CIP Merchant Capital Limited

Annual Report and Audited Consolidated Financial Statements

For the year ended 31 December 2021

CIP Merchant Capital Limited
Table of Contents

CIP Merchant Capital Limited
General Information

The Company's ordinary shares were issued and admitted to trading on the London Stock Exchange's AIM market on 22 December 2017. On 8 June 2022, the Company delisted from trading on the London Stock Exchange's AIM market.

Directors
Adrian John Reginald Collins (Independent Non-Executive Chairman)
Marco Fumagalli (Non-Independent Non-Executive Director)*
Carlo Sgarbi (Non-Independent Non-Executive Director)*
John Martyn Falla (Independent Non-Executive Director)
Robert Paul King (Independent Non-Executive Director)
Piero Sansalone (Non-Independent Non-Executive Director)

* Directors of the Company during the period but withdrew from re-election at the Company's annual general meeting held on 10 September 2021.

Registered office
3rd Floor, 1 Le Truchot
St Peter Port
GY1 1WD
Guernsey

Investment Manager and AIFM
Merchant Capital Manager Limited
3rd Floor, 1 Le Truchot
St Peter Port
GY1 1WD
Guernsey

Nominated Adviser and Broker
Strand Hanson Limited *
26 Mount Row
London
W1K 3SQ
United Kingdom

* Due to the Company's delisting, agreement was terminated on 8 June 2022.

Legal Advisers to the Company (as to English law)
Gowling WLG (UK) LLP
4 More London Riverside
London
SE1 2AU
United Kingdom

Legal Advisers to the Company (as to Guernsey law)
Ogier
Redwood House
St Julians Avenue
St Peter Port
GY1 1WA
Guernsey

CIP Merchant Capital Limited
General Information (continued)

Administrator and Company Secretary
Maitland Administration (Guernsey) Limited
3rd Floor, 1 Le Truchot
St Peter Port
GY1 1WD
Guernsey

Independent Auditor
BDO Limited
Place du Pré
St Peter Port
GY1 3LL
Guernsey

Registrar
Computershare Investor Services (Guernsey) Limited
1st Floor, Tudor House
Le Bordage
St Peter Port
GY1 1DB
Guernsey

CIP Merchant Capital Limited
Report of the Directors
For the year ended 31 December 2021

The Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2021.

Principal Activity

The Company was registered in Guernsey on 13 September 2017 and is a registered closed-ended investment scheme under the POI Law. The Company issued 55,000,000 ordinary shares of no par value which traded on the London Stock Exchange's AIM market under the ticker "CIP". The ordinary shares were admitted to trading on 22 December 2017.

On incorporation, two shares were issued at £1.00 each for the purposes of the Company's incorporation to the subscribers to the Memorandum. Such shares were redeemed by the Company on its admission to trading on AIM when 55,000,000 new ordinary shares were issued at a subscription price of 100 pence per share to investors.

On 14 January 2022, the Company became the subject of a takeover offer (the "Offer") from Corporation Financière Europeanness S.A. ("CFE") and the Company engaged Strand Hanson Limited as its adviser under The City Code for Mergers and Takeovers. During the bid process, which is described in more detail on page 31, the Offer was increased from 55p per ordinary share to 60p. Although the Board believed that the Offer undervalued the Company, CFE received sufficient acceptances such that the Offer was successful with CFE now owning 87.31% of the ordinary shares. Accordingly, on 8 June 2022, the Company's ordinary shares were delisted from trading on the London Stock Exchange's AIM market.

Results and Dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 11. The Directors do not recommend the payment of a dividend for the year ended 31 December 2021. As stated in the Company's original Admission Document it is the Company's intention to reinvest the net proceeds of any realisations in the portfolio.

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company had adequate resources to continue in operational existence for the foreseeable future.

The impact of the Coronavirus (COVID-19) pandemic had continued to cause extensive disruptions to businesses and economic activities globally. Although COVID-19 had, and continues to have, an impact on the businesses and the valuation of our portfolio companies, the Directors have reviewed the Company's holdings of £36 million as at 24 June 2022, and consider that the Company will be able to meet its liabilities as they fall due while also availing itself of investment opportunities.

- cash and cash equivalents of £4 million held through the LP;
- short-dated treasury gilts of £0.5 million held by the Company;
- listed equities held through the LP of £31.7 million.

In addition, the Company does not have any external debt and therefore, the Directors believe that the aforementioned resources will be sufficient to meet the Company's annual running costs.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Russia's invasion of Ukraine on 24 February 2022 has already had a significant impact on global economies and the continued uncertainty of the outcome of the war will continue to impact our portfolio. The Board do not underestimate the seriousness of the issue and the inevitable effect it will have on the global economy and many businesses across the world. The Board of Directors will continue to monitor the situation and impact on the Company.

Statement of Directors' Responsibilities

The Directors are responsible for preparing an Annual Report and Financial Statements for each financial year which gives a true and fair view, in accordance with applicable law and regulations, of the state of affairs of the Company and of the profit or loss of the Company for that year.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

In preparing the Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The maintenance and integrity of the Company's website is the responsibility of the Directors. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with Companies Law. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken into account all matters considered by the Board and brought to the attention of the Board for the year ended 31 December 2021, the Board has concluded that the Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2021, taken as a whole, give a true and fair view, in accordance with applicable law and regulations, of the state of affairs of the Company and of the profit or loss of the Company for that year.

Directors

The Directors of the Company who served during the year are detailed on page 1.

CIP Merchant Capital Limited
Report of the Directors (continued)
For the year ended 31 December 2021

Directors' Interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 31 December 2021, and as at the date of signing these Financial Statements:

Director	Number of shares	% of issued shares
Adrian Collins	-*	-
John Falla	10,000	0.02
Piero Sansalone	-	-
Rob King	-	-

*On 27 April 2022, the Company announced that Adrian Collins, a non-executive director of the Company, had sold 50,000 ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") at a price of 60 pence per Ordinary Share pursuant to his acceptance of the Offer made by CFE.

The Company does not have any employees, only non-executive Directors who receive only a basic fee, plus expenses. Therefore, the use of the detailed remuneration table is not appropriate and instead a condensed table showing the information relevant to the Director's remuneration is shown below.

The Directors who served during the year received the following fees:

Director	2021 £	2020 £
Adrian Collins	35,000	35,000
Marco Fumagalli	-	-
Carlo Sgarbi	-	-
John Falla	30,000	27,500
Piero Sansalone	25,000	6,728
Rob King	25,000	25,000
	115,000	94,228

Messrs Sgarbi and Fumagalli signed waiver letters dated 30 November 2017 waiving their Directors' fees. Mr Falla, Mr King, Mr Sansalone and Mr Collins signed updated appointment letters on 24 September 2020 confirming their duties and fees as set out above.

Corporate Governance

As a Guernsey registered closed ended collective investment scheme, the Company is required to comply with the Financial Sector Code of Corporate Governance, issued by the Guernsey Financial Services Commission (the "GFSC") (the "GFSC Code"). The GFSC Code provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme under the Protection of Investors (Bailiwick of Guernsey), 2020 and the Registered Collective Scheme Rules and Guidance, 2021.

The Board has considered the Principles and Provisions of the GFSC Code, and a full scope review of the Company's corporate governance processes and procedures has been conducted during the year by the Board and the Company Secretary.

Audit Information

The Directors make the following statement:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that all steps have been taken by the Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

BDO had indicated its willingness to continue in office. Accordingly, a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

Alternative Investment Fund Managers Directive ("AIFMD")

As a company incorporated in Guernsey, the Company is a non-EU AIF for the purposes of the AIFM Directive. The Investment Manager acts as Alternative Investment Fund Manager ("AIFM") to the Company. The AIFM, also incorporated in Guernsey, is a non-EU AIFM for the purposes of the AIFM Directive. The Company and the AIFM comply and will continue to comply with the requirements of the AIFM Directive, as applicable to them.

Approved by the Board of Directors on 30 June 2022 and signed on behalf of the Board by:

Adrian Collins Director	John Falla Director

Independent Auditor's Report to the Members of CIP Merchant Capital Limited

Opinion on the financial statements

In our opinion, the financial statements of CIP Merchant Capital Limited and its subsidiary Merchant Capital GP Limited ("the Group"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS"); and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of the Group for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies (Guernsey) Law, 2008 reporting

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities within the Report of the Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of CIP Merchant Capital Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to its investment activities, and we considered the extent to which non-compliance might have a material effect on the Group's financial statements.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and have a direct impact on the preparation of the financial statements. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework such as IFRSs and the Companies (Guernsey) Law, 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to revenue recognition in relation to the investment income from the investments held either directly or indirectly via the Limited Partnership and management bias and judgement involved in accounting estimates, specifically in relation to the valuation of investments.

Audit procedures performed by the engagement team to respond to the risks identified included:

- Discussion with and enquiry of management and those charged with governance concerning known or suspected instances of non-compliance with laws and regulations and fraud;

- Reading minutes of meetings of those charged with governance, correspondence with the Guernsey Financial Services Commission, internal compliance reports, complaint registers and breach registers to identify and consider any known or suspected instances of non-compliance with laws and regulations and fraud;

- Challenging the valuation methods and assumptions used by management and those charged with governance in connection with the significant accounting estimates, in particular in relation to the unlisted investment valuations and the inputs and judgements adopted therein;

- For quoted and unquoted investments, recalculating realised and unrealised gains and losses in full. For investment income the amounts were recalculated where based on an agreement. Where not agreement based, we obtained direct confirmation from the underlying unquoted investee companies in relation to investment income; and

- Performing analytics on the mid-year net asset values with a focus on reviewing movements over a set threshold.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Independent Auditor's Report to the Members of CIP Merchant Capital Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities is available at the Financial Reporting Council's website at: hiips://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 30 June 2022

CIP Merchant Capital Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	2021 £	2020 £
INVESTMENT INCOME			
Net gains/(losses) on investments at fair value through profit or loss	7	7,288,648	(2,227,613)
Foreign exchange (losses)/gains		(16,299)	7,138
NET INVESTMENT INCOME/(LOSS)		**7,272,349**	**(2,220,475)**
EXPENSES			
Investment manager fees	5, 12	(947,761)	(840,477)
Directors' fees	12	(115,000)	(94,228)
Secretarial and administration fees	5	(88,847)	(96,011)
Advisory and consultancy fees		-	(50,000)
Legal and professional fees		(128,720)	(18,818)
Brokerage and custody fees		(59,248)	(19,256)
Audit fees		(36,853)	(32,951)
Other fees		(35,683)	(54,699)
TOTAL EXPENSES		**(1,412,112)**	**(1,206,440)**
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**5,860,237**	**(3,426,915)**
Interest expense and similar charges		(2,768)	(312)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**5,857,469**	**(3,427,227)**
EARNINGS/(LOSS) PER ORDINARY SHARE			
Basic and diluted earnings/(loss) per share	14	**0.11**	**(0.06)**

The notes on pages 15 to 31 form part of these financial statements

CIP Merchant Capital Limited
Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	2021	2020
		£	£
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	7	43,869,711	28,951,368
		43,869,711	**28,951,368**
Current assets			
Investments at fair value through profit or loss	7	4,006,160	12,252,120
Receivables and prepayments	8	34,737	56,050
Loans receivable		26,304	-
Cash and cash equivalents		1,053,367	1,817,959
		5,120,568	**14,126,129**
TOTAL ASSETS		**48,990,279**	**43,077,497**
LIABILITIES			
Current liabilities			
Payables and accruals	9	(319,222)	(263,909)
TOTAL LIABILITIES		**(319,222)**	**(263,909)**
TOTAL NET ASSETS		**48,671,057**	**42,813,588**
EQUITY			
Share capital	10	52,446,105	52,446,105
Retained deficit	11	(3,775,048)	(9,632,517)
TOTAL EQUITY		**48,671,057**	**42,813,588**
Net Asset Value per share	13	**0.88**	**0.78**

The Financial Statements on pages 11 to 31 were approved and authorised for issue by the Board on 30 June 2022 and signed on its behalf by:

John Falla
Director

Rob King
Director

The notes on pages 15 to 31 form part of these financial statements

CIP Merchant Capital Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital £	Retained deficit £	Total equity £
BALANCE AS AT 1 JANUARY 2020	**52,446,105**	**(6,205,290)**	**46,240,815**
Total comprehensive loss for the period	-	(3,427,227)	(3,427,227)
BALANCE AS AT 31 DECEMBER 2020	**52,446,105**	**(9,632,517)**	**42,813,588**
Total comprehensive income for the period	-	5,857,469	5,857,469
BALANCE AS AT 31 DECEMBER 2021	**52,446,105**	**(3,775,048)**	**48,671,057**

The notes on pages 15 to 31 form part of these financial statements

CIP Merchant Capital Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	2021	2020
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income/(loss)	5,857,469	(3,427,227)
Adjustments for:		
(Increase)/decrease in receivables and prepayments	(4,991)	167,458
Increase/(decrease) in payables and accruals	55,313	(28,403)
Net (gains)/losses on investments at fair value through profit or loss	(7,288,648)	2,227,613
Foreign exchange losses/(gains)	16,299	(7,138)
	(1,364,558)	**(1,067,697)**
Investment income	584,007	362,171
Purchase of investments	(12,835,311)	(57,046,849)
Sale of investments	12,867,569	58,254,731
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(748,293)**	**502,356**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(748,293)**	**502,356**
Cash and cash equivalents at the beginning of the year	1,817,959	1,308,465
(Losses)/gains on exchange movements	(16,299)	7,138
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,053,367**	**1,817,959**

The notes on pages 15 to 31 form part of these financial statements

1. PRINCIPAL ACTIVITES

The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 13 September 2017 with registered number 64013, and is a registered closed-ended investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey), 2020 and the Registered Collective Scheme Rules and Guidance, 2021. The Company commenced business following the admission of the Company's shares to trading on the AIM market of the London Stock Exchange on 22 December 2017.

On 8 June 2022, the Company's ordinary shares were delisted from trading on the London Stock Exchange's AIM market.

The registered office of the Company is at 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD.

The investment objective of the Company is to generate risk-adjusted returns for Shareholders through investment in equity and equity-related products and instruments, by targeting appreciation in the value of its investments over the medium to longer term, principally through capital growth.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently, unless otherwise stated.

Basis of Preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

These financial statements are presented in Sterling, the Group's functional currency, being the currency of the primary economic environment in which the Group operates.

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company had adequate resources to continue in operational existence for the foreseeable future.

The impact of the Coronavirus (COVID-19) pandemic had continued to cause extensive disruptions to businesses and economic activities globally. Although COVID-19 had, and continues to have, an impact on the businesses and the valuation of our portfolio companies, the Directors have reviewed the Company's holdings of £36 million as at 24 June 2022, and consider that the Company will be able to meet its liabilities as they fall due while also availing itself to investment opportunities.

In addition, the Group does not have any external debt and therefore, the Directors believe that the aforementioned resources would be sufficient to meet the Group's annual running costs.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Russia's invasion of Ukraine on 24 February 2022 has already had a significant impact on global economies and the continued uncertainty of the outcome of the war will continue to impact our portfolio. The Board do not underestimate the seriousness of the issue and the inevitable effect it will have on the global economy and many businesses across the world. The Board of Directors will continue to monitor the situation and impact on the Company.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Investment Entity Exemption

The Investments are made by the Group through the limited partnership – Merchant Capital LP (the "LP" or "Limited Partnership"). The Limited Partnership meets the criteria within IFRS 10 to qualify as an investment entity. The Company itself also meets the definition of an investment entity.

As per IFRS 10 an investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company had therefore not consolidated the Limited Partnership on the basis of the Limited Partnership being an investment entity. The investment in the Limited Partnership had therefore been reflected at fair value.

Basis of Consolidation

As Merchant Capital GP Limited (the "GP") is itself not an investment entity, and is solely in the structure to be the General Partner to the Limited Partnership, which itself is providing services to the Company it has been consolidated.

Where the Company had control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: (i) power over the investee; (ii) exposure to variable returns from the investee; and (iii) the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted across the Group. The "Group" is defined as the Company and its subsidiary, Merchant Capital GP Limited.

Foreign Currency

Transactions and Balances

Foreign currency transactions are translated into the functional currency of the Company, being Sterling, using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the Consolidated Statement of Financial Position.

Foreign exchange gains and losses arising from translation are included in the Consolidated Statement of Comprehensive Income.

Where foreign currency items are held at fair value, the foreign currency movements are treated as part of the fair value change.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets

Classification

The Group's financial assets are classified in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial Assets Held at Aamortised Cost

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets held at amortised cost. The Group had applied the simplified approach permitted by IFRS 9 in respect of trade and other receivables. This approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group's financial assets held at amortised cost include trade and other receivables and cash and cash equivalents.

Financial Assets at Fair Value Through Profit or Loss

The investment into the Limited Partnership is measured at fair value as the business model is for capital appreciation and the Group manages and evaluates the performance on a fair value basis. The Limited Partnership holds listed and unlisted investments.

The Company's investment in short term debt instruments is for investment purposes only and are not held for the collection of contractual cash flows. They are carried at fair value through profit or loss as part of the overall fair valuing of the underlying investee.

The change in fair value is recognised in profit or loss and is presented within the "net gains/(losses) on investments at fair value through profit or loss" in the Consolidated Statement of Comprehensive Income.

Recognition, Derecognition and Initial Measurement

A financial asset (in whole or in part) is recognised either (i) when the Group had transferred substantially all the risks and rewards of ownership; or (ii) when it had neither transferred nor retained substantially all the risks and rewards and when it no longer had control over the assets or a portion of the asset; or (iii) when the contractual right to receive cash flow had expired.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial Liabilities

Recognition

Financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the relevant financial instrument. Financial liabilities are initially recognised at fair value.

Classification and Measurement

The Group's financial liabilities consist of payables and accruals which are classified as amortised cost using the effective interest rate method. The Board believes that due to the short-term nature of these financial liabilities, the amortised cost approximates their fair value.

De-recognition of Financial Liabilities

A financial liability (in whole or in part) is derecognised when the Group's contractual obligation to deliver cash or other financial assets is extinguished, i.e. is discharged, expires or is cancelled. Any gain or loss on de-recognition is recognised in the Consolidated Statement of Comprehensive Income.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and cash on deposit measured at amortised cost.

Equity Instruments

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

Income

Bank interest income is accounted for on an accrual basis and is recognised in the Consolidated Statement of Comprehensive Income. Interest income includes interest earned on cash held at bank on call and on deposit using the effective interest method.

Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is recognised using contractual interest rates and is included within "Net losses on investments at fair value through profit or loss" in the Statement of Comprehensive Income.

Dividend income from investments is accounted for on an ex-dividend basis, gross of applicable withholding taxes and is recognised in the Statement of Comprehensive Income within investment income when the Group's right to receive payments is established.

Segmental Reporting

The decision maker is the Board. The Directors are of the opinion that the Group is engaged in a single segment of business with the primary objective of investing in securities to generate capital growth for Shareholders. Consequently, no business segmental analysis is provided.

3. NEW AND REVISED STANDARDS

New standards, amendments and interpretations to existing standards beginning effective 1 January 2021

The following accounting standards and their amendments were effective from 1 January 2021:

Standard	Effective Date
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

The above standard does not have an impact on the Group's current financial statements.

New standards, amendments and interpretations effective for annual periods beginning after 1 January 2021 and have not been early adopted

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's future accounting periods. Below is a list of these standards and interpretations and amendments which the Goup had not early adopted. Effective dates refer to financial years commencing on or after the specified date.

Standard	Effective Date
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts, Including Amendments to IFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1 (and Classifications of Liabilities as Current or Non-current – Deferral of Effective date	1 January 2023
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023

The Group is of the opinion that the revised IFRSs will have no material impact on the presentation and disclosure on the financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the Financial Statements management relies on a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates and assumptions.

The Directors make estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Fair Value Measurement

The Company invests in the Limited Partnership as per Note 16. The fair value of the investment in the Limited Partnership is based on the net asset value of the Limited Partnership. This is based on the components within the Limited Partnership, see Note 16 for more information.

5. SIGNIFICANT ONGOING AGREEMENTS

The below significant contracts have been entered into by the Company.

Investment Management Agreement

The Company, the GP and Merchant Capital Manager Limited (the "Investment Manager") have entered into the Investment Management Agreement. Under the Investment Management Agreement, the Investment Manager had been appointed to act as the Group's Investment Manager and AIFM, subject to the overall control and supervision of the Directors.

The Investment Manager receives from the Company an investment manager fee of 2.0 per cent per annum of the prevailing net asset value. The management fees are calculated on the last day of each quarter and are payable in arrears.

Administration Agreement

Under the Administration Agreement, Maitland Administration (Guernsey) Limited (the "Administrator") receives from the Company a fee computed and payable quarterly in arrears. The fee is calculated at the rate of 0.09 per cent of the net asset value of the Company with a minimum fee per annum of £40,000.

The Administrator also receives a quarterly periodic fee in respect of the Company Secretarial Services of £40,000 per annum. The Administrator is also reimbursed all out-of-pocket expenses reasonably incurred.

During the year the Administrator earned fees of £88,847 (2020: £96,011).

Merchant Capital Limited Partnership Agreement

The Limited Partnership Agreement is an agreement between the GP, the Company and the Investment Manager dated 30 November 2017 pursuant to which the parties have agreed to establish the Limited Partnership in order to make investments pursuant to the Company's investing policy. The Limited Partnership shall continue until the one hundredth anniversary of the date of its registration under the Limited Partnerships (Guernsey) Law, 1995 (the "Partnership Law") unless it is dissolved or its life is extended under the Limited Partnership Agreement.

The Limited Partnership Agreement may be terminated in certain customary circumstances, including the death or insolvency of the General Partner, agreement among the partners to terminate, and resignation, retirement, removal or withdrawal of the General Partner in accordance with the terms of the agreement.

The GP had agreed to act as General Partner of the Limited Partnership and will be solely responsible for the conduct and management of the Limited Partnership's business. The limited partners in the Limited Partnership, namely the Company and the Investment Manager, shall take no part in the management and control of the business and affairs of the Limited Partnership, and shall have no right or authority to act for the Limited Partnership or to take any part in or in any way interfere in the conduct or management of the Limited Partnership or to vote on matters relating to the Limited Partnership other than as set forth in the Limited Partnership Agreement and/or as permitted by the Partnership Law.

The GP, the Company and the Investment Manager have made capital contributions of £1, £799 and £200 to the Limited Partnership respectively. The Company is required to make loans to enable the Limited Partnership to meet its obligations as they fall due for such amount and for such purpose as the GP may request on not less than five business days' written notice (or such shorter period as may be necessary in an emergency).

5. SIGNIFICANT ONGOING AGREEMENTS (continued)

Merchant Capital Limited Partnership Agreement (continued)

Where the Company makes a loan to the Limited Partnership, the Limited Partnership shall not pay interest on any loan and all loans shall be unsecured. While it remains a limited partner of the Limited Partnership, the Company shall not be entitled to be repaid all or any part of a loan other than on liquidation of the Limited Partnership or realisations by the Limited Partnership.

The Investment Manager will receive 20 per cent of the net realised cash profits from investments and follow-on investments made over the relevant period once the Company had received all loan capital and a preferred return that equates to 5 per cent for the relevant period and associated follow-on period. The first relevant period ran from inception to 31 December 2019, with the follow-on period ending on 31 December 2021. The second period started on 1 January 2020.

6. TAXATION

The Company is eligible for exemption from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, and had paid an annual exemption fee of £1,200. It is the intention of the Directors to conduct the affairs of the Company to ensure that it continues to qualify for such exempt status.

There is no taxation charge included in the Consolidated Statement of Comprehensive Income as there had not been any irrecoverable withholding tax incurred on investment income received in the year.

The Limited Partnership is treated as a transparent entity for tax purposes which means that its profits are taxed directly in the hands of each partner.

7. INVESTMENTS

	Limited Partnership	**Direct Investments**	**Total Investments**
	£	**£**	**£**
	(Level 3)	(Level 1)	
	Non-current	***Current***	
Opening fair value as at 1 January 2021	28,951,368	12,252,120	41,203,488
Additions at cost	12,835,311	-	12,835,311
Disposal proceeds	(4,715,900)	(8,151,669)	(12,867,569)
Net realised gain/(loss) on disposal of investments	1,633,949	(68,459)	1,565,490
Net unrealised gain/(loss) on revaluation of investments	5,164,983	(25,832)	5,139,151
Closing fair value as at 31 December 2021	**43,869,711**	**4,006,160**	**47,875,871**

7. INVESTMENTS (continued)

	Limited Partnership	Direct Investments	Total Investments
	£	£	£
	(Level 3)	(Level 1)	
	Non-current	*Current*	
Opening fair value as at 1 January 2020	22,957,684	22,043,470	45,001,154
Additions at cost	12,343,997	44,702,852	57,046,849
Disposal proceeds	(3,856,042)	(54,398,689)	(58,254,731)
Net realised gain/(loss) on disposal of investments	1,102,209	(101,861)	1,000,348
Net unrealised (loss)/gain on revaluation of investments	(3,596,480)	6,348	(3,590,132)
Closing fair value as at 31 December 2020	**28,951,368**	**12,252,120**	**41,203,488**

The valuation of investments is discussed in more detail in Note 16.

	2021	2020
	£	£
Net realised gain on disposal of investments	1,565,490	1,000,348
Net unrealised gain/(loss) on revaluation of investments	5,139,151	(3,590,132)
Investment Income	584,007	362,171
Net gains/(losses) on investments at fair value through profit or loss	**7,288,648**	**(2,227,613)**

8. RECEIVABLES AND PREPAYMENTS

	2021	2020
	£	£
Accrued income	11,073	48,421
Prepayments	4,250	6,601
Other receivables	19,414	1,028
	34,737	**56,050**

9. PAYABLES AND ACCRUALS

	2021	2020
	£	£
Administration and company secretarial fee	32,937	20,559
Audit fee	36,000	20,988
Investment manager fees	247,615	214,140
Legal fees	2,670	-
Other expenses	-	8,222
	319,222	**263,909**

10. SHARE CAPITAL

	Number of shares	Share Capital £
Ordinary shares		
Opening balance as at 1 January 2021	55,000,000	52,446,105
Balance as at 31 December 2021	**55,000,000**	**52,446,105**

	Number of shares	Share Capital £
Ordinary shares		
Opening balance as at 1 January 2020	55,000,000	52,446,105
Balance as at 31 December 2020	**55,000,000**	**52,446,105**

The Company was incorporated on 13 September 2017 with an issued share capital of £2 represented by 2 ordinary shares of £1 each. These shares were redeemed immediately following the share issue described below from the proceeds raised.

On 22 December 2017, the Company issued 55 million ordinary shares of no par value at £1 per share in an offer for subscription, raising £52,446,105 after expenses including broker fees and legal and professional fees of £2,553,895.

11. RETAINED EARNINGS

Retained earnings represents the accumulated loss of the Group. As a Guernsey Company the capital and reserves of the Company may be used for any lawful purpose so long as company law solvency requirements are met.

12. RELATED PARTY TRANSACTIONS

The basis of calculation of the fees due to the Investment Manager are set out in Note 5. The Investment Manager earned remuneration of £947,761 (2020: £840,477) from the Company during the period in respect of normal services provided, with £247,615 (2020: £214,140) outstanding at the end of the year. In addition, £231,089 is included as an accrual (2020: £182,083) for carried interest in accordance with the Limited Partnership Agreement, reflecting investment performance as at 31 December 2021. The accrual of £231,089 is included in the fair value of the Limited Partnership investment as at 31 December 2021 and the expense relating to the accrual is included within “Net losses on investments at fair value through profit or loss” in the Consolidated Statement of Comprehensive Income. Dependent on future investment performance, this amount may change, and any amount which remains accrued as at 31 December 2021 will crystallise only if the investment performance is maintained for a further twenty four months following 31 December 2021.

In the year ending 31 December 2021, the Directors received remuneration fees of £115,000 (2020: £94,228) of which £nil (2020: £nil) was outstanding at the end of the year. The Independent Non-Executive Directors received an annual fee of £25,000 each. The Chairman receives an additional £10,000 and the Chairman of the Audit Committee receives an additional £5,000.

Mr Sgarbi and Mr Fumagalli signed a waiver letter dated 30 November 2017 and therefore have waived their Directors fees.

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Mr Fumagalli, a Director of the Company during the reporting period, had an indirect beneficial interest in the Company, of 3.87% (31 December 2020: 3.87%). Mr Fumagalli is also a non-executive director of Coro Energy plc in which the Company holds shares and a bond. Refer to the Unaudited Portfolio Statement for more information.

Mr Sgarbi, a Director of the Company during the reporting period, had an indirect beneficial interest in the Company of 3.87% (31 December 2020: 3.87%) and a direct beneficial interest in the Company of 0.36% (31 December 2020: 0.4%).

Mr Falla, a Director of the Company, had a direct beneficial interest in the Company of 0.02% (31 December 2020: 0.02%).

Mr Collins, Chairman of the Company, had a direct beneficial interest in the Company of 0.09% (31 December 2020: 0.09%).

Mr Nesta is an employee of Continental Investment Partners SA who serves as a Director of Merchant Capital GP (Malta) Limited, through which the investment Alkemy SpA is held, and Merchant Capital HF Limited through which 7Star S.R.L. is held. Mr Nesta is also a Director of 7Star S.R.L. Mr Sgarbi and Mr Fumagalli are also Directors of Merchant Capital GP (Malta) Limited.

Mr Sgarbi and Mr Fumagalli are Directors of IVY Merchant Capital Limited.

13. NET ASSET VALUE

The Net Assets Value ("NAV") per share is expressed in pence and is determined by dividing the net assets attributable to Shareholders of the Company by the number of ordinary shares in issue on the valuation day.

14. BASIC AND DILUTED EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per share is calculated by dividing the comprehensive income for the year of £5,857,469 (2020: loss of £3,427,227) by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares for the year is 55,000,000 (2020: 55,000,000).

The basic and diluted value is the same as the Company does not have any diluted type of shares.

15. DIVIDEND POLICY

It is the current intention of the Directors to reinvest the net proceeds of any realisations in the Company's portfolio. The Directors may consider the payment of dividends in the future.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's investing activities, through its Limited Partnership, exposes it to various types of risk that are associated with the investments in order to generate returns. The financial risks are: Market Risk, Liquidity Risk and Credit Risk.

Market Risk

Market risk is affected by three main components: price risk; interest rate risk; and currency risk.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price Risk

The Group is exposed to price risk on both its listed and unlisted financial instruments. There is a risk that the value of investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting the market.

If the prices of the Company's listed financial investments as at 31 December 2021 had increased by 5% (2020: 5%) with all other variables held constant, this would have increased net assets attributable to Shareholders by approximately £200,308 (2020: £612,606). Conversely, if the prices had decreased by 5% (2020: 5%), this would have decreased net assets attributable to Shareholders by approximately £200,308 (2020: £612,606).

The fair value of the Limited Partnership is directly impacted by the underlying investments held by the Limited Partnership. The underlying investments held by the Limited Partnership comprise listed investments, unlisted investments and unlisted warrants. No sensitivity had been prepared for the warrant, as it is immaterial.

If the listed prices of the Limited Partnership's listed investments (excluding investments in unlisted companies) as at 31 December 2021 had increased by 15% (2020: 15%) with all other variables held constant, this would have increased net assets attributable to Shareholders by approximately £5,394,966 (2020: £3,092,690). Conversely, if the prices had decreased by 15% (2020: 15%), this would have decreased net assets attributable to Shareholders by approximately £5,394,966 (2020: £3,092,690). The sensitivity analysis for the Coro Bond is not included in this analysis but shown separately below.

The following table shows the change in net assets attributable to Shareholders if the valuation of the Limited Partnership's unlisted investments changed as reflected below:

	Coro Bond
31 December 2021	**£**
If discount rate appreciated 5%	(208,405)
If discount rate depreciated 5%	234,998
	Happy Friends
	£
If revenue multiple increased 15%	237,761
If revenue multiple decreased 15%	(237,761)

	Coro Bond
31 December 2020	**£**
If discount rate appreciated 5%	(280,704)
If discount rate depreciated 5%	324,880
	Happy Friends
	£
If revenue multiple increased 15%	122,689
If revenue multiple decreased 15%	(204,482)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest Rate Risk

The Group is exposed to interest rate risk to the extent that prevailing interest rates may fluctuate on any floating rate instruments.

The exposure at 31 December 2021 of financial assets and financial liabilities to interest rate risk is shown by reference to:

- Floating interest rates
- Fixed interest rates

Group	2021 £	2020 £
Exposure to fixed interest rates*	6,903,890	15,471,778
Cash and cash equivalents (floating interest rate)**	2,848,481	5,087,518
	9,752,371	**20,559,296**

* Includes Limited Partnership interest rate risk exposure of £2,897,730 (2020: £3,219,658).
** Includes Limited Partnership interest rate risk exposure of £1,795,114 (2020: £3,269,559).

The asset base that is subject to interest rate sensitivity as disclosed in the above table constitutes a small enough percentage of the assets that exposure to movements in interest rates will not be material to the Group and is therefore not disclosed.

Movements in interest rates that could impact the fair value of the Company's investments have been considered as market price risk above.

Currency Risk

A proportion of the Group's portfolio is invested in investments denominated in a foreign currency and movement in exchange rates can significantly affect their Sterling value.

The Investment Manager does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions.

The fair values of the Group's assets that have foreign currency exposure as at 31 December 2021 are shown below:

31 December 2021	US Dollar £	Euro £	Total £
Investments at fair value through profit or loss	3,131,544	13,200,373	16,331,917
Net assets (excluding Investments at fair value through profit or loss)	3,030	250,505	253,534
	3,134,574	13,450,878	16,585,451

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency Risk (continued)

31 December 2020	US Dollar £	Euro £	Total £
Investments at fair value through profit or loss	3,521,535	7,795,646	11,317,181
Net assets/(liabilities) (excluding Investments at fair value through profit or loss)	3,024	(2,226)	798
	3,524,559	7,793,420	11,317,979

If the foreign currency exchange rates at 31 December 2021 had increased/decreased by 5% with all other variables held constant, this would have increased/decreased net assets attributable to Shareholders as follow:

31 December 2021	US Dollar £	Euro £	Total £
If exchange rates appreciated 5%	164,978	707,941	872,919
If exchange rates depreciated 5%	(149,265)	(640,518)	(789,783)

31 December 2020	US Dollar £	Euro £	Total £
If exchange rates appreciated 5%	185,503	410,180	595,683
If exchange rates depreciated 5%	(167,836)	(371,115)	(538,951)

Included in the previous table are the movements impacting the underlying Limited Partnership.

The below table analyses the individual foreign currency movement in respect of the Limited Partnership:

31 December 2021	US Dollar £	Euro £	Total £
If exchange rates appreciated 5%	164,978	707,941	872,919
If exchange rates depreciated 5%	(149,265)	(640,518)	(789,783)

31 December 2020	US Dollar £	Euro £	Total £
If exchange rates appreciated 5%	185,503	410,180	595,683
If exchange rates depreciated 5%	(167,836)	(371,115)	(538,951)

Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of liquid assets.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)

Liquidity risk is not significant as the majority of the Group's assets are investments in quoted securities which are readily realisable; their value is significantly in excess of the Group's financial liabilities.

All financial liabilities of the Group at the balance sheet date are payable within 3 months.

Credit Risk

The Group is exposed to material credit risk on its cash and cash equivalents and investments. Failure of the transaction counterparty to perform their obligations under the financial instruments may lead to a financial loss. The credit risk in respect of cash balances is mitigated by placing cash with a reputable banking institution with a credit rating with a single A- (or equivalent) or higher credit rating as determined by an internationally recognised rating agency or gilts or otherwise approved by the Board.

No classes of financial assets contain impaired assets. The maximum exposure to credit risk over financial assets is the carrying value of those assets in the Consolidated Statement of Financial Position.

The Group does not have any collateral held as security or other credit enhancements as at 31 December 2021.

Valuation of Financial Instruments

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making these measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurements as a whole. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Valuation of Financial Instruments (continued)

The following table analyses, within the fair value hierarchy, the Company's financial assets (by class) measured at fair value as at 31 December 2021:

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investments in LP	-	-	43,869,711	43,869,711
Debt instruments	4,006,160	-	-	4,006,160
	4,006,160	**-**	**43,869,711**	**47,875,871**

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investments in LP	-	-	28,951,368	28,951,368
Debt instruments	12,252,120	-	-	12,252,120
	12,252,120	**-**	**28,951,368**	**41,203,488**

During the year, there were no transfers between levels.

The fair value of the investment in the Limited Partnership is based on the net asset value of the Limited Partnership. This is based on the components within the Limited Partnership. Further details regarding the components of the Limited Partnership can be found in the Unaudited Portfolio Statement on page 32.

Alkemy SpA, Brave Bisson Group Plc, CareTech Holdings Plc, Coro Energy Plc, EKF Diagnostics Holdings Plc, HSS Hire Group Plc, Ixico Plc, Orthofix Medical Inc, Proactis Holdings Plc, Redde Northgate Plc, Time Out Group Plc, Trellus Health Plc and Totally Plc are all listed or quoted securities and therefore their fair value is determined using quoted bid prices as at close of business on 31 December 2021.

Aleva Neurotherapeutics and Medic Spa are unquoted securities.

Merchant Capital HF Limited is an unquoted security and its fair value is based on the underlying investment in 7Star S.R.L., being the Company's investment in Happy Friends, which had been valued on a revenue multiple method. The multiples are considered to be unobservable inputs into the valuation. Sensitivity had been done on page 25.

IVY Merchant Capital Limited and Merchant Capital GP (Malta) Limited are unquoted securities, which were incorporated during 2019 to hold investments made by the Company. Their fair value is based on the cost of the investment revalued with the 31 December 2021 exchange rate.

The Coro Energy Eurobond is valued using a DCF Model. The DCF Model calculates the net present value of the Bond and interest using market interest rates. The discount rate is considered to be an observable input. Sensitivity has been done on page 25. Coro Energy Plc warrants are priced using the Black-Scholes model which gives a theoretical estimate of the price of the option. The warrants are not material to the financial statements.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Valuation of Financial Instruments (continued)

On 11 April 2022, Coro Energy Plc announced the successful completion of the Debt restructuring which resulted in: (i) maturity of the Notes will be extended by two years to 12 April 2024 (the "Maturity Date"); and (ii) all cash interest payments on the Notes will be removed prior to the Maturity Date whilst increasing the coupon to 10%. For further information refer to Note 17.

Capital Risk Management

The capital structure of the Company consists entirely of equity (comprising issued capital, reserves and retained earnings) and can use share buybacks to manage the discount. The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis.

The ordinary shares may trade at a discount or premium to their Net Asset Value per share. However, the Directors and the Investment Manager monitor the discount on a regular basis and can use share buy backs to manage the discount.

The Company is not subject to any externally imposed capital requirements.

17. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2022, further to the Company's announcement of 15 December 2021, the Company announced that it had purchased a further 3.6 million ordinary shares in Time Out Group plc, the AIM quoted global media and hospitality business which seeks to enable people to explore and enjoy the best of cities around the world, for a total consideration of approximately £2.1 million.

On 11 April 2022, Coro Energy plc ("Coro") announced the completion of the restructuring of its Luxembourg listed Eurobonds, which comprise €11.25 million Tranche A Eurobonds paying an annual cash coupon of 5 per cent. per annum and €11.25 million Tranche B Eurobonds accruing interest at a rate of 5 per cent. per annum payable in cash on redemption (together the "Notes"), as previously announced on 3 March 2022. As a result:

- the maturity of the Notes will be extended by two years to 12 April 2024 (the "Maturity Date");
- all cash interest payments on the Notes will be removed prior to the Maturity Date whilst increasing the coupon to 10 per cent.;
- Coro will continue to actively pursue and support Conrad Asia Energy LTD (the operator of the Duyung PSC) to pursue the sale of the Duyung PSC asset; and
- in the event of a sale of the Company's interest in Duyung PSC, the net cash proceeds of such disposal(s) will be utilised to first repay the capital and rolled up interest on the Notes and thereafter to distribute 20 per cent. of remaining net proceed(s) to holders of the Notes. The remaining net proceeds of any sale(s) will be retained and/or distributed to Coro's shareholders by the Company.

CIP currently holds €4.05 million (principal amount) of the Tranche A Eurobonds issued by Coro in April 2019. In addition, CIP holds 150,684,929 ordinary shares in Coro and 8,524,305 warrants in Coro, each convertible into 10 ordinary shares in Coro at an exercise price of 4 pence per warrant.

On 16 June 2022 Happy Friends completed a capital restructuring and equity issue, to fund its ongoing cash requirements, in which the Company did not participate. Based on the terms of the most resent equity fundraise, the Company's adjusted equity investment of approximately 20% was valued at €174,518. The extent of the need for a capital restructuring, the Company's decision to make no further investment, and the terms required for the necessary funding, only became clear upon the restructuring completed in June 2022.

17. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Mandatory Cash Offer by Corporation Financière Europeanness S.A.

On 14 January 2022, Corporation Financière Europeanness S.A. ("CFE") unconditionally agreed to acquire 1,091,000 CIP Shares at a price of 55 pence per CIP Share from a single shareholder (the "Acquisition"). As a result of the Acquisition, under Rule 9 of the Takeover Code, CFE made a mandatory cash offer (the "Original Offer") for the CIP Shares not already held by CFE (or any persons acting in concert with it), at a price of 55 pence per CIP Share. The full terms of, and the condition to, the Original Offer and the procedures for acceptance were set out in the offer document dated 31 January 2022 (the "Original Offer Document").

On 14 February 2022, in relation to the hostile, mandatory cash offer by CFE the Board announced, having duly considered the Offer and consulted with its financial adviser, Strand Hanson Limited, that it unanimously and unequivocally rejected the Offer.

On 16 March 2022, CFE announced the terms of an increased and final cash offer for the CIP Shares not already held by CFE (the "Increased Offer") (or any persons acting in concert with it), at a price of 60 pence per CIP Share. An offer document containing details of the terms and condition of the Increased Offer (the "Increased Offer Document"), together with updated Forms of Acceptance (the "Forms of Acceptance"), was published and posted to CIP Shareholders on 18 March 2022. The increased Offer Document reiterated CFE's intentions to delist the Company, change the Investment Management and Governance arrangements. On 25 March the Company posted a document containing its continuing recommendation that the Increased Offer undervalued the Company.

On 1 April 2022, CFE released an announcement entitled Final Offer Update. In this announcement, CFE declared that the Offer had become unconditional in all respects and that the Increased Offer remained available for acceptance until 15 April 2022. In accordance with Rule 17 of the Code, CFE announced that, as at 1.00 p.m. on 15 April 2022, valid acceptances of the Increased Offer had been received in respect of 20,511,258 CIP Shares, representing 74.61 per cent. of the CIP Shares to which the Increased Offer relates. In addition, CFE held 27,509,589 CIP Shares. In aggregate CFE owns or has received valid acceptances in respect of a total of 48,020,847 CIP Shares, representing 87.31 per cent. of the issued share capital of CIP, which CFE may count towards the satisfaction of the Acceptance Condition.

On 14 April 2022, Adrian Collins, a non-executive director of the Company, sold 50,000 ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") at a price of 60 pence per Ordinary Share pursuant to his acceptance of the Offer made by CFE.

Delisting from AIM

On 8 June 2022, the Company delisted from trading on the London Stock Exchange's AIM market, as anticipated in the Increased Offer document.

There had not been any other matter or circumstance occurring subsequent to the end of the financial year that had significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial year.

CIP Merchant Capital Limited
Unaudited Portfolio Statement

	Issued currency	Valuation as at 31 December 2021 £	%	Valuation as at 31 December 2020 £	%
Merchant Capital L.P.					
Aleva Neurotherapeutics***	GBP	814,399	1.67	-	-
Alkemy SpA*	EUR	7,656,487	15.73	2,578,732	6.02
Brave Bison Group Plc*	GBP	2,261,539	4.65	712,703	1.67
CareTech Holdings Plc*	GBP	7,976,005	16.39	7,210,420	16.84
Coro Energy Plc**	GBP	452,055	0.93	632,877	1.48
Coro Energy Plc warrants 12/04/2022***	GBP	-	-	5,967	0.01
Coro Energy Plc 10% 12/04/2024**	EUR	2,897,730	5.95	3,219,658	7.52
EKF Diagnostics Holdings Plc*	GBP	2,906,250	5.97	2,751,250	6.43
HSS Hire Group Plc*	GBP	4,060,000	8.34	-	-
IVY Merchant Capital Limited***	EUR	1,008	-	1,074	-
Ixico Plc*	GBP	2,263,488	4.65	-	-
Medic Spa***	EUR	844,850	1.74	-	-
Merchant Capital GP (Malta) Limited***	EUR	1,008	-	1,074	-
Merchant Capital HF Limited***	EUR	1,799,290	3.69	1,995,108	4.66
Orthofix Medical Inc*	USD	3,131,544	6.43	3,521,535	8.23
Proactis Holdings Plc*	GBP	-	-	1,271,250	2.97
Redde Northgate Plc*	GBP	2,959,415	6.09	1,805,515	4.22
Time out group Plc*	GBP	1,169,964	2.40	-	-
Trellus Health plc***	GBP	109,692	0.23	31,151	0.07
Totally Plc*	GBP	1,020,000	2.10	102,500	0.24
Other liabilities	GBP	(413,172)	(0.85)	(182,083)	(0.43)
Other assets	GBP	163,045	0.34	23,078	0.05
Cash and cash equivalents	GBP	1,795,114	3.69	3,269,559	7.64
Fair value of Limited Partnership		**43,869,711**	**90.14**	**28,951,368**	**67.62**
The Company					
United Kingdom, Bills 1.75% 07.09.2022*	GBP	-	-	6,191,880	14.47
United Kingdom, Bills 0.5% 22.07.2022*	GBP	4,006,160	8.23	6,060,240	14.15
Investments in the Company		**4,006,160**	**8.23**	**12,252,120**	**28.62**
Total Investments		**47,875,871**	**98.37**	**41,203,488**	**96.24**
Cash and cash equivalents		1,053,367	2.16	1,817,959	4.25
Other net current liabilities		(258,181)	(0.53)	(207,859)	(0.49)
Total net asset value		**48,671,057**	**100.00**	**42,813,588**	**100.00**

* Quoted
** Quoted but not actively traded
*** Unquoted

CIP Merchant Capital Limited
Unaudited Portfolio Statement (continued)

Reconciliation of Profit/loss

The profit consists of:	**31 December 2021**	**31 December 2020**
Merchant Capital L.P.		
Realised gains on investments	1,633,949	1,102,209
Unrealised gains/(losses) on investments	5,164,983	(3,596,480)
LP Fair value movement	**6,798,932**	**(2,494,271)**
Other Gains/Losses:		
Realised losses on investments	(68,459)	(101,861)
Unrealised (losses)/gains on investments	(25,832)	6,348
Exchange (losses)/gains on currency balances	(16,299)	7,138
Investment income	584,007	362,171
Investment management fees	(947,761)	(840,477)
Directors’ fees	(115,000)	(94,228)
Secretarial and administration fees	(88,847)	(96,011)
Advisory and consultancy fees	-	(50,000)
Legal and professional fees	(128,720)	(18,818)
Brokerage and custody fees	(59,248)	(19,256)
Audit fees	(36,853)	(32,951)
Other fees	(35,683)	(54,699)
Interest expense and similar charges	(2,768)	(312)
Total comprehensive income/(loss) for the period	**5,857,469**	**(3,427,227)**