

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

**Interim Financial Report
for the Half-Year Ended 31 December 2022**

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

For the half-year ended 31 December 2022

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**Mercantile Investment Company Limited
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Corporate Directory

Directors: Mr Gabriel Radzynski - Non-Executive Chairman
Mr Peter Velez - Independent Non-Executive Director
Ms Jacqueline Sullivan - Independent Non-Executive Director

Company Secretary: Mr Mark Licciardo
Acclime Australia
Level 7, 330 Collins Street
Melbourne VIC 3000

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

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

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Email: info@sandoncapital.com.au
Website: www.sandoncapital.com.au

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

ASX Code: **MVTHA (Maturity date: 10 July 2026)**
4.8% p.a Unsecured Notes

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

Directors' Report

The Directors of Mercantile Investment Company Limited ("**MVT**") present their report together with the financial statements of the Company and its controlled entities for the half-year ended 31 December 2022.

Directors

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

Mr Gabriel Radzynski	Non-Executive Chairman
Mr Peter Velez	Independent Non-Executive Director
Ms Jacqueline Sullivan	Independent Non-Executive Director

Review and Results of Operations

Revenue from ordinary activities of \$4,253,320 (2021: \$3,906,986) was up 9% on the prior comparable period. Unrealised gains from the Company's trading portfolio was \$3,886,526 (2021: \$1,705,940) up 128% compared to the prior comparable period. Dividend income of \$345,073 (2021: \$548,724) a decrease of 37% and shipping services income of \$395,471 (2021: \$683,035) a decrease of 42%. Interest income of \$1,064,632 (2021: \$708,365) was up 50%.

Profit after tax to members for the reporting period was \$1,036,548 (2021: \$1,177,644), up 37% on the prior comparable period. MVT reported a \$1,040,783 unrealised gain in the fair value of long-term equity investments, which contributed to a Total Comprehensive Income after tax to members of \$2,077,331 (2021: \$2,683,886), down 23% on the prior comparable period.

The Company paid \$703,119 in interest to noteholders of the listed 4.8% per annum Unsecured Notes (ASX: MVTHA). There were 290,578 Notes on issue as at 31 December 2022.

The Company reported a cash balance of \$4,820,187 as at 31 December 2022.

During this period, six wholly owned dormant subsidiaries were deregistered. These companies were:

- ATL Exploration Pty Ltd
- Jack Hills Holdings Pty Ltd
- MMX Investments Pty Ltd
- MMX Port Holding Pty Ltd
- MMX Rail Holdings Pty Ltd
- Weld Range Minding Pty Ltd

On 15 September 2022, Mercantile OFM Pty Ltd (**OFM**) made an offer to certain Ask Funding Limited (**AKF**) shareholders, who together held less than 3% of the shares on issue, to purchase all of their shares at 4.1 cents per share. The offer closed on 15 October 2022. A total of 11,574,249 shares totaling \$474,544 were acquired by OFM under this offer. This brought OFM's ownership of Ask Funding to 93.95%.

On 11 November 2022, MVT, a wholly-owned subsidiary, increased its shareholding in ASK to 93.95%. As a consequence of passing the 90% shareholding threshold, the Company proceeded with compulsory acquisition of all remaining ASK shares it did not already own. The compulsory acquisition was finalised in late January 2023. See Subsequent Events on the following page and Note 13, Subsequent Events.

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

Review and Results of Operations (continued)

Subsequent events

OFM completed the compulsory acquisition of the remaining 6.05% of Ask Funding Limited shares on 25 January 2023.

At reporting date, a wholly owned subsidiary, IPE Limited, held a level 3 unlisted domestic investment valued at \$3,795,150 (see Note 5). On 27 January 2023, this same investment had a return of capital of \$3,491,857 converting the level 3 investment into cash.

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

Dividends

No dividends were paid or are payable for the period ended 31 December 2022.

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

Rounding of amounts to nearest dollar

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

Auditor's independence declaration

The lead auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2022.

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



Gabriel Radzynski
Director

24 February 2023

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
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Auditor's Independence Declaration

To the Directors of Mercantile Investment Company Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Mercantile Investment Company Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance
Sydney, 24 February 2023

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

**Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2022**

	Note	31 December 2022	31 December 2021
Income			\$
Revenue from continuing operations	2	1,805,176	1,940,124
Other income	2	2,448,144	1,966,862
		<u>4,253,320</u>	<u>3,906,986</u>
Expenses			
Accounting fees		(90,601)	(93,775)
Audit fees		(123,220)	(168,631)
Taxation service fees		(151,251)	(262,114)
Finance costs		(760,127)	(803,687)
Company secretary fees		(13,474)	(13,132)
Share registry fees		(20,801)	(40,208)
Brokerage		(546)	(1,543)
Impairment charges on loans		(1,059,732)	(712,890)
Legal and professional fees		(118,434)	(114,874)
ASIC and ASX charges		(23,744)	(24,565)
Employee benefit expenses		(415,903)	(516,533)
Insurance		(15,310)	(19,507)
Other operating costs		(193,137)	(212,709)
		<u>(2,986,280)</u>	<u>(2,984,168)</u>
Profit Before Income Tax		1,267,040	922,818
Income tax benefit/(expense)		(259,867)	207,349
Profit for the period		<u>1,007,173</u>	<u>1,130,167</u>
Profit Attributable to:			
Members of the Parent Entity		1,036,548	1,177,644
Non-Controlling Interest		(29,375)	(47,477)
		<u>1,007,173</u>	<u>1,130,167</u>
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Movement in fair value of long term equity investments, net of tax		1,040,783	1,506,242
Total other comprehensive income		<u>1,040,783</u>	<u>1,506,242</u>
Total Comprehensive Profit for the half-year, net of tax		<u>2,047,956</u>	<u>2,636,409</u>
Total Comprehensive Profit attributable to:			
Members of the Parent Entity		2,077,331	2,683,886
Non-Controlling Interest		(29,375)	(47,477)
		<u>2,047,956</u>	<u>2,636,409</u>
Earnings per Share		Cents	Cents
- Basic earnings per share		0.37	0.42
- Diluted earnings per share		0.37	0.42

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

**Mercantile Investment Company Limited
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**Consolidated Statement of Financial Position
For the half-year ended 31 December 2022**

	Note	31 December 2022 \$	30 June 2022 (Restated)* \$
Assets			
Current Assets			
Cash and cash equivalents		4,820,187	4,431,687
Trade and other receivables		39,649	232,914
Net loans and advances	7	3,146,000	3,146,000
Financial assets at fair value through profit or loss	5	26,289,561	26,119,395
Loan to parent entity	10	29,710,325	31,033,637
Intercompany tax receivable from parent	11	1,841,908	1,914,017*
Other current assets		27,607	23,107
Current tax receivable		-	-
Total Current Assets		65,875,237	66,900,757
Non-Current Assets			
Financial assets at fair value through other comprehensive income	5	23,483,738	21,499,330
Property, plant & equipment		69,872	82,173
Right-of-use-assets		97,145	191,980
Deferred tax assets	11	28,860	-*
Total Non-Current Assets		23,679,615	21,773,483
Total Assets		89,554,852	88,674,240
Liabilities			
Current Liabilities			
Trade and other payables	8	866,484	2,011,145
Current lease liability	9	68,061	147,262
Current tax liability		133,442	129,203
Total Current Liabilities		1,067,987	2,287,610
Non-Current Liabilities			
Unsecured notes	6	28,658,744	28,601,736
Lease liability		54,171	63,426
Deferred tax liability	11	702,249	245,773*
Total Non-Current Liabilities		29,415,164	28,910,935
Total Liabilities		30,483,151	31,198,545
Net Assets		59,071,701	57,475,695
Equity			
Issued Capital	4	28,834,628	28,834,628
Accumulated losses		(14,453,025)	(15,489,573)
Reserves		44,460,765	43,397,388
Members' interests		58,842,368	56,742,443
Non-controlling interest		229,333	733,252
Total Equity		59,071,701	57,475,695

*See Note 11 for restated tax balances.

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

**Mercantile Investment Company Limited
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**Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022**

	Issued Share Capital - Ordinary \$	Accumulated Losses \$	Reserve \$	Non- Controlling Interests \$	Total Equity \$
Balance at 1 July 2021	28,834,628	(10,248,729)	44,963,754	835,557	64,385,210
Profit for the Year	-	1,177,644	-	(47,477)	1,130,167
Other comprehensive income for the year	-	-	1,506,242	-	1,506,242
Total comprehensive income for the year	-	(9,071,085)	46,469,996	788,080	67,021,619
<u>Transactions with Owners:</u>					
Foreign Currency Translation Reserve	-	-	(100,540)	-	(100,540)
Balance at 31 December 2021	28,834,628	(9,071,085)	46,369,456	788,080	66,921,079
Balance at 1 July 2022	28,834,628	(15,489,573)	43,397,388	733,252	57,475,695
Profit for the Year	-	1,036,548	-	(29,375)	1,007,173
Other comprehensive income for the year	-	-	1,040,784	-	1,040,784
Total comprehensive income for the year	28,834,628	(14,453,025)	44,438,172	703,877	59,523,652
<u>Transactions with Owners:</u>					
Foreign Currency Translation Reserve	-	-	22,593	-	22,593
Transaction with non-controlling interests*	-	-	-	(474,544)	(474,544)
Balance at 31 December 2022	28,834,628	(14,453,025)	44,460,765	229,333	59,071,701

*See Note 12 for Interest in other entities

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

**Mercantile Investment Company Limited
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**Consolidated Statement of Cash Flows
For the half-year ended 31 December 2022**

	Note	31 December 2022 \$	31 December 2021 \$
Cash Flows from Operating Activities			
Dividends, distributions and other investment income received		1,473,082	1,127,390
Other payments in the course of ordinary operations		(2,179,444)	(3,231,278)
Proceeds from sale of trading securities		266,165	303,858
Interest received		9,841	648
Income tax paid		(16,245)	307,661
Net Cash used in by Operating Activities		(446,601)	(1,491,721)
Cash Flows from Investing Activities			
Proceeds from disposal of financial assets		-	-
Payments for financial assets		(382,057)	(306,730)
Funding to Parent Entity		-	(5,650,000)
Funding from Parent Entity	10	2,605,000	-
Payment for property, plant and equipment		(19,765)	-
Proceeds from return of capital		-	587,766
Net Cash provided by/ (used in) Investing Activities		2,203,178	(5,368,964)
Cash Flows from Financing Activities			
Repayment to Noteholders		-	(8,250,901)
Transaction with non-controlling interests	12	(474,544)	-
Interest Payments on MVT Notes		(703,119)	(746,679)
Net Cash used in Financing Activities		(1,177,663)	(8,997,580)
Net Increase/ (Decrease) in Cash and Cash Equivalents held		578,914	(15,858,265)
Effects of exchange rate changes on cash and cash equivalents		(190,414)	(14,403)
Cash and Cash Equivalents at the beginning of Financial Year		4,431,687	20,883,257
Cash and Cash Equivalents at end of the half-year		4,820,187	5,010,589
Non-cash transactions			
Payment for intragroup shares transfer		(28,624,407)	-
Proceeds from intragroup shares transfer		29,906,094	-

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

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Mercantile Investment Company Limited (the Company) during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

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

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

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2022.

The half-year financial report was authorised for issue by the directors on 24 February 2023.

Parent Entity

Sandon Capital Investments Limited (SNC) is the parent entity of the Company and its subsidiaries.

Tax Consolidation

The Company is part of the SNC tax consolidated group under the tax consolidated regime.

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 1: Segment Information

Consolidated - 31 December 2022	Securities \$	Consumer Finance \$	Shipping Services \$	Inter-segment elimination \$	Total \$
Revenue	2,499,611	1,050,911	702,798		4,253,320
Expenses	(1,227,696)	(1,189,356)	(569,227)		(2,986,279)
Profit/(Loss) before tax	1,271,915	(138,445)	133,571		1,267,041
Profit/(Loss) after tax	1,026,126	(138,445)	119,492		1,007,173
<i>Material items include:</i>					
Impairment of loans	-	(1,059,732)	-		(1,057,732)
Assets					
Segment assets	80,346,217	3,195,141	17,194,451	(13,285,998)	87,449,811
Trade and other receivables					39,649
Other current assets					27,607
Right-of-use assets					97,146
Property, plant & equipment					69,872
Deferred tax asset					28,860
Intercompany tax receivable from parent					1,841,908
					<u>89,554,852</u>
Liabilities					
Segment liabilities	(41,171,725)	(773,017)	(615,636)	13,285,998	(29,274,380)
Trade and other payables					(250,848)
Lease liability					(122,232)
Current tax liability					(133,442)
Deferred tax liability					(702,249)
					<u>(30,483,151)</u>

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

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 1: Segment Information (continued)

Consolidated - 31 December 2021	Securities \$	Consumer Finance \$	Shipping Services \$	Inter-segment elimination \$	Total \$
Revenue	2,274,184	708,249	924,553		3,906,986
Expenses	(1,423,908)	(876,248)	(684,014)		(2,984,170)
Profit/(Loss) before tax	850,276	(167,999)	240,539		922,816
Profit/(Loss) after tax	1,075,979	(167,999)	222,188		1,130,168
<i>Material items include:</i>					
Impairment of loans		(712,890)			(712,890)
Assets					
Segment assets	90,561,140	3,194,230	16,722,479	(12,750,592)	97,727,257
Trade and other receivables					430,308
Other current assets					74,814
Right-of-use assets					290,128
Property, plant & equipment					95,000
Deferred tax asset					94,281
					<u>98,711,788</u>
Liabilities					
Segment liabilities	(40,817,577)	(477,744)	(682,241)	12,750,592	(29,226,970)
Trade and other payables					(1,595,391)
Lease liability					(309,473)
Current tax liability					(475,822)
Deferred tax liability					(183,053)
					<u>(31,790,709)</u>

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 1: Segment Information (continued)

Consolidated – 31 December 2022	Australia \$	Singapore \$	Total \$
Revenue	3,550,522	702,798	4,253,320
Non-current assets	23,512,598	167,018	23,679,616
Consolidated – 31 December 2021			
Revenue	2,982,433	924,553	3,906,986
Non-current assets	24,361,516	385,128	24,746,644

Note 2 (a): Revenue from continuing operations

	31 December 2022 \$	31 December 2021 \$
Revenue		
Dividends received	345,073	548,724
Trust Distributions Received	-	-
Interest income	1,064,632	708,365
Return of Capital	-	-
Revenue from contracts with shipping services income customers*	395,471	683,035
	<u>1,805,176</u>	<u>1,940,124</u>

* Revenue from shipping services commission is recognised based on point in time. The customers are shipping lines and ship owners. All contract terms are for less than 12 months.

Note 2 (b): Other income

Realised (loss) on trading equities fair valued through profit and loss	(2,168,507)	(153,001)
Unrealised gain on trading equities fair valued through profit and loss	3,886,526	1,705,940
Foreign gain/(loss) exchange movement	272,334	117,930
Sundry income	457,792	295,993
	<u>2,448,145</u>	<u>1,966,862</u>

Note 3: Payment of dividends to shareholders

The group has not declared a dividend for the period (2022: nil).

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 4: Issued Capital

	31 December 2022	30 June 2022
	\$	\$
280,700,000 (June 2022: 280,700,000) fully paid ordinary shares	28,834,628	28,834,628

	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	No.	No.	\$	\$
Ordinary Shares				
At the beginning of reporting period	280,700,000	280,700,000	28,834,628	28,834,628
<u>Movement in Shares on Issue:</u>				
Capital raising costs, net of tax	-	-	-	-
Closing Balance at Reporting Date	280,700,000	280,700,000	28,834,628	28,834,628

Note 5: Fair value estimation

Fair Value Hierarchy

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

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

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 31 December 2022				
Financial assets at fair value through other comprehensive income				
- Listed domestic and international investments	16,652,349	770,448	-	17,422,797
- Unlisted domestic investments	-	-	4,800	4,800
- Unlisted international investments	-	-	6,056,141	6,056,141
	16,652,349	770,448	6,060,941	23,483,738
Financial assets at fair value through profit and loss				
- Listed domestic and international investments	22,494,411	-	-	22,494,411
- Unlisted domestic and international investments	-	-	3,795,150	3,795,150
	22,494,411	-	3,795,150	26,289,561
Total financial assets	39,146,760	770,448	9,856,091	49,773,299

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 5: Fair value estimation (continued)

	Level 1	Level 2	Level 3	Total
As at 30 June 2022	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
- Listed domestic and international investments	14,522,612	890,418	-	15,413,030
- Unlisted domestic investments	-	-	4,800	4,800
- Unlisted international investments	-	-	6,081,500	6,081,500
	<u>14,522,612</u>	<u>890,418</u>	<u>6,086,300</u>	<u>21,499,330</u>
Financial assets at fair value through profit and loss				
- Listed domestic and international investments	22,476,932	-	-	22,476,932
- Unlisted domestic and international investments	-	-	3,642,463	3,642,463
	<u>22,476,932</u>	<u>-</u>	<u>3,642,463</u>	<u>26,119,395</u>
Total financial assets	<u>36,999,544</u>	<u>890,418</u>	<u>9,728,763</u>	<u>47,618,725</u>

Included in Level 1 of the hierarchy are listed investments. The fair value of these financial assets is the last traded price. Where the last traded price is higher than the bid and offer spread the offer price is used at the end of the reporting period. Where the last traded price is lower than the bid and offer spread the bid price is used at the end of reporting period. Both last traded and offer prices exclude transactions costs.

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

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

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

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

Level 3 Financial assets at fair value through other comprehensive income includes an investment in Foundation Life valued at \$6,056,141 (June 2022: \$6,081,500), based on its share of Foundation Life's shareholder equity and notes. This value is reported in Foundation Life's reviewed half yearly and audited full year accounts (in March and September respectively). The method of fair value of the investment is consistent with prior years.

Level 3 Financial assets at fair value through profit and loss consist of IPE Limited's unlisted portfolio valued at \$3,795,150 (June 2022: \$3,642,463). The value of the unlisted private equity funds held via IPE are determined by the monthly valuations provided by each of the managers of the underlying private equity funds.

Transfer between level 1 and 2

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

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 5: Fair value estimation (continued)

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

Financial assets at fair value through other comprehensive income

	Unlisted domestic investments \$	Unlisted International investments \$	Total \$
Consolidation			
Balance at 1 July 2021	4,800	5,333,667	5,338,467
Sale of investments	-	-	-
Purchases of investments	-	911,169	911,169
Return of Capital	-	-	-
Gain recognised in other comprehensive income	-	14,151	14,151
Foreign exchange movement	-	(177,487)	(177,487)
	4,800	6,081,500	6,086,300
Balance at 30 June 2022	4,800	6,081,500	6,086,300
Sale of investments	-	-	-
Purchases of investments	-	209,590	209,590
Unrealised Loss recognised in other comprehensive income	-	(246,252)	(246,252)
Foreign exchange movement	-	11,303	11,303
Balance at 31 December 2022	4,800	6,056,141	6,060,941

Financial assets at fair value through profit and loss

	Unlisted domestic investments \$	Unlisted international investments \$	Total \$
Consolidation			
Balance at 1 July 2021	3,586,023	108,601	3,694,624
Impairment of investment	(3,072,158)	-	(3,072,158)
Return of Capital	(308,869)	-	(308,869)
Gain/ (Loss) recognised in profit and loss	3,353,997	(25,131)	3,328,866
	3,558,993	83,470	3,642,463
Balance at 30 June 2022	3,558,993	83,470	3,642,463
Return of Capital	-	-	-
Unrealised Loss recognised in profit and loss	136,814	15,874	152,688
Balance at 31 December 2022	3,695,807	99,344	3,795,151

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

	Impact on reserves		Impact to post-tax profit	
	December 2022	June 2022	December 2022	June 2022
Long term equity investments				
Increase in fair value in long term equities by 5%	985,859	806,225		
Decrease in fair value in long term, equities by 5%	(985,859)	(806,225)		
Trading equities				
Increase in fair value in trading equities by 5%			880,640	979,477
Decrease in fair value in trading equities by 5%			(880,640)	(979,477)

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 6: Unsecured Notes

The unsecured notes carry an interest entitlement of 4.8% per annum, payable at the end of December and June each year and mature on 10 July 2026.

Issued -unsecured notes	31 December 2022 \$	30 June 2022 \$
Non-current unsecured notes at amortised cost	29,057,800	29,057,800
Less: capitalised costs	(399,056)	(456,064)
Non-current unsecured – notes at amortised cost	<u>28,658,744</u>	<u>28,601,736</u>

Note 7: Net loan and advances

	31 December 2022 \$	30 June 2022 \$
Family law	12,502,936	11,443,204
Allowance of expected losses / impairment	(9,356,936)	(8,297,204)
Total	<u>3,146,000</u>	<u>3,146,000</u>
Opening balance	3,146,000	3,146,000
Additions	1,059,732	1,688,710
Recoveries	-	-
Write offs	-	-
Allowance of expected losses/impairment	(1,059,732)	(1,688,710)
	<u>3,146,000</u>	<u>3,146,000</u>

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 8: Trade and other payables	31 December 2022	30 June 2022
	\$	\$
Unclaimed shareholder's monies – secured	-	1,136,502
Trade payables	481,316	342,781
Escrowed Port of Singapore	385,168	531,862
Unsettled trades	-	-
Total trade and other payables	866,484	2,011,145

During the 6 months period ending 31 December 2022, Unclaimed shareholder's monies – secured, totalling \$1,136,502 was remitted to the Western Australia Government Unclaimed Money Administrator.

Note 9: Lease liability

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

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

	31 December 2022	30 June 2022
	\$	\$
Current	68,061	147,262
Non-current	54,171	63,426
Total lease liabilities	122,232	210,688

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 10: Intercompany receivable from parent

During the period, the Parent repaid the June 2022 loan balance with the Company in full. The amount of \$28,624,407 was repaid via a combination of off-market transfer of shares at market value and cash.

On 28 December 2022, the Parent and Company entered a new loan arrangement, with the condition in respect of each advance, that it must be repaid immediately preceding the first anniversary of the drawdown date.

On the same day, the Company advanced the sum of \$29,906,095 to the Parent. This advance was satisfied by the transfer of securities with that market value through an off-market transfer.

Loans under this agreement must be repaid in cash unless otherwise agreed by the parties.

The Parent has since repaid MVT \$195,770 in cash.

	31 December 2022	30 June 2022 (Restated)
	\$	\$
Opening balance	31,033,637	24,767,468
(Repayment of loan from parent)/funding to parent	(2,605,000)	6,266,170
Non-cash off-market transfer of shares from Parent to the Company at market value	28,624,407	-
Non cash off-market transfer of shares from the Company to Parent at market value	(29,906,095)	-
Loan transaction with parent	29,710,325	31,033,637
Intercompany tax receivable from Parent	1,841,908	1,914,017
Total Intercompany receivable from Parent	36,112,875	32,947,655

Note 11: Deferred tax

In preparing MVT's financial accounts for the year ended 30 June 2022, MVT did not recognise a tax loss that arose in relation to an investment that was wound up and deregistered with ASIC during the year ended 30 June 2022. The non-recognition of this additional tax loss resulted in MVT's deferred tax asset being overstated and its parent intercompany tax receivable being understated at 30 June 2022. This error has been rectified in the Company's accounts for the half year ended 31 December 2022.

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

	30 June 2022	Adjustment	30 June 2022 Restated
Statement of Financial Position	\$	\$	\$
Intercompany tax receivable from parent	929,598	984,419	1,914,017
Total Current Assets	65,916,336	984,419	66,900,755
Deferred tax asset	954,998	(954,998)	-
Total Non-Currents Assets	22,728,481	(954,998)	21,773,483
Deferred tax liabilities	216,352	29,421	245,773
Total Non-Current Liabilities	28,881,514	29,421	28,910,935

This has no impact on the net assets of the balance sheet or the economic value of the Company.

**Mercantile Investment Company Limited
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**Notes to the Interim Financial Report
For the half-year ended 31 December 2022**

Note 12: Interest in other entities

On 15 September 2022, Mercantile OFM Pty Ltd (OFM) made an offer to certain Ask Funding Limited (AKF) shareholders, who together held less than 3% of the shares on issue, to purchase all their shares at 4.1 cents per share. The offer closed on 15 October 2022.

A total of 11,574,249 shares totalling \$474,544 were acquired by OFM under this offer. This brought OFM's ownership of Ask Funding to 93.95%. This entitled OFM to commence the compulsory acquisition of the remaining shares. This process was completed subsequent to the balance date. Refer to Note 13 Events subsequent to balance date for further information.

Immediately prior to the purchase, the carrying amount of the existing 24.52% non-controlling interest in Ask Funding Limited (AKF) was \$703,877.

The effect on the equity attributable to the owners of OFM during the year is summarised as follows:

	31 Dec 2022
	\$
Carrying amount of non-controlling interests acquired	475,544
Consideration paid to non-controlling interests	(474,544)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	-

There were no transactions with non-controlling interests in 2021.

Note 13: Events subsequent to balance date

OFM completed the compulsory acquisition of the remaining 6.05% of Ask Funding Limited shares on 25 January 2023.

At reporting date, a wholly owned subsidiary, IPE Limited, held a level 3 unlisted domestic investment valued at \$3,795,150 (see Note 5). On 27 January 2023, this same investment had a return of capital of \$3,491,857 converting the level 3 investment into cash.

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

**Mercantile Investment Company Limited
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**Directors' Declaration
For the half-year ended 31 December 2022**

The Directors declare that:

1. the financial statements and notes, as set out on pages 6 to 20, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position of the consolidated entity as at 31 December 2022 and of its performance for the half-year ended on that date;
2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Gabriel Radzynski
Director

Signed this 24 day of February 2023

Independent Auditor's Review Report

To the Members of Mercantile Investment Company Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Mercantile Investment Company Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance
Sydney, 24 February 2023