

Appendix 4E

Preliminary final report

Introduced 01/01/03 Origin: Appendix 4B Amended 17/12/10

Name of entity: MERCHANT HOUSE INTERNATIONAL LIMITED

ABN: 065 681 138

1. Reporting year ("current year"): Year ended 31 March 2015
Previous corresponding year Year ended 31 March 2014

2. Results for announcement to the market

					\$A'000
2.1	Revenue	up	2.23%	to	86,196
2.2	Loss from continuing operations after tax attributable to members	down	119.23%	to	(1,923)
2.3	Loss for the year attributable to members	down	122.61%	to	(1,983)

		Amount per share cents	Franked amount per share cents
2.4	Dividends		
	Final	Nil	Nil
	Interim	Nil	Nil

2.5 Record date for determining entitlement to dividends: N/A

2.6 Brief explanation of figures (if necessary):

The loss for the year includes an impairment write-down of \$2,285 thousand. Please refer to note 12 for further details.

**3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015**

	Current year \$'000	Previous corresponding year \$'000
Continuing operations		
Revenue	86,196	84,312
Cost of sales	(77,130)	(74,072)
Gross profit	9,066	10,240
Other revenues	77	104
Other income	148	165
Share of profit of associated entities accounted for using the equity method	1,095	788
Impairment of investment in associate	-	(96)
Impairment of property, plant and equipment	(2,285)	-
Impairment of inventory	(102)	-
(Loss) / gain on disposal of fixed assets	(93)	9,286
Administration expenses	(8,346)	(8,001)
Finance costs	(16)	(3)
Other expenses	(1,450)	(1,413)
(Loss) / profit before tax	(1,906)	11,070
Income tax expense	(17)	(1,070)
(Loss) / profit from continuing operations	(1,923)	10,000
Discontinued operations		
Loss on dissolution of subsidiaries	(60)	(1,229)
(Loss) / profit for the year	(1,983)	8,771

+ See chapter 19 for defined terms.

3. **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

	Current year \$'000	Previous corresponding year \$'000
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss		
Reversal of foreign currency translation reserve on dissolution of a subsidiary	673	921
Exchange differences arising on translation of foreign operations	7,632	4,404
Income tax on items that may be reclassified subsequently to profit or loss	(3)	(2)
Total items that may be reclassified subsequently to profit or loss	8,302	5,323
Other comprehensive income for the year (net of tax)	8,302	5,323
Total comprehensive income for the year	6,319	14,094
(Loss) / profit attributable to owners of the parent	(1,983)	8,771
Total comprehensive income attributable to owners of the parent	6,319	14,094
(Loss) / earnings per share from continuing operations		
Basic and diluted (cents per share)	(2.04)	10.62
Loss per share from discontinued operations		
Basic and diluted (cents per share)	(0.06)	(1.31)
(Loss) / earnings per share for profit attributable to owners of the parent		
Basic and diluted (cents per share)	(2.10)	9.31

+ See chapter 19 for defined terms.

3. **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

Notes to the statement of comprehensive income

	Current year \$'000	Previous corresponding year \$'000
<i>Income</i>		
Sales	86,196	84,312
Interest income	77	104
Equity share of associates' profit	1,095	788
Gain on disposal of fixed assets	-	9,286
Net exchange gains on foreign exchange translation	58	-
Others	90	165
Total income	87,516	94,655
<i>Expenses</i>		
Depreciation and amortisation	(1,355)	(947)
Impairment of investment in associate	-	(96)
Loss on disposal of subsidiaries	(60)	(1,229)
Impairment of property, plant and equipment	(2,285)	-
Loss on disposal of fixed assets	(93)	-
Impairment of inventory	(102)	-
Interest expense	(16)	(3)
Salaries and wages	(7,872)	(6,346)
<i>Salaries and wages</i>		
Key management personnel remuneration	1,100	1,173
Wages and salaries	6,263	4,834
Contributions to defined contribution plans	46	37
Movement in liability for long service leave	75	(16)
Other associated personnel expenses	388	318
	7,872	6,346

+ See chapter 19 for defined terms.

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Current year \$'000	Previous corresponding year \$'000
CURRENT ASSETS		
Cash or cash equivalents	18,950	15,010
Trade and other receivables	8,319	7,299
Inventories	3,414	2,230
Current tax assets	110	-
Other assets	883	330
TOTAL CURRENT ASSETS	31,676	24,869
NON CURRENT ASSETS		
Investments accounted for using the equity method	10,455	7,362
Property, plant and equipment	10,370	11,243
Leasehold land	1,323	1,120
Deferred tax assets	15	4
Goodwill	229	229
TOTAL NON CURRENT ASSETS	22,392	19,958
TOTAL ASSETS	54,068	44,827
CURRENT LIABILITIES		
Trade and other payables	7,262	4,966
Borrowings	1,106	-
Current tax payable	-	49
Provisions	115	42
TOTAL CURRENT LIABILITIES	8,483	5,057
NON CURRENT LIABILITIES		
Provisions	-	64
TOTAL NON CURRENT LIABILITIES	-	64
TOTAL LIABILITIES	8,483	5,121
NET ASSETS	45,585	39,706
EQUITY		
Issued capital	2,944	2,944
Reserves	8,520	218
Retained earnings	34,121	36,544
TOTAL EQUITY	45,585	39,706

+ See chapter 19 for defined terms.

5. **CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015**

	Current year \$'000	Previous corresponding year \$'000
Cash flows from operating activities		
Receipts from customers	86,214	85,204
Payments to suppliers and employees	(85,038)	(82,489)
Government subsidy	6	-
Interest and other costs of finance paid	(16)	(3)
Income tax paid	(180)	(1,203)
Net cash generated from operating activities	986	1,509
Cash flows from investing activities		
Interest received	107	76
Proceeds from disposal of property, plant and equipment	2	12,133
Payments for property, plant and equipment	(870)	(3,640)
Dividend received from an associate	-	1,255
Net cash (used in) / generated from investing activities	(761)	9,824
Cash flows from financing activities		
Repayment of borrowings	(690)	(2,240)
Proceeds from borrowings	1,661	2,240
Dividends paid	(439)	(2,356)
Net cash generated from / (used in) financing activities	532	(2,356)
Net increase in cash and cash equivalents	757	8,977
Cash and cash equivalents at the beginning of the year	15,010	5,419
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	3,183	614
Cash and cash equivalents at the end of the year	18,950	15,010
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the year	18,950	15,010
Cash and cash equivalents at the end of the year	18,950	15,010

+ See chapter 19 for defined terms.

**6. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015**

	Attributable to owners of the parent			
	Issued Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve \$'000	TOTAL \$'000
Balance at 1 April 2013	2,913	30,129	(5,105)	27,937
Profit for the year	-	8,771	-	8,771
Reversal of foreign current translation reserve on dissolution of subsidiary	-	-	921	921
Exchange differences arising on translation of foreign operations	-	-	4,402	4,402
Total comprehensive income for the year	-	8,771	5,323	14,094
Recognition of share-based payments	31	-	-	31
Reversal of unclaimed dividend payments	-	-	-	-
Dividends	-	(2,356)	-	(2,356)
Balance at 31 March 2014	2,944	36,544	218	39,706
Balance at 1 April 2014	2,944	36,544	218	39,706
Loss for the year	-	(1,983)	-	(1,983)
Reversal of foreign current translation reserve on dissolution of subsidiary	-	-	673	673
Exchange differences arising on translation of foreign operations	-	-	7,629	7,629
Total comprehensive income for the year	-	(1,983)	8,302	6,319
Reversal of unclaimed dividend payments	-	31	-	31
Dividends	-	(471)	-	(471)
Balance at 31 March 2015	2,944	34,121	8,520	45,585

+ See chapter 19 for defined terms.

7. Dividends

Amount per security

		Amount per security cents	Franked amount per security at 30% tax cents	Amount per security of foreign source dividend cents
Final dividend	- current year	Nil	Nil	Nil
	- previous corresponding year	0.5 ¢	Nil	0.5 ¢
Interim dividend	- current year	Nil	Nil	Nil
	- previous corresponding year	2.0 ¢	Nil	2.0 ¢

Total dividends paid on all securities during the financial year

	Current year \$'000	Previous corresponding year \$'000
Ordinary securities	471	2,356
Total	471	2,356

8. Dividend reinvestment plans

The dividend reinvestment plans shown below are in operation:

None

Last date for receipt of election notices for the dividend reinvestment plan:

N/A

9. Net tangible assets

	Current year cents	Previous corresponding year cents
Net tangible asset backing per ordinary share	48.11	41.88

+ See chapter 19 for defined terms.

10. Details of entities over which control has been gained or lost

10.1 Name of the entity

- Merchant House Australia Pty Ltd
- Home Affairs Inc. (USA)

10.2 Date of the gain or loss of control

- Merchant House Australia Pty Ltd - De-registered on 30 July 2014
- Home Affairs Inc. (USA) - Dormant

10.3 Contribution to the reporting entity's profit (where applicable)

The resultant loss on the dissolution of these subsidiaries is \$60 thousand

11. Details of associates

Name of entity	Percentage of ownership interest held at end of year		Contribution to net profit / (loss)	
	Current year %	Previous corresponding year %	Current year \$'000	Previous corresponding year \$'000
Tianjin Jiahua Footwear Co Ltd	30.00%	30.00%	405	275
Tianjin Tianxing Kesheng Leather Products Co Ltd	33.79%	33.79%	830	562
Jawa (Jiangsu) Textiles Co Ltd	33.33%	33.33%	(140)	(49)
			1,095	788

Aggregate share of profits of associates

	Current year \$'000	Previous corresponding year \$'000
Profit before income tax	1,526	1,078
Income tax expense	(431)	(290)
	1,095	788
Outside equity interests	-	-
Net profit attributable to members	1,095	788

+ See chapter 19 for defined terms.

12. Any other significant information

Details of any other significant information needed by an investor to make an informed assessment of the entity's financial performance and position:

The loss for the year includes an impairment write down of \$2,285 thousand. This impairment relates to the footwear manufacturing assets, and has been impaired pursuant to Australian Accounting Standards requirements given the current state of operations (i.e. infancy of a new subsidiary and its growing customer base). The directors will revisit the impairment value in a future period when operations are expected to increase.

13. Accounting standards

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations.

14. Results for the year

14.1 Earnings per security

	Current year cents	Previous corresponding year cents
Basic and diluted (loss) / earnings per share		
From continuing operations	(2.04)	10.62
From discontinued operations	(0.06)	(1.31)
For profit attributable to owners of the parent	(2.10)	9.68
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Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	94,266,496	94,172,018
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14.2 Returns to shareholders

N/A

14.3 Significant features of operating performance

Refer note 12.

+ See chapter 19 for defined terms.

14.4 Segment results

	Current year \$'000	Previous corresponding year \$'000
Home textile trading	593	2,355
Home textile manufacturing	(462)	(2,925)
Footwear trading	2,247	3,586
Footwear manufacturing	(4,968)	(405)
Total for all segments	(2,590)	2,611
Eliminations	(154)	(1,377)
	(2,744)	1,234
Central administration and directors' remuneration	(318)	(243)
Finance costs	(16)	(3)
Impairment of investment in associate	-	(96)
Share of profit of associates	1,095	788
Interest income	77	104
Gain on sale of fixed assets	-	9,286
(Loss) / profit before tax (continuing operations)	(1,906)	11,070

14.5 Trends in performance

N/A

14.6 Any other factors which have affected the results in the year or which are likely to affect the results in the future, including those where the effect could not be quantified:

Other than already disclosed in this report, there are no other factors which have affected the results in the year or which are likely to affect the results in the future.

15. This report is based on accounts to which one of the following applies:

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

16. Description of any likely audit dispute or qualification

N/A



David M McArthur
Company Secretary
29 May 2015