

MERCHANT OPPORTUNITIES FUND

ARSN 111 456 387

INTERIM FINANCIAL REPORT
For the six months ended 31 December 2012

Merchant Opportunities Fund
ARSN 111 456 387
For the six months ended 31 December 2012

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Merchant Opportunities Fund
ARSN 111 456 387
Corporate Directory

Responsible Entity

Entrust Funds Management Ltd

Directors of the Responsible Entity

Graeme Mark Yukich	-	Executive Chairman
David John Franklyn	-	Executive
Andrew Christopher Fry	-	Executive
Bradley William Gordon	-	Executive

Secretary

Andrew Christopher Fry

Registered Office

Level 17
140 St Georges Terrace
PERTH WA 6000

Auditors of the Fund

KPMG
235 St Georges Terrace
PERTH WA 6000

Merchant Opportunities Fund
ARSN 111 456 387
Directors' Report
For the six months ended 31 December 2012

The Directors of Entrust Funds Management Limited (ABN 33 106 768 012), the Responsible Entity of Merchant Opportunities Fund ("the Fund"), submit their report together with the Condensed Financial Report for the Fund for the six months ended 31 December 2012 and the review report thereon.

Directors

The names of the directors of the Responsible Entity in office during the period and until the date of this report are:

Graeme Mark Yukich – B.Comm, CA, Dip.FP

Mr Yukich was appointed a director of the Responsible Entity on 22 October 2003. He is managing director of Entrust Private Wealth Management Pty Ltd, the parent company of the Responsible Entity. Mr Yukich has extensive experience in the areas of stockbroking and financial services.

Andrew Christopher Fry – B.Comm, CA

Mr Fry was appointed a director of the Responsible Entity on 22 October 2003. Mr Fry has considerable experience in the areas of stockbroking and financial services.

Bradley William Gordon – SA (Fin.) Fdn.DFP, MAICD

Mr Gordon was appointed a director of the Responsible Entity on 22 October 2003. Mr Gordon has extensive experience in the financial services industry, in stockbroking, financial planning and trustee services.

David John Franklyn – B.Econs, Grad.Dip Applied Finance and Investment

Mr Franklyn was appointed a director of the Responsible Entity on 2 August 2004. Mr Franklyn has extensive experience in the financial services industry, including the analysis and research of companies and has a broad understanding of many industry groups.

The directors were in office from the beginning of the period until the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Fund during the six months was to invest funds in accordance with the provisions of the Fund's Constitution.

The Fund is a diversified investment fund, investing in listed and unlisted Australian shares. The Fund holds an investment in the Esplanade Property Fund.

There has been no significant change in the nature of this activity during the six months.

Merchant Opportunities Fund
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Directors' Report (continued)
For the six months ended 31 December 2012

SCHEME INFORMATION

Merchant Opportunities Fund is an Australian registered scheme, and was constituted on 18 October 2004. Entrust Funds Management Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at Level 17, 140 St Georges Terrace, Perth WA 6000.

REVIEW OF RESULTS AND OPERATIONS

Results

The net operating income of Merchant Opportunities Fund is presented in the Statement of Comprehensive Income. Net operating loss for the six months ended 31 December 2012 was \$2,797,765 (31 December 2011: Loss \$1,842,290).

Distributions

No distribution will be paid for the six months ended 31 December 2012. No distributions were paid for the six months ended 31 December 2011.

SCHEME ASSETS

At 31 December 2012 Merchant Opportunities Fund held net assets of \$9,331,016 (30 June 2012: \$12,119,856).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

KPMG, our auditors, have provided a written independence declaration to the Directors of the Responsible Entity in relation to their review of the Financial Report for the six months ended 31 December 2012. This independence declaration, which forms part of the Directors Report, can be found at page 6.

This report is made in accordance with a resolution of the directors.



Graeme Yukich
Chairman

Perth
8th March 2013



Independent auditor's review report to the unitholders of Merchant Opportunities Fund

Report on the financial report

We have reviewed the accompanying interim financial report of Merchant Opportunities Fund (the Fund) which comprises the condensed interim statement of financial position as at 31 December 2012, the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the interim period ended on that date, notes 1 to 6 comprising a summary of accounting policies and other explanatory information and the directors' declaration of the Fund.

Directors' responsibility for the financial report

The directors of Entrust Funds Management Limited (the Responsible Entity) are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Fund ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.




Grant Robinson
Partner

Perth

8 March 2013



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Entrust Funds Management Limited, the Responsible Entity of Merchant Opportunities Fund

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.


KPMG


Grant Robinson
Partner

Perth

8 March 2013

Merchant Opportunities Fund
ARSN 111 456 387
Directors' Declaration
For the six months ended 31 December 2012

In accordance with a resolution of the Directors of Entrust Funds Management Limited, the Responsible Entity of Merchant Opportunities Fund, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes set out on pages 8 to 14 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Fund's financial position as at 31 December 2012 and of its performance for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting", and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

On behalf of the Board
Entrust Funds Management Limited



Graeme Yukich
Chairman

Perth
8th March 2013

Merchant Opportunities Fund
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Condensed Interim Statement of Comprehensive Income
For the six months ended 31 December 2012

	Notes	31 Dec 2012 \$	31 Dec 2011 \$
Revenue			
Interest income		18,067	88,803
Dividend income		-	257,291
Net change in fair value of financial assets		(2,672,086)	(2,057,918)
Underwriting commissions		-	39,773
		<u>(2,654,019)</u>	<u>(1,672,051)</u>
Expenses			
Responsible entity fees		(44,630)	(83,821)
Auditors' remuneration		(25,321)	(14,040)
Custodian fees		(26,293)	(29,489)
Compliance fees		(15,344)	(15,250)
Other expenses		(32,158)	(27,639)
		<u>(143,746)</u>	<u>(170,239)</u>
Loss from operating activities		(2,797,765)	(1,842,290)
Change in net assets attributable to unitholders/Total Comprehensive Income	2(b)	(2,797,765)	(1,842,290)

The above condensed interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Merchant Opportunities Fund
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Condensed Interim Statement of Financial Position
As at 31 December 2012

	Notes	31 Dec 2012 \$	30 June 2012 \$
Assets			
Cash and cash equivalents		217,582	281,795
Interest, dividends and other receivables		4,924	147,250
Financial assets at fair value through profit and loss:			
Equity investments and units in listed and unlisted schemes		9,143,350	11,835,505
Convertible Loan		-	500,000
Total assets		9,365,856	12,764,550
Liabilities			
Trade and other payables		-	310,763
Accrued expenses		26,620	52,385
Distribution payable		-	260,392
Responsible entity and Fund Manager fees payable		8,220	21,154
Liabilities (excluding net assets attributable to unitholders)		34,840	644,694
Net assets attributable to unitholders	2(b)	9,331,016	12,119,856

The above condensed interim balance sheet should be read in conjunction with the accompanying notes.

Merchant Opportunities Fund
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Condensed Interim Statement of Cash Flows
For the six months ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	\$	\$
Cash Flows from Operating Activities		
Proceeds from sale of financial assets	2,178,589	1,516,607
Payments for purchase of financial assets	(1,853,318)	(1,250,000)
Interest received	39,450	88,803
Dividends received	-	289,107
Receipts from commissions	15,000	51,250
GST Received	7,254	9,035
Payments to suppliers	(149,945)	(100,271)
Payments to Responsible Entity and Fund Manager	(49,826)	(104,803)
Net Cash Flows from Operating Activities	<u>187,204</u>	<u>499,728</u>
Cash Flows from Financing Activities		
Cash distribution paid	(14,522)	(101,079)
Proceeds from application monies	292,000	15,000
Payment for redemption of units	(528,895)	(3,253,297)
Net Cash Flows used in Financing Activities	<u>(251,417)</u>	<u>(3,339,376)</u>
Net decrease in cash and cash equivalents	(64,213)	(2,839,648)
Cash and cash equivalents at 1 July	281,795	3,530,453
Cash and cash equivalents at 31 December	<u>217,582</u>	<u>690,805</u>

The above condensed interim cash flow statement should be read in conjunction with the accompanying notes.

Merchant Opportunities Fund
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Condensed Interim Statement of Changes in Equity
For the six months ended 31 December 2012

The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments Presentation*. As such the Fund has no equity, and no items of changes in equity have been presented for the current or comparative year.

Merchant Opportunities Fund
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Notes to the condensed interim financial statements
For the six months ended 31 December 2012

Note 1 Basis of Preparation of the Condensed Interim Financial Report

(a) Reporting Entity

Merchant Opportunities Fund (the “Fund”) is a recognised managed investment scheme under the Corporations Act 2001. The condensed interim financial report of the Fund is for the six months ended 31 December 2012.

(b) Statement of Compliance

The condensed interim financial report is a general purpose financial report, which has been prepared in accordance with the AASB 134 Interim Financial Reporting and the requirements of the Corporations Act 2001.

The condensed interim financial report does not include all the information required for the full annual financial report and should be read in conjunction with the annual financial report of the Fund as at and for the year ended 30 June 2012.

The condensed interim financial report was authorised for issue by the directors of the Responsible Entity on the 8th March 2013.

(c) Significant accounting policies

The accounting policies applied by the Fund in this interim financial report are the same as those applied by the Scheme for the year ended 30 June 2012.

There has not been any new or revised accounting standard adopted in this interim financial report.

Merchant Opportunities Fund
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Notes to the interim condensed financial statements
For the six months ended 31 December 2012

Note 2 Net assets attributable to unitholders	31 December 2012	30 June 2012
(a) Units on issue	Number	Number
Units on issue as at beginning of reporting period	17,359,455	25,564,054
Units issued during the reporting period	885,125	691,031
Units redeemed or otherwise cancelled during the reporting period	(787,704)	(8,895,630)
Units on issue as at the end of the reporting period	<u>17,456,876</u>	<u>17,359,455</u>

	31 December 2012	30 June 2012
(b) Movement in net assets attributable to unitholders	\$	\$
Net assets attributable to unitholders at beginning of reporting Period	12,119,856	20,405,256
Change in net assets attributable to unitholders	(2,797,765)	(2,200,989)
Units issued during the reporting period	292,000	18,150
Units issued during reporting period (distribution reinvestment)	245,820	538,022
Units redeemed or otherwise cancelled during the reporting period	(528,895)	(6,640,583)
Net assets attributable to unitholders at the end of reporting period	<u>9,331,016</u>	<u>12,119,856</u>

Note 3 Distributions

During the six months ended 31 December 2012, the Fund paid its 30 June 2012 distribution of \$260,392 (31 December 2011: \$639,101), with \$245,820 of distribution reinvested (31 December 2011: \$538,023) and the balance paid in cash.

Note 4 Related parties

The Responsible Entity, Entrust Funds Management Limited and the Fund Manager, Merchant Funds Management Pty Ltd receive an equal share of all management fees that have been deducted from the Fund during the period. Total management fees paid to the Responsible Entity and Fund Manager during the six months ended 31 December 2012 were \$44,630 (31 December 2011: \$83,821). There were no payables as at 31 December 2012 (30 June 2012: Nil)

Note 5 Contingencies

There are no contingent liabilities or contingent assets as at 31 December 2012 (30 June 2012: Nil)

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Notes to the interim condensed financial statements (continued)
For the six months ended 31 December 2012

Note 6 Subsequent Events

A meeting of unitholders was held on the 20 December 2012 to seek unitholder approval to appoint Capricorn Investment Partners Limited as the new Responsible Entity .Unitholders voted in favour of this resolution.

Capricorn Investment Partners Limited has applied to ASIC to amend their license to include Merchant Opportunities Fund. Following ASIC approval of this amendment, Capricorn Investment Partners Limited will assume the role of Responsible Entity of the Fund. At the date of this report, ASIC approval has not yet been provided. We expect that this will take place prior to the end of March 2013

Other than matters outlined above, since 31 December 2012 there has not been any matter or circumstance that has significantly affected or may significantly affect the Fund