comprehensive Income.

Available-for-sale financial assets

Change in Equity

- Increase in portfolio prices by 20.0%	6,889,985	4,933,660
- Decrease in portfolio prices by 20.0%	(6,889,985)	(4,933,660)

Available-for-sale financial assets are passively managed on a longer term basis and are fair valued through the equity reserves, with no effect on the Statement of Comprehensive Income unless sold or impaired.

Interest Rate Risk

Change in Profit

- Increase in interest rate by 0.5%	5,646	6,787
- Decrease in interest rate by 0.5%	(5,646)	(6,787)

Change in Equity

- Increase in interest rate by 0.5%	5,646	6,787
- Decrease in interest rate by 0.5%	(5,646)	(6,787)

NOTE 25: EVENTS SUBSEQUENT TO BALANCE DATE

The implementation of the merger with MMX was completed on 8 July 2014.

The Scheme Consideration was issued as follows:

- Scrip Consideration – 0.3171 new shares was issued for each MMX share held by Scheme participants as at 1 July 2014. 18,186,971 new shares have been issued at a price of \$0.1523 per share.
- Cash Consideration - \$0.0483 was distributed for each MMX share held by Scheme participants as at 1 July 2014. The total Cash Consideration was distributed as a cheque or direct deposit on 8 July 2014.

The Company obtained control of MMX on 8 July 2014 and MMX will be included in the consolidated Group from that date.

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Notes to the Financial Statements

NOTE 25: EVENTS SUBSEQUENT TO BALANCE DATE (CONTINUED)

The Company has committed to invest NZD\$4.75 million in a combination of units in Foundation Life Holding Trust and redeemable preference notes in Foundation Life (NZ) Holdings Limited. Foundation Life will acquire a residual life assurance business, subject to the customary regulatory approvals. The Company has paid a deposit of \$184,780 and will pay the balance of the commitment once Foundation Life obtains all the necessary approvals.

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

NOTE 26: COMPANY DETAILS

The registered office of the Company is:
Mercantile Investment Company Limited
Level 11, 139 Macquarie Street
SYDNEY NSW 2000

The principal place of business is:
Mercantile Investment Company Limited
Level 11, 139 Macquarie Street
SYDNEY NSW 2000

MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

For the year ended 30 June 2014

6. DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mercantile Investment Company Limited, the Directors of the company declare that:

1. the financial statements and notes, as set out on pages 13 to 41, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2014 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 company 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 S295A 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.



.....
Sir Ron Brierley
Director

Dated: 25 August 2014



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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MERCANTILE INVESTMENT COMPANY LIMITED AND CONTROLLED ENTITIES**

Report on the Financial Report

We have audited the accompanying financial report of Mercantile Investment Company Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

- a) the financial report of Mercantile Investment Company Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b.) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the remuneration report of Mercantile Investment Company Limited for the year ended 30 June 2014, complies with s 300A of the *Corporations Act 2001*.

MNSA Pty Ltd

MNSA Pty Ltd



Mark Schiliro

Sydney

25 August 2014

8. ASX ADDITIONAL INFORMATION

Information as at 13 August 2014

Shares (ASX: MVT)

The number of investors holding shares within the ranges outlined in the table and the number of investors holding less than a marketable parcel of shares on X August 2014 is shown below:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	697	254,361	0.09
1,001 - 5,000	1,454	4,348,694	1.62
5,001 - 10,000	538	4,278,372	1.59
10,001 - 100,000	764	24,565,857	9.14
100,001 - 999,999,999	117	235,317,387	87.56
1,000,000,000 - 9,999,999,999	0	0	0.00
Rounding			0.00
Total	3,570	268,764,671	100.00

Unmarketable Parcels

Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.1250 per unit	1,824	3,064,074

Top 20 holders of FULLY PAID ORDINARY SHARES

Rank	Name	Units	% of Units
1	SIBLOW PTY LTD	122,411,120	45.55
2	G W HOLDINGS PTY LTD <EDWINA A/C>	26,150,522	9.73
3	PORTFOLIO SERVICES PTY LTD	14,915,001	5.55
4	MR RONALD LANGLEY + MS RHONDA ELIZABETH LANGLEY	12,500,000	4.65
5	TREASURE ISLAND HIRE BOAT COMPANY PTY LTD <STAFF SUPER FUND ACCOUNT>	7,066,842	2.63
6	MS FRANCISKA LASIC	3,737,896	1.39
7	LIC INVESTMENTS PTY LTD <LIC INVESTMENTS UNIT A/C>	3,474,645	1.29
8	CITICORP NOMINEES PTY LTD	2,702,172	1.01
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	2,170,054	0.81
10	ABBAWOOD NOMINEES PTY LTD <ABBOTT FAMILY S/F NO 1 A/C>	2,100,000	0.78
11	MR PHILIP JOHN GAVEY + MRS ELIZABETH GAVEY	1,499,000	0.56
12	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	1,297,527	0.48
13	AVENUE 8 PTY LIMITED <GAN SUPER FUND A/C>	1,117,100	0.42
14	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,107,812	0.41
15	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY <LEKDAL FAMILY A/C>	1,070,334	0.40
16	AUSTRALIAN MINERALS CORPORATION PTY LTD <JAP-FEBP A/C>	1,028,488	0.38
17	MR FREDERICK BRUCE WAREHAM	1,000,000	0.37
18	B W ROFE PTY LIMITED	870,000	0.32
19	AUSTRALIAN MINERALS CORPORATION PTY LTD <FEBP A/C>	858,990	0.32
20	SUN PHOONG CORPORATION PTY LTD	802,297	0.30
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)		207,879,800	77.35
Total Remaining Holders Balance		60,884,871	22.65

8. ASX ADDITIONAL INFORMATION (CONTINUED)

Substantial Security Holders

Name	Number of securities	% of securities
SIBLOW PTY LTD	122,411,120	45.55
G W HOLDINGS PTY LTD <EDWINA A/C>	26,150,522	9.73
PORTFOLIO SERVICES PTY LTD	14,915,001	5.55

Voting Rights

On a show of hands, every shareholder present in person or by proxy holding stapled securities in the Company shall have one vote and upon a poll each stapled security shall have one vote.

Audit & Risk Committee

As at the date of the Directors' Report, the economic entity had established an Audit & Risk Committee of the Board of Directors (refer Corporate Governance Statement).

Holdings of Securities

The total value of the Company's investment portfolio was \$39,316,223; comprising of \$4,866,296 shares held-for-trading and \$34,449,927 (\$520,901 units in unlisted trust and \$33,929,026 shares in domestic and overseas listed corporations) shares available-for-sale at 30 June 2014.

9. CORPORATE DIRECTORY

MERCANTILE INVESTMENT COMPANY LIMITED

ABN: 15 121 415 576
Level 11, 139 Macquarie Street
Sydney NSW 2000
Telephone: +61 2 8014 1188
Email: info@mercinvest.com.au
Website: www.mercantileinvestment.com.au

DIRECTORS

Sir Ron Brierley (Chairman & Non-Executive Director)
Gabriel Radzyninski (Executive Director)
James Chirnside (Non-Executive Director)
Dr Gary Weiss (Non-Executive Director)
Ronald Langley (Non-Executive Director)

COMPANY SECRETARY

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

AUDITOR

MNSA Pty Limited
Level 1, 283 George Street
Sydney NSW 2000

SHARE REGISTRAR

Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne VIC 3001
Telephone: 1300 850 505 (Australia)
+61 3 9415 4000 (Outside Australia)

ASX CODE: MVT

fully paid ordinary shares

