

**MERCANTILE INVESTMENT COMPANY LIMITED**

**ABN 15 121 415 576**

**Appendix 4D  
For the Half-Year Financial Report  
31 December 2014**

25 February 2015

ASX RELEASE

ASX CODE: MVT

**Appendix 4D**

**MERCANTILE INVESTMENT COMPANY LIMITED**  
**Half-Year Financial Report**  
**Period ended 31 December 2014**

**1. Details of the reporting period**

The report details the results of Mercantile Investment Company Limited for the period ended 31 December 2014 and the previous corresponding period 31 December 2013.

<b>2. Results for announcement to the market</b>	Period to 31 December 2014	Period to 31 December 2013	Movement up/(down)	Movement up/(down)
	\$	\$	\$	%
2.1 Revenue from ordinary activities	863,611	217,961	645,650	296.22
2.2 Profit/ (Loss) from operating activities after tax attributable to members	866,019	273,688	592,331	216.43
2.3 Comprehensive Income after tax for the period attributable to members	7,912,357	8,544,970	(632,613)	(7.40)
2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.	No dividend is proposed	No dividend is proposed	-	-
2.5 The record date for determining entitlements to the dividends.	No dividend is proposed	No dividend is proposed	-	-

**A brief explanation of any of the figures in 2.1 to 2.5 necessary to enable the figures to be understood.**

With reference to the following narrative, please refer to the 30 June 2014 Annual Financial Report for additional information.

Since 30 June 2014, the Company has continued to invest in ASX listed and other investment opportunities that the directors consider offer the prospect of attractive risk-adjusted returns.

Comprehensive Income after tax per share for the period is a profit of 2.94 cents per share (2013: 3.41 cents per share).

This report is based on the financial statements for the period ended 31 December 2014 which have been reviewed by the Company's auditor.

<b>3. Net Tangible Assets per Share</b>	Period to 31 December 2014	Period to 31 December 2013
- before tax	0.14	\$0.16
- after tax	0.13	\$0.14

#### **4. Details of entities over which control has been gained or lost during the period**

On 8 July 2014, Mercantile Investment Company Limited (MVT) acquired 100% of Murchison Metals Limited (MMX) by way of a scheme of arrangement. MMX Shareholders had the opportunity to exchange their shares for either cash, MVT shares or a combination of both. The scheme resulted in the issue of 18,186,971 new MVT shares.

The consolidated results of operations for half year ended 31 Dec 2014 have included MMX's transactions. However, the comparative consolidated results for year ended 30 June 2014 and corresponding period 31 December 2013 have not included MMX.

#### **5. Details of individual and total dividends or distributions and dividend or distribution payments.**

No dividends were paid during the period (2013: Nil) and no further dividends are proposed for the period ended 31 December 2014.

#### **6. Dividend reinvestment plan**

Not applicable.

#### **7. Details of associates and joint venture entities.**

Not applicable.

#### **8. Foreign entities**

Not applicable.

#### **9. Disputes with auditors or qualifications**

None.

Signed on behalf of Mercantile Investment Company Limited.



Sir Ron Brierley  
Chairman

25 February 2015

**MERCANTILE INVESTMENT COMPANY LIMITED**

**ABN 15 121 415 576**

**Half-Year Financial Report  
31 December 2014**

# **MERCANTILE INVESTMENT COMPANY LIMITED**

ABN 15 121 415 576 and Controlled Entities

## **HALF-YEAR FINANCIAL REPORT – 31 DECEMBER 2014**

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# CORPORATE DIRECTORY

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## MERCANTILE INVESTMENT COMPANY LIMITED

ABN: 15 121 415 576  
Level 11, 139 Macquarie Street  
Sydney NSW 2000  
Telephone: +61 2 8014 1188

## DIRECTORS

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

## COMPANY SECRETARY

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

## AUDITOR

MNSA Pty Ltd  
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

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

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## DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2014.

## DIRECTORS

The names of the company's Directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

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

## REVIEW AND RESULTS OF OPERATIONS

Mercantile Investment Company Limited is pleased to provide the financial report for the Half Year ending 31 December 2014. This represents the first half year period since the merger of Murchison Metals Limited in July 2014.

Comprehensive Income after income tax expense for the half-year ended 31 December 2014 was a Profit of \$7.91m (2013: \$8.54m).

Comprehensive Income per share is a profit of 2.94 cents (2013: 3.41cents). The market price of the Company's shares decreased over the reporting period from \$0.135 per share at 30 June 2014 to \$0.130 per share at 31 December 2014 (2013: increased from \$0.10 per share to \$0.14 per share).

During the period the Net Tangible Assets (after tax) (NTA) remained at \$0.13 (2013: increased from \$0.12 to \$0.14).

## DIVIDENDS

No dividends are provided for during the period.

The Directors intend to consider the capacity of the Company to pay dividends in the future.

## KEY EVENT – MERGER TRANSACTION

On 8 July 2014, Mercantile Investment Company Limited (MVT) acquired 100% of Murchison Metals Limited (MMX) by way of a scheme of arrangement. MMX Shareholders had the opportunity to exchange their shares for either cash, MVT shares or a combination of both. The scheme resulted in the issue of 18,186,971 new MVT shares.

The consolidated results of operations for half year ended 31 Dec 2014 have included MMX's transactions. However, the comparative consolidated results for year ended 30 June 2014 and corresponding period 31 December 2013 have not included MMX.

## **KEY EVENT – MERGER TRANSACTION (CONTINUED)**

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

The Scheme Consideration was issued as follow:

- Script Consideration – 0.3171 new shares was issued for each MMX share held by Scheme participants as at 1 July 2014. 18,186,971 new MVT 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 (MVT) obtained control of MMX on 8 July 2014 and MMX will be included in the consolidated Group from that date.

Net assets acquired included \$3,657,042 relating to cash and cash equivalent.

Apart from the above, no material subsequent events have arisen since balance date.

The half-year financial report was authorised for issue on 25 February 2015 by the Board of Directors.

## **AUDITORS INDEPENDENCE DECLARATION**

The lead auditor's independence declaration under S307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2014.

This director's report is signed in accordance with a resolution of the Board of Directors.



Sir Ron Brierley  
Chairman

Signed this 25th day of February 2015





## 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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2014 there have been no contraventions of:

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

MNSA Pty Ltd

MNSA Pty Ltd

**Mark Schiliro**  
Director

Sydney  
Dated this 25th day of February 2015

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

		Consolidated	
	Notes	31 Dec 2014 \$	31 Dec 2013 \$
<b>Revenue</b>	2	<b>863,611</b>	217,961
Realised Gains/ (Loss) on Trading Portfolio		(5,757)	-
Realised Gains/ (Loss) on Acquisition		704,868	-
Unrealised Gains/ (Loss) in Market Value Movement		(922,799)	581,995
Other Income	2	81,935	99,354
Finance Costs		(46,982)	(31,918)
Marketing and Development Expenses		(2,500)	(2,118)
Administration Expenses		(8,434)	(1,664)
Remuneration Costs	3	(38,215)	(33,662)
Listed Company Expenses	3	(385,887)	(366,315)
Depreciation		(1,501)	(2,358)
Foreign Exchanges Losses		(1,171)	(6,094)
Occupancy Costs		(6,911)	(6,895)
<b>Profit/ (Loss) Before Income Tax</b>		<b>230,257</b>	448,286
Income tax benefit / (expense)		635,762	(174,598)
<b>Profit/ (Loss) for the period</b>		<b>866,019</b>	273,688
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss:			
Gains on Disposal of Investments Available for Sale		2,948,937	2,742,688
Fair Value Adjustment		5,853,431	7,897,992
Deferred tax impact relating to items that will not be reclassified		(1,756,030)	(2,369,398)
<b>Other Comprehensive Income for the period, Net of Tax</b>		<b>7,046,338</b>	8,271,282
<b>Total Comprehensive Income for the period</b>		<b>7,912,357</b>	8,544,970

Figures prior to 8 July 2014 do not contain the financial results of Murchison Metals Limited as this was prior to the merger with Mercantile Investment Company Limited.

The accompanying notes form part of the financial statements.

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

	Notes	Consolidated 31 Dec 2014 \$	31 Dec 2013 \$
<b>Profit/ (Loss) Attributable to:</b>			
Members of the Parent Entity		866,019	273,688
Non-controlling Interest		-	-
		<u>866,019</u>	<u>273,688</u>
<b>Total Comprehensive Income Attributable to:</b>			
Members of the Parent Entity		7,912,357	8,544,970
Non-controlling Interest		-	-
		<u>7,912,357</u>	<u>8,544,970</u>
<b>Earnings per share</b>			
From Continuing Operations			
- Basic Earnings per share (cents per share)		0.32	0.11
- Diluted Earnings per share (cents per share)		0.32	0.11
From Comprehensive Income			
- Basic Earnings per share (cents per share)		2.94	3.41
- Diluted Earnings per share (cents per share)		2.94	3.41

Figures prior to 8 July 2014 do not contain the financial results of Murchison Metals Limited as this was prior to the merger with Mercantile Investment Company Limited.

The accompanying notes form part of the financial statements.

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Consolidated Statement of Financial Position

as at 31 December 2014

		Consolidated	
	Notes	31 Dec 2014	30 Jun 2014
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,604,460	1,129,258
Trade and other receivables		3,090	34,924
Financial assets - Short Term	5	3,852,846	4,866,296
Other Current Assets		142,030	193,120
Current Tax Asset		34,209	59
<b>Total Current Assets</b>		<b>6,636,635</b>	<b>6,223,657</b>
<b>Non-current assets</b>			
Financial assets - Long Term	5	31,836,606	34,449,927
Trade and Other Receivables		858,124	871,534
Property, Plant & Equipment		4,328	5,830
Deferred tax asset		151,972	36,218
<b>Total Non-Current Assets</b>		<b>32,851,030</b>	<b>35,363,509</b>
<b>Total Assets</b>		<b>39,487,665</b>	<b>41,587,166</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and Other Payables		691,484	138,318
Borrowings		-	2,912,241
<b>Total Current Liabilities</b>		<b>691,484</b>	<b>3,050,559</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		2,600,070	4,830,215
<b>Total non-current liabilities</b>		<b>2,600,070</b>	<b>4,830,215</b>
<b>Total liabilities</b>		<b>3,291,554</b>	<b>7,880,774</b>
<b>Net assets</b>		<b>36,196,111</b>	<b>33,706,392</b>
<b>Equity</b>			
Issued Capital		27,531,662	24,773,530
Reserves		15,412,559	16,561,023
Accumulated Losses		(6,748,110)	(7,628,161)
<b>Total Equity</b>		<b>36,196,111</b>	<b>33,706,392</b>

Figures prior to 8 July 2014 do not contain the financial results of Murchison Metals Limited as this was prior to the merger with Mercantile Investment Company Limited.

The accompanying notes form part of the financial statements.

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	<b>Consolidated</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>		
Dividends Received	519,155	198,655
Trust Distributions Received	321,711	437,397
Payments to Suppliers and Employees	(8,721)	(382,286)
Payments for purchase of financial assets Held for Trading	(3,152,015)	(905,396)
Proceeds from Sale of financial assets Held for Trading	36,230	-
Capital Return Payments	259,832	-
Income Tax Refund	-	230,192
Interest Received	40,509	21,897
Interest Paid	(46,982)	-
Other Income	(24,431)	36,500
<b>Net Cash (Used in)/ Provided by Operating Activities</b>	<b>(2,054,712)</b>	<b>(363,041)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sales of Investments	5,034,884	4,173,746
Purchase of Investments	(1,841,771)	(5,548,220)
Capital Return Payments	384,673	80,000
Payments for Capital Assets	-	(3,192)
<b>Net Cash (used in)/ Provided by Investing Activities</b>	<b>3,577,786</b>	<b>(1,297,666)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from/(Repayment of) borrowings	(2,912,001)	1,826,351
Loan Repaid	94,256	(826,351)
MVT & MMX Scheme - MVT shares subscription	2,769,873	-
<b>Net Cash (used in)/ Provided by Financing Activities</b>	<b>(47,872)</b>	<b>1,000,000</b>
<b>Net Increase/ (decrease) in Cash &amp; Cash Equivalent Held</b>	<b>1,475,202</b>	<b>(660,707)</b>
<b>Cash &amp; Cash Equivalents at Beginning of the Period</b>	<b>1,129,258</b>	<b>1,357,461</b>
<b>Cash &amp; Cash Equivalents at End of the Period</b>	<b>2,604,460</b>	<b>696,754</b>

Figures prior to 8 July 2014 do not contain the financial results of Murchison Metals Limited as this was prior to the merger with Mercantile Investment Company Limited.

The accompanying notes form part of the financial statements.

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

Consolidated	Issued Share Capital Ordinary \$	Retained Earnings \$	Realised capital Profit Reserve \$	Asset Revaluation Reserve \$	Total Equity \$
<b>Balance at 1 July 2014</b>	<b>24,773,530</b>	<b>(7,628,161)</b>	<b>5,665,434</b>	<b>10,895,589</b>	<b>33,706,392</b>
Profit for the period		866,019			866,019
Unrealised Gain or Loss Market Movement		14,032			14,032
<i>Other Comprehensive Income for the period:</i>					
Gains on Disposal of Investments Available for Sale to 31 December 2014			2,948,937		2,948,937
Net Unrealised Gains for Stocks Held at 31 December 2014	-	-		(4,097,401)	(4,097,401)
Total other Comprehensive Income for the period	-	880,051	2,948,937	(4,097,401)	(268,413)
Deferred Tax Relating to Capital Raising Costs	(11,743)	-	-	-	(11,743)
MVT & MMX Scheme - MVT shares subscription	2,769,875	-	-	-	2,769,875
<b>Subtotal</b>	<b>27,531,662</b>	<b>(6,748,110)</b>	<b>8,614,371</b>	<b>6,798,188</b>	<b>36,196,111</b>
Dividends Paid or Provided for	-	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>27,531,662</b>	<b>(6,748,110)</b>	<b>8,614,371</b>	<b>6,798,188</b>	<b>36,196,111</b>
<b>Balance at 1 July 2013</b>	<b>24,881,777</b>	<b>(7,519,599)</b>	<b>2,515,234</b>	<b>6,410,071</b>	<b>26,287,483</b>
Profit for the period	-	273,688			273,688
<i>Other Comprehensive Income for the period:</i>					
Gains on Disposal of Investments Available for Sale to 31 December 2013			2,742,688		2,742,688
Net Unrealised Gains for Stocks Held at 31 December 2013	-	-		5,528,594	5,528,594
Total other Comprehensive Income for the period	-	273,688	2,742,688	5,528,594	8,544,970
Deferred Tax Relating to Capital Raising Costs	(54,124)	-	-	-	(54,124)
<b>Subtotal</b>	<b>24,827,653</b>	<b>(7,245,911)</b>	<b>5,257,922</b>	<b>11,938,665</b>	<b>34,778,329</b>
Dividends Paid or Provided for	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>24,827,653</b>	<b>(7,245,911)</b>	<b>5,257,922</b>	<b>11,938,665</b>	<b>34,778,329</b>

Figures prior to 8 July 2014 do not contain the financial results of Murchison Metals Limited as this was prior to the merger with Mercantile Investment Company Limited.

The accompanying notes form part of the financial statements.

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Notes to the Financial Statements

For the half-year ended 31 December 2014

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### NOTE 1: THE BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

These general purpose interim Financial Statements for the half year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Mercantile Investment Company and its controlled entities ("group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

#### Significant accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

#### Reporting basis and conventions

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim 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 to the financial report for the year ended 30 June 2014.

#### Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Mercantile Investment Company Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 7.

#### Operating segment

The Company has one reportable segment. The Company operates predominantly in Australia and in one industry, deriving revenue from trust distributions, dividends, interest income and from sale of its investment portfolio.

#### New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2014 reporting period and have not yet been applied in the Financial Statements. The Company's assessment of the impact of these standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classifications, measurement and derecognition of financial assets and financial liabilities, including hedge accounting. The standards is not applicable until 1 January 2018 but is available for early adoption. AASB 9 permits the recognition of fair value

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Notes to the Financial Statements

For the half-year ended 31 December 2014

<b>Consolidated</b>	
<b>31 December</b>	<b>31 December</b>
<b>2014</b>	<b>2013</b>
<b>\$</b>	<b>\$</b>

### NOTE 1: THE BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (CONTINUED)

#### New accounting standards and interpretations (continued)

gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Directors do not expect there will be any impact on the accounting for the Company's financial assets or liabilities.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current reporting periods and on foreseeable future transactions.

### NOTE 2: REVENUE AND OTHER INCOME

#### Revenue

- Dividends Received	<b>519,155</b>	198,655
- Trust Distributions Received	<b>310,437</b>	-
- Interest Received	<b>34,019</b>	19,306
<b>Total Revenue</b>	<b>863,611</b>	<b>217,961</b>

#### Other Income

- Underwriting Fee Received	-	36,500
- Unrealised Foreign Exchange Gains	<b>81,935</b>	62,854
<b>Total Other Income</b>	<b>81,935</b>	<b>99,354</b>

### NOTE 3: EXPENSES

#### Remuneration Costs

Director Fees	<b>35,323</b>	31,493
Superannuation	<b>2,796</b>	2,081
Other	<b>96</b>	88
	<b>38,215</b>	<b>33,662</b>

#### Listed Company Costs

Accounting, Taxation & Secretarial Costs	<b>99,627</b>	176,165
Audit Fees	<b>14,380</b>	19,800
Director & Officer Insurance – Mercantile (parent)	<b>5,357</b>	6,421
Director & Officer Insurance – Murchison (subsidiary)	<b>63,180</b>	-
Administration Services	<b>117,493</b>	96,250
Legal and Professional Fees (Non-Recurring Costs)	<b>15,070</b>	33,570
ASIC & ASX Charges	<b>34,718</b>	17,492
Share Registry Costs	<b>36,062</b>	16,617
	<b>385,887</b>	<b>366,315</b>



# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Notes to the Financial Statements

For the half-year ended 31 December 2014

	Consolidated	
	31 December	30 June
	2014	2014
	\$	\$

### NOTE 4: DIVIDENDS

No dividends were paid or provided for during the period (2014: Nil).

#### (a) Franking Credits

The ability for Mercantile Investment Company Limited to pay franked dividends is dependent upon the Company paying tax. The Company's franking credits balance at 30 June 2014 was \$146,646. The amount of franking credits for the half-year to 31 December 2014 from franked dividends received is \$207,066.

Opening balance	641,904	495,258
Franking Credits on dividends received	207,066	146,646
	<u>848,970</u>	<u>641,904</u>

#### (b) Listed Investment Company Capital Gain Account

Balance of the Listed Investment Company (LIC) Capital Gain Account	8,390,743	5,257,922
This would equate to an attributable amount of	9,058,701	5,925,880

Distributable LIC capital gains may entitle certain shareholders to a special deduction 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 5: FINANCIAL ASSETS

Current - Financial Assets Held-for-Trading	5(a)	3,852,846	4,866,296
Non-Current - Available-for-Sale Financial Assets	5(b)	<u>31,836,606</u>	<u>34,449,927</u>
		<u>35,689,452</u>	<u>39,316,223</u>

#### (a) Financial Assets Held-for-Trading Comprise:

##### CURRENT

Shares in listed corporations held-for-trading	<u>3,852,846</u>	<u>4,866,296</u>
Total Current Financial Assets	<u>3,852,846</u>	<u>4,866,296</u>

#### (b) Available-for-Sale Financial Assets comprise:

##### NON-CURRENT

Available-for-sale investments, at fair value		
Units in unlisted trust	416,720	520,901
Shares in domestic and overseas listed corporations	27,119,728	33,929,026
Units / Notes in Foreign Companies	<u>4,300,158</u>	<u>-</u>
Total Non-Current Financial Assets	<u>31,836,606</u>	<u>34,449,927</u>

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Notes to the Financial Statements

For the half-year ended 31 December 2014

### NOTE 6: FAIR VALUE MEASUREMENTS

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Available-for-sale financial assets
- Held-for-trading financial assets

#### (a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- Quoted prices (unadjusted) 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).

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December 2014.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets:				
Available-for-sale financial assets				
- Units in unlisted trust	-	-	416,720	416,720
- Units / Notes in Foreign Companies	-	-	4,300,158	4,300,158
- Shares in listed corporations	27,119,728	-	-	27,119,728
	27,119,728	-	4,716,878	31,836,606
Held-for trading Financial Assets				
- Listed Investments	3,852,846	-	-	3,852,846

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

### NOTE 7: CONTROLLED ENTITIES

Parent Entity	Country of Incorporation	Percentage Owned (%)	
		Dec 2014	June 2014
Mercantile Investment Company Limited	Australia	100	100
<b>Controlled Entities of Mercantile Investment Company Limited:</b>			
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
Murchison Metals Ltd	Australia	100	28

Percentage of voting power is in proportion to ownership.

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

## Notes to the Financial Statements

For the half-year ended 31 December 2014

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### NOTE 8: CONTINGENT LIABILITIES

The Company had no contingent liabilities at 31 December 2014 (2013: Nil).

### NOTE 9: KEY EVENT – MERGER TRANSACTION

On 8 July 2014, Mercantile Investment Company Limited (MVT) acquired 100% of Murchison Metals Limited (MMX) by way of a scheme of arrangement. MMX Shareholders had the opportunity to exchange their shares for either cash, MVT shares or a combination of both. The scheme resulted in the issue of 18,186,971 new MVT shares.

The consolidated results of operations for half year ended 31 Dec 2014 have included MMX's transactions. However, the comparative consolidated results for year ended 30 June 2014 and corresponding period 31 December 2013 have not included MMX.

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

The Scheme Consideration was issued as follow:

- Script Consideration – 0.3171 new shares was issued for each MMX share held by Scheme participants as at 1 July 2014. 18,186,971 new MVT 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 (MVT) obtained control of MMX on 8 July 2014 and MMX will be included in the consolidated Group from that date.

Net assets acquired included \$3,657,042 relating to cash and cash equivalent.

### NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

Apart from the above, no material subsequent events have arisen since balance date.

The half-year financial report was authorised for issue on 25 February 2015 by the Board of Directors.

# MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

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## DIRECTORS' DECLARATION

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

- (a) The financial statements and notes, as set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and the Corporations Regulations 2001, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date.
- (b) 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.

Signed in accordance with a resolution of the directors.



Sir Ron Brierley  
Director

Signed at Sydney this 25th day of February 2015



## MERCANTILE INVESTMENT COMPANY LIMITED

ABN 15 121 415 576 and Controlled Entities

### INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MERCANTILE INVESTMENT COMPANY LIMITED

#### Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Mercantile Investment Company Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' Responsibility for the Half-year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Mercantile Investment Company Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Mercantile Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we consider the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.



#### *Matters Relating to Electronic Publication of the Audited Financial Report*

This review report relates to the financial report of Mercantile Investment Company Limited for the half-year ended 31 December 2014 included on the website of Mercantile Investment Company Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

#### *Independence*

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

#### *Conclusion*

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

- (i) giving a true and fair view of Mercantile Investment Company Limited's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.

**MNSA Pty Ltd**

**MNSA Pty Ltd**

**Mark Schiliro**

Director

Sydney

Dated this 25th day of February 2015