

CIP Merchant Capital Limited

Annual Report and Audited Consolidated Financial Statements

For the year ended 31 December 2022

CIP Merchant Capital Limited

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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) (resigned 16 November 2022)
John Martyn Falla (Independent Non-Executive Director) (resigned 17 November 2022)
Robert Paul King (Independent Non-Executive Director) (resigned 30 September 2022)
Piero Sansalone (Non-Independent Non-Executive Director)
Massimo Amato (Non-Independent Non-Executive Director) (appointed 19 July 2022)
Alfredo Caturano (Non-Independent Non-Executive Director) (appointed 18 November 2022)
Robert Dorey (Independent Non-Executive Director) (appointed 18 November 2022)
Philip Watson (Independent Non-Executive Chairman) (appointed 16 January 2023)

Registered office

1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey
GY1 2HL

Investment Manager and AIFM

Merchant Capital Manager Limited (until 9 December 2022)
3rd Floor, 1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

River Investment Management Limited (appointed on 25 May 2023)

1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey
GY1 2HL

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)

Walkers (Guernsey) LLP
Block B, Helvetia Court
Les Echelons
St Peter Port
Guernsey
GY1 1AR

CIP Merchant Capital Limited

General Information (continued)

Administrator and Company Secretary

Maitland Administration (Guernsey) Limited, an Apex group company
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey
GY1 2HL

Independent Auditor

Grant Thornton Limited
Chartered Accountants
St James Place
St James Street
St Peter Port
Guernsey
GY1 2NZ

Registrar

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

CIP Merchant Capital Limited

Report of the Directors

For the year ended 31 December 2022

The Directors present the Annual Report and Audited Financial Statements of CIP Merchant Capital Limited (the “Company”) and its subsidiary Merchant Capital GP Limited (the “Group”) for the year ended 31 December 2022.

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 trade 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, 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 10. The Directors do not recommend the payment of a dividend for the year ended 31 December 2022. As stated in the Company’s 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 ongoing impact of the Coronavirus (COVID-19) pandemic and the Russian invasion of Ukraine 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 £35.18 million as at 23 June 2023, and consider that the Company will be able to meet its liabilities as they fall due while also availing itself of investment opportunities due to the following:

- cash and cash equivalents of £4.26 million held through the LP;
- short-dated treasury gilts of £8.14 million held by the Company;
- listed equities held through the LP of £22.78 million.

In addition, the Company does not have any material 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.

CIP Merchant Capital Limited

Report of the Directors (continued)

For the year ended 31 December 2022

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 ("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 2022, the Board has concluded that the Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2022, 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, as well as the business model and strategy.

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 2022

Directors' Interests

The Directors held no interests in the share capital of the Company either directly or beneficially as at 31 December 2022, and as at the date of signing these Financial Statements.

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	2022 £	2021 £
Adrian Collins	45,757	35,000
John Falla	41,445	30,000
Piero Sansalone	38,310	25,000
Massimo Amato	8,107	-
Alfredo Caturano	-	-
Robert Dorey	10,054	-
Rob King	33,750	25,000
	<u>177,423</u>	<u>115,000</u>

Mr Falla, Mr King, Mr Sansalone and Mr Collins signed updated appointment letters on 24 September 2020. Mr Amato signed appointment letter on 19 July 2022, Mr Caturano and Mr Dorey signed on 18 November 2022 and Mr Watson signed on 16 January 2023, 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.

CIP Merchant Capital Limited
Report of the Directors (continued)
For the year ended 31 December 2022

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

The previous auditor, BDO, resigned with effect from 6 December 2022. Grant Thornton Limited were appointed as independent auditor of the company on 3 April 2023, and have expressed their willingness to continue in office.

Approved by the Board of Directors on 28 June 2023 and signed on behalf of the Board by:



Philip Watson
Director



Robert Dorey
Director

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

Opinion

We have audited the financial statements of CIP Merchant Capital Limited and its subsidiary, Merchant Capital GP Limited (together, the Group) which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended;
- are in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU)
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Use of our report

This report is made solely to the Company’s shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Matters on which we are required to report by exception

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

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

DocuSigned by:
Grant Thornton Limited
55AB06199AAA481...

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey
Date: 29 June 2023

CIP Merchant Capital Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Notes	2022 £	2021 £
INVESTMENT INCOME			
Net (losses)/gains on investments at fair value through profit or loss	7	(5,727,356)	7,288,648
Foreign exchange gains/(losses)		67,962	(16,299)
NET INVESTMENT (LOSS)/INCOME		(5,659,394)	7,272,349
INCOME			
Interest income		110,149	-
TOTAL INCOME		110,149	-
EXPENSES			
Investment manager fees	5, 12	(1,526,497)	(947,761)
Directors' fees	12	(177,423)	(115,000)
Secretarial and administration fees	5	(99,300)	(88,847)
Advisory and consultancy fees		(264,776)	-
Legal and professional fees		(160,735)	(128,720)
Brokerage and custody fees		(76,063)	(59,248)
Audit fees		(51,961)	(36,853)
Other fees		(62,347)	(35,683)
TOTAL EXPENSES		(2,419,102)	(1,412,112)
(LOSS)/PROFIT FOR THE YEAR		(7,968,347)	5,860,237
Interest expense and similar charges		(4,037)	(2,768)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(7,972,384)	5,857,469
(LOSS)/EARNINGS PER ORDINARY SHARE			
Basic and diluted (loss)/earnings per share	14	(0.14)	0.11

The notes on pages 14 to 29 form part of these financial statements

CIP Merchant Capital Limited
Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	2022 £	2021 £
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	7	30,069,054	43,869,711
		30,069,054	43,869,711
Current assets			
Investments at fair value through profit or loss	7	9,732,484	4,006,160
Receivables and prepayments	8	505,876	34,737
Loans receivable		41,538	26,304
Cash and cash equivalents		458,430	1,053,367
		10,738,328	5,120,568
TOTAL ASSETS		40,807,382	48,990,279
LIABILITIES			
Current liabilities			
Payables and accruals	9	(108,709)	(319,222)
TOTAL LIABILITIES		(108,709)	(319,222)
TOTAL NET ASSETS		40,698,673	48,671,057
EQUITY			
Share capital	10	52,446,105	52,446,105
Retained deficit	11	(11,747,432)	(3,775,048)
TOTAL EQUITY		40,698,673	48,671,057
Net Asset Value per share	13	0.74	0.88

The Financial Statements on pages 10 to 29 were approved and authorised for issue by the Board on 28 June 2023 and signed on its behalf by:



Philip Watson
 Director



Robert Dorey
 Director

The notes on pages 14 to 29 form part of these financial statements

CIP Merchant Capital Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital £	Retained deficit £	Total equity £
BALANCE AS AT 1 JANUARY 2021	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	<u>52,446,105</u>	<u>(3,775,048)</u>	<u>48,671,057</u>
Total comprehensive loss for the period	-	(7,972,384)	(7,972,384)
BALANCE AS AT 31 DECEMBER 2022	<u><u>52,446,105</u></u>	<u><u>(11,747,432)</u></u>	<u><u>40,698,673</u></u>

The notes on pages 14 to 29 form part of these financial statements

CIP Merchant Capital Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	Notes	2022 £	2021 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Total comprehensive (loss)/income		(7,972,384)	5,857,469
Adjustments for:			
Increase in receivables and prepayments and loans receivable		(486,373)	(4,991)
(Decrease)/increase in payables and accruals		(210,513)	55,313
Net losses/(gains) on investments at fair value through profit or loss		5,727,356	(7,288,648)
Foreign exchange (gains)/losses		(67,962)	16,299
		(3,009,876)	(1,364,558)
Investment income	7	431,249	584,007
Purchase of investments	7	(15,353,555)	(12,835,311)
Sale of investments	7	17,269,283	12,867,569
NET CASH USED IN OPERATING ACTIVITIES		(662,899)	(748,293)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(662,899)	(748,293)
Cash and cash equivalents at the beginning of the year		1,053,367	1,817,959
Gains/(losses) on exchange movements		67,962	(16,299)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		458,430	1,053,367

The notes on pages 14 to 29 form part of these financial statements

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. PRINCIPAL ACTIVITIES

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 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL.

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 ongoing impact of the Coronavirus (COVID-19) pandemic and the Russian invasion of Ukraine 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 £35.18 million as at 23 June 2023, and consider that the Company will be able to meet its liabilities as they fall due while also availing itself to investment opportunities due to the following:

- cash and cash equivalents of £4.26 million held through the LP;
- short-dated treasury gilts of £8.14 million held by the Company;
- listed equities held through the LP of £22.78 million.

In addition, the Group does not have any material 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.

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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 had 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.

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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 Amortised 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.

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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.

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

3. NEW AND REVISED STANDARDS

New standards, amendments and interpretations to existing standards beginning effective 1 January 2022

The following accounting standards and their amendments were effective from 1 January 2022:

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

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 2022 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 Group had not early adopted. Effective dates refer to financial years commencing on or after the specified date.

Standard	Effective Date
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.

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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.

The Investment Management Agreement was terminated on 9 December 2022.

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 £99,300 (2021: £88,847).

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).

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

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.

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 £ (Level 3) <i>Non-current</i>	Direct Investments £ (Level 1) <i>Current</i>	Total Investments £
Opening fair value as at 1 January 2022	43,869,711	4,006,160	47,875,871
Additions at cost	4,616,223	10,737,332	15,353,555
Disposal proceeds	(12,278,375)	(4,990,908)	(17,269,283)
Net realised gain/(loss) on disposal of investments	5,674,563	(48,219)	5,626,344
Net unrealised (loss)/gain on revaluation of investments	(11,813,068)	28,119	(11,784,949)
Closing fair value as at 31 December 2022	30,069,054	9,732,484	39,801,538

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

7. INVESTMENTS (continued)

	Limited Partnership £ (Level 3) <i>Non-current</i>	Direct Investments £ (Level 1) <i>Current</i>	Total Investments £
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

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

	2022 £	2021 £
Net realised gain on disposal of investments	5,626,344	1,565,490
Net unrealised (loss)/gain on revaluation of investments	(11,784,949)	5,139,151
Investment Income	431,249	584,007
Net (losses)/gains on investments at fair value through profit or loss	(5,727,356)	7,288,648

8. RECEIVABLES AND PREPAYMENTS

	2022 £	2021 £
Accrued income	60,141	11,073
Prepayments	440,598	4,250
Other receivables	5,137	19,414
	505,876	34,737

As at 31 December 2022, expected credit loss is £nil (2021: £nil).

9. PAYABLES AND ACCRUALS

	2022 £	2021 £
Administration and company secretarial fee	21,875	32,937
Audit fee	37,216	36,000
Brokerage fees	20,000	-
Director's fee	12,500	-
Investment manager fees	-	247,615
Legal fees	-	2,670
Regulatory fees	3,507	-
Other expenses	13,611	-
	108,709	319,222

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

10. SHARE CAPITAL

	Number of shares	Share Capital £
Ordinary shares		
Opening balance as at 1 January 2022	55,000,000	52,446,105
Balance as at 31 December 2022	55,000,000	52,446,105
	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

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.

There has been a change in ownership year on year.

11. RETAINED DEFICIT

Retained deficit 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 £1,526,497 (2021: £947,761) from the Company during the period in respect of normal services provided, with £nil (2021: £247,615) outstanding at the end of the year. In addition, £nil is included as an accrual (2021: £231,089) for carried interest in accordance with the Limited Partnership Agreement, reflecting investment performance as at 31 December 2022. The accrual of £nil is included in the fair value of the Limited Partnership investment as at 31 December 2022 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 2022 will crystallise only if the investment performance is maintained for a further twenty four months following 31 December 2022.

In the year ended 31 December 2022, the Directors received remuneration fees of £177,423 (2021: £115,000) of which £12,500 (2021: £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.

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Mr Falla, a Director of the Company, had 0.02% direct beneficial interest in the Company (31 December 2021: 0.02%).

Mr Collins, Ex-Chairman of the Company, had no direct beneficial interest in the Company (31 December 2021: 0.09%).

All of the remaining Directors have no beneficial interest in the Company as at 31 December 2022 (2021: nil).

13. NET ASSET VALUE

The Net Asset 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 (loss)/earnings per share is calculated by dividing the comprehensive loss for the year of £7,972,384 (2021: income of £5,857,469) 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 (2021: 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.

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.

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

If the prices of the Company's listed financial investments as at 31 December 2022 had increased by 5% (2021: 5%) with all other variables held constant, this would have increased net assets attributable to Shareholders by approximately £486,624 (2021: £200,308). Conversely, if the prices had decreased by 5% (2021: 5%), this would have decreased net assets attributable to Shareholders by approximately £486,624 (2021: £200,308).

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 2022 had increased by 15% (2021: 15%) with all other variables held constant, this would have increased net assets attributable to Shareholders by approximately £3,379,767 (2021: £5,394,966). Conversely, if the prices had decreased by 15% (2021: 15%), this would have decreased net assets attributable to Shareholders by approximately £3,379,767 (2021: £5,394,966).

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:

	Happy Friends
	£
31 December 2022	
If revenue multiple increased 15%	180,064
If revenue multiple decreased 15%	(136,548)
	Happy Friends
	£
31 December 2021	
If revenue multiple increased 15%	237,761
If revenue multiple decreased 15%	(237,761)

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

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 2022 of financial assets and financial liabilities to interest rate risk is shown by reference to:

- Floating interest rates
- Fixed interest rates

Group	2022	2021
	£	£
Exposure to fixed interest rates*	12,794,593	6,903,890
Cash and cash equivalents (floating interest rate)**	3,566,014	2,848,481
	<u>16,360,607</u>	<u>9,752,371</u>

* Includes Limited Partnership interest rate risk exposure of £3,062,109 (2021: £2,897,730).

** Includes Limited Partnership interest rate risk exposure of £3,107,584 (2021: £1,795,114).

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 2022 are shown below:

31 December 2022	US Dollar	Euro	Swiss Franc	Total
	£	£	£	£
Investments at fair value through profit or loss	2,338,190	7,124,849	901,193	10,364,232
Net assets (excluding Investments at fair value through profit or loss)	3,417	1,405,464	107,824	1,516,705
	<u>2,341,607</u>	<u>8,530,313</u>	<u>1,009,017</u>	<u>11,880,937</u>

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency Risk (continued)

	US Dollar	Euro	Swiss Franc	Total
31 December 2021	£	£	£	£
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
	<u>3,134,574</u>	<u>13,450,878</u>	<u>-</u>	<u>16,585,451</u>

If the foreign currency exchange rates at 31 December 2022 had increased/decreased by 5% with all other variables held constant, this would have increased/decreased net assets attributable to Shareholders as follow:

	US Dollar	Euro	Swiss Franc	Total
31 December 2022	£	£	£	£
If exchange rates appreciated 5%	123,242	448,964	53,106	625,312
If exchange rates depreciated 5%	(111,505)	(406,205)	(48,048)	(565,758)

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

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:

	US Dollar	Euro	Swiss Franc	Total
31 December 2022	£	£	£	£
If exchange rates appreciated 5%	123,242	448,964	53,106	572,206
If exchange rates depreciated 5%	(111,505)	(406,205)	(48,048)	(517,710)

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

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.

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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 2022.

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.

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

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 2022:

31 December 2022	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investments in LP	-	-	30,069,054	30,069,054
Debt instruments	9,732,484	-	-	9,732,484
	9,732,484	-	30,069,054	39,801,538
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

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 30.

Alkemy SpA, Brave Bisson Group Plc, CareTech Holdings Plc, Coro Energy Plc, EKF Diagnostics Holdings Plc, HSS Hire Group Plc, Ixico Plc, Medica SpA, Orthofix Medical Inc, Redde Northgate Plc, Time Out Group Plc, Trellus Health Plc, Totally Plc and Verici DX 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 2022.

Aleva Neurotherapeutics is an unquoted security and valued at cost plus accrued interest which approximates fair value.

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 24.

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 2022 exchange rate.

The Coro Energy Eurobond is valued at cost which approximates fair value.

CIP Merchant Capital Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2022

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 25 May 2023, River Investment Management Limited was appointed as the Investment Manager.

On 28 June 2023, the Company held an Extraordinary General Meeting to pass a resolution to change the name of the Company from CIP Merchant Capital Limited to River Merchant Capital Limited and to approve the new Investment Policy.

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 2022		Valuation as at 31 December 2021	
		£	%	£	%
Merchant Capital L.P.					
Aeva Neurotherapeutics***	GBP	901,193	2.21	814,399	1.67
Alkemy SpA*	EUR	3,351,255	8.23	7,656,487	15.73
Brave Bison Group Plc*	GBP	3,517,950	8.64	2,261,539	4.65
CareTech Holdings Plc*	GBP	-	-	7,976,005	16.39
Coro Energy Plc*	GBP	487,914	1.20	452,055	0.93
Coro Energy Plc 10% 12/04/2024***	EUR	3,062,109	7.52	2,897,730	5.95
EKF Diagnostics Holdings Plc*	GBP	1,860,000	4.57	2,906,250	5.97
HSS Hire Group Plc*	GBP	3,416,000	8.39	4,060,000	8.34
IVY Merchant Capital Limited***	EUR	1,064	-	1,008	-
Ixico Plc*	GBP	975,642	2.40	2,263,488	4.65
Medica SpA*	EUR	554,519	1.36	844,850	1.74
Merchant Capital GP (Malta) Limited***	EUR	1,064	-	1,008	-
Merchant Capital HF Limited***	EUR	154,838	0.38	1,799,290	3.69
Orthofix Medical Inc*	USD	2,338,190	5.75	3,131,544	6.43
Redde Northgate Plc*	GBP	2,793,118	6.86	2,959,415	6.09
Time out group Plc*	GBP	2,201,011	5.41	1,169,964	2.40
Trellus Health plc*	GBP	22,654	0.06	109,692	0.23
Totally Plc*	GBP	1,005,000	2.47	1,020,000	2.10
Verici DX Plc*	GBP	8,525	0.02	-	-
Other liabilities	GBP	-	-	(413,172)	(0.85)
Other assets	GBP	309,424	0.77	163,045	0.34
Cash and cash equivalents	GBP	3,107,584	7.64	1,795,114	3.69
Fair value of Limited Partnership		30,069,054	73.88	43,869,711	90.14
The Company					
United Kingdom, Bills 2.25% 07.09.2023*	GBP	8,237,584	20.24	-	-
United Kingdom, Bills 0.125% 31.01.2023*	GBP	1,494,900	3.67	-	-
United Kingdom, Bills 0.5% 22.07.2022*	GBP	-	-	4,006,160	8.23
Investments in the Company		9,732,484	23.91	4,006,160	8.23
Total Investments		39,801,538	97.79	47,875,871	98.37
Cash and cash equivalents		458,430	1.13	1,053,367	2.16
Other net current assets/(liabilities)		438,705	1.08	(258,181)	(0.53)
Total net asset value		40,698,673	100.00	48,671,057	100.00

* Quoted

*** Unquoted

CIP Merchant Capital Limited

Unaudited Portfolio Statement (continued)

Reconciliation of Profit/loss

	31 December 2022	31 December 2021
The profit consists of:		
Merchant Capital L.P.		
Realised gains on investments	5,674,563	1,633,949
Unrealised (losses)/gains on investments	(11,899,862)	5,164,983
LP Fair value movement	(6,225,299)	6,798,932
Other Gains/Losses:		
Realised losses on investments	(48,219)	(68,459)
Unrealised gains/(losses) on investments	28,119	(25,832)
Exchange gains/(losses) on currency balances	152,127	(16,299)
Investment income	433,879	584,007
Interest income	110,149	-
Investment management fees	(1,526,497)	(947,761)
Directors' fees	(177,423)	(115,000)
Secretarial and administration fees	(99,300)	(88,847)
Advisory and consultancy fees	(264,776)	-
Legal and professional fees	(110,735)	(128,720)
Brokerage and custody fees	(76,063)	(59,248)
Audit fees	(51,961)	(36,853)
Other fees	(112,348)	(35,683)
Interest expense and similar charges	(4,037)	(2,768)
Total comprehensive (loss)/income for the period	(7,972,384)	5,857,469