

MERCHANT OPPORTUNITIES FUND

ARSN 111 456 387

INTERIM FINANCIAL REPORT
For the six months ended 31 December 2022

Merchant Opportunities Fund
ARSN 111 456 387
For the six months ended 31 December 2022

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Merchant Opportunities Fund
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Corporate Directory

Responsible Entity

CIP Licensing Limited

Directors of the Responsible Entity

David McKay French	-	Executive Chairman
Keith Jones	-	Executive Director (Appointed 10 January 2023)
Kate Golder	-	Non-Executive Director (Appointed 10 January 2023)
Don O'Brien	-	Non-Executive Director (Appointed 10 January 2023)
Owen Evans	-	Non-Executive Director (Resigned 10 January 2023)
Lance Livermore	-	Non-Executive Director (Resigned 10 January 2023)
Christopher Heyworth	-	Executive Director (Resigned 10 January 2023)

Secretary

Kate Golder

Registered Office

CIP Licensing Limited
Suite 1B 103 Bolsover Street,
ROCKHAMPTON QLD 4700

Auditors of the Fund

Moore Australia Audit (WA)
Level 15 Exchange Tower
2 The Esplanade
PERTH WA 6000

Merchant Opportunities Fund
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Directors' Report
For the six months ended 31 December 2022

The Directors of CIP Licensing Limited (ABN 63 603 558 658), the Responsible Entity of Merchant Opportunities Fund (“the Fund”), submit their report for the Fund for the six months ended 31 December 2022, and the auditor’s 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:

David McKay French – B.Econs, Dip.Corp Management, Executive Director (appointed 6 January 2015)

David French is the Managing Director. David was responsible for building Capricorn Investment Partners Limited (CIPL) from scratch. CIP Licensing Limited is a special purpose AFS licencing vehicle which was created as part of a restructure of CIPL. The business now looks after about \$700 million in investments including those held in two managed investment schemes. David has more than 20 years’ experience in finance and economics, most of which have been in investment markets.

Keith Jones – MEconSt, BA (Econ), DipFP, Executive Director (appointed 10 January 2023)

Keith Jones is the founder and CEO at Alteris Financial Group, one of Australia’s leading boutique wealth management companies. With extensive experience in private wealth management, Keith’s leadership has seen Alteris rise to prominence as a recognised industry leader in lifecycle planning, working with clients in accounting, financial planning, asset management and aged care financial advice.

As head of the firm’s Investment Committee, Keith is responsible for overseeing Alteris’ high-quality, uniform approach to strategic asset allocation. He is also a Responsible Manager on Alteris’ Financial Services License and is a Certified Financial Planner.

Kate Golder – Non-Executive Director (appointed 10 January 2023)

Kate Golder is a Certified Financial Planner and has been in the financial planning and wealth management industry since 2000. Kate is an Executive Director and Head of Compliance at Alteris Financial Group and is a Responsible Manager on Alteris’ Financial Services License.

Holding a Bachelor of Commerce and a Bachelor of Arts from the University of Queensland, Kate has also completed a Graduate Diploma in Financial Planning. In 2020, 2021 and 2022, Kate was named as one of Australia’s Top Financial Advisers in the list compiled annually by The Australian newspaper and US financial investment publication Barron’s.

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Don O'Brien – Non-Executive Director (appointed 10 January 2023)

With more than 40 years professional services experience, Don joined Alteris as Head of Accounting in September 2022.

He is an experienced corporate tax adviser who has built teams and practices over many years. Don has been a partner at KPMG, RSM and Grant Thornton, and in each of these roles, held senior leadership positions.

Don has wide experience in advising on inbound and outbound investments to a range of multi-national clients in industries such as property and construction, manufacturing, retail and communication. For more than 5 years, he was on the International Tax Committee of a world-wide accounting firm.

Don holds a Bachelor of Business Studies from UTS and a Master of Taxation Law from Sydney University.

Owen Evans - BA (Hons), MSc(Econ), Non Executive Director (appointed 6 January 2015)

Owen Evans is a non-executive Director. Mr Evans is an experienced investment professional with almost 30 years' experience in research, valuation and funds management. He has been rated number one analyst for building materials, construction and emerging companies while at UBS Australia and judged Money Management Fund Manager of the Year in 2005 and 2006 as Chief Investment officer at MIR Australia. Between 1997 and 2010, Mr Evans was sole analyst on the IPO's of Bristle, AWB, Transfield Services, Worley Parsons and NRW. He is currently principal of Yaz Investment Pty Ltd, and provides consulting services for mid-sized Australian Companies such as Adelaide Brighton, Brickworks Ltd, Calibre Global and Dulux. He also provides investment consulting advice for global fund managers. Mr Evans is currently non-Executive President of the Manly Warringah Basketball Association.

Lance Livermore – Non Executive Director (appointed 22 April 2015, resigned 10 January 2023)

Lance Livermore has more than 30 years experience in both stockbroking and financial planning. He attained his original qualifications in Albury prior to establishing himself in a financial controller role with Potter Warburg in Melbourne. Lance was a founding partner of Bailey Livermore Financial Services, a predecessor of Pentad and CIPL (Holding) Limited.

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Directors' Report (continued)
For the six months ended 31 December 2022

DIRECTORS (continued)

Christopher Heyworth – Non Executive Director (appointed 22 April 2015, resigned 10 January 2023)

Christopher Heyworth is a member of the Institute of Chartered Accountants in England and Wales and until his recent retirement was a Certified Financial Planner. He holds more than 30 years experience providing personal financial planning and investment advice. Chris has a particular interest in helping with family wealth management, including estate planning.

David French, Owen Evans, Lance Livermore and Christopher Heyworth have been 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.

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

SCHEME INFORMATION

Merchant Opportunities Fund is an Australian registered scheme and was constituted on 18 October 2004. CIP Licensing Limited was appointed as the Responsible Entity of the Fund on 4 May 2015. Previously the responsible entity was Capricorn Investment Partners Limited. CIP Licensing Limited is incorporated and domiciled in Australia. Merchant Funds Management Pty Ltd, the investment manager of the Fund, is responsible for the day to day management of the Fund.

The registered office of the Responsible Entity is located at Suite 1B 103 Bolsover St, Rockhampton QLD 4700. The Custodian is the Trust Company (Australia) Limited. The registered office of the Custodian is located at 35 Clarence Street, Sydney NSW 2000.

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Directors' Report (continued)
For the six months ended 31 December 2022

REVIEW OF RESULTS AND OPERATIONS

Results

The net operating income of Merchant Opportunities Fund is presented in the Statement of Comprehensive Income. Net operating profit for the six months ended 31 December 2022 was \$20,748,585 (31 December 2022 operating loss: \$2,770,093).

Distributions

No distribution will be paid for the six months ended 31 December 2022. No distributions were paid for the six months ended 31 December 2021.

SCHEME ASSETS

At 31 December 2022 Merchant Opportunities Fund held total assets of \$109,260,784 (30 June 2022: \$90,189,931).

AUDITOR'S INDEPENDENCE DECLARATION

Moore Australia Audit (WA), our auditors, have provided a written independence declaration to the Directors of the Responsible Entity in relation to their review of the Interim Financial Report for the six months ended 31 December 2022. This independence declaration, which forms part of the Directors' Report, can be found at page 8.

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



David French
Executive Director

Rockhampton
18 April 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MERCHANT OPPORTUNITIES FUND

Report on the Half-Year Financial Report

Conclusion

We have reviewed the financial report of Merchant Opportunities Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not 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 2022 and of its financial performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

Basis for Conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

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

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MERCHANT OPPORTUNITIES FUND**

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not 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 2022 and its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of April 2023

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CIP LICENSING LIMITED
AS THE RESPONSIBLE ENTITY OF MERCHANT OPPORTUNITIES FUND**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2022, there have been:

- a) no contraventions of the auditor independence requirements as set out in *the Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth on the 28th day of April 2023

Merchant Opportunities Fund
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Directors' Declaration
For the six months ended 31 December 2022

In accordance with a resolution of the Directors of CIP Licensing 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 10 to 18 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 2022 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
CIP Licensing Limited



David French
Executive Director

Rockhampton
18 April 2023

Merchant Opportunities Fund
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Condensed Interim Statement of Comprehensive Income
For the six months ended 31 December 2022

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
Revenue			
Interest income		73,118	384,420
Dividend income		83,446	317,956
Net gain/(loss) on financial investments through profit or loss		21,705,436	(2,465,602)
		<u>21,862,000</u>	<u>(1,763,226)</u>
Expenses			
Responsible Entity and Fund Manager fees		(774,605)	(879,639)
Auditors' remuneration		(32,502)	(32,502)
Custodian and administration fees		(12,266)	(14,660)
Performance fees		(178,693)	-
Other expenses		(115,350)	(80,066)
		<u>(1,113,416)</u>	<u>(1,006,867)</u>
Profit/(Loss) from Operating Activities		20,748,584	(2,770,093)
Other Comprehensive Income			
Total Comprehensive Income/(Loss) For the Period	2(b)	<u>20,748,584</u>	<u>(2,770,093)</u>

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 2022

	Notes	31 Dec 2022 \$	30 June 2022 \$
Assets			
Cash and cash equivalents		505,269	527,487
Prepayments, loans and receivables:			
Prepayments, dividends and other receivables		134,099	9,634,318
Financial assets held at fair value through profit or loss:			
Equity investments and units in listed and unlisted schemes		103,546,417	74,953,127
Debentures and convertible notes		5,074,999	5,074,999
Total Assets		109,260,784	90,189,931
Liabilities			
Financial liabilities measured at amortised cost:			
Accrued expenses		224,893	74,081
Accounts payable		-	125,583
Responsible entity and fund manager fees payable		137,745	109,954
Applications received		-	-
Distributions payable		-	-
Total Liabilities (excluding net assets attributable to Unitholders)		362,638	309,618
Net Assets Attributable To Unitholders - Liability	2(b)	108,898,146	89,880,313

The above condensed interim statement of financial position 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 2022

	31 Dec 2022	31 Dec 2021
	\$	\$
Cash flows from operating activities		
Proceeds from sale of investments	10,077,875	21,469,789
Purchase of investments	(7,487,393)	(13,103,967)
Interest received	7,416	2,370
Dividends received	63,476	317,956
Payments to suppliers	(150,541)	(303,518)
Payment of distributions to unitholders	-	(644,445)
Payments to responsible entity and fund manager	(802,301)	(1,483,805)
Net cash flows from operating activities	<u>1,708,532</u>	<u>6,254,380</u>
Cash flows from financing activities		
Unit capital application	310,000	894,980
Unit capital redemption	(2,040,750)	(6,353,732)
Net cash flows used in financing activities	<u>(1,730,750)</u>	<u>(5,458,752)</u>
Net increase/(decrease) in cash and cash equivalents	(22,218)	795,628
Cash and cash equivalents at 1 July	527,487	2,582,994
Cash and cash equivalents at 31 December	<u><u>505,269</u></u>	<u><u>3,378,622</u></u>

The above condensed interim statement of cash flows 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 2022

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 six months.

Merchant Opportunities Fund
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Notes to the condensed interim financial statements
For the six months ended 31 December 2022

Note 1 Basis of Preparation of the Condensed Interim Financial Report

(a) Reporting Entity

Merchant Opportunities Fund (the Fund) is an Australian Registered Scheme, and was constituted on 18 October 2004 under the Corporations Act 2001. The Fund is a for profit entity. CIP Licensing Limited was appointed as the Responsible Entity of the Fund on 4 May 2015. CIP Licensing Limited is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Suite 1B, 103 Bolsover St, Rockhampton QLD 4700.

Merchant Funds Management Pty Ltd is the investment manager of the Fund and is responsible for the day to day management of the Fund.

The condensed interim financial report of the Fund is for the six months ended 31 December 2022.

(b) Statement of Compliance

The condensed interim financial report is a general purpose financial report, which has been prepared in accordance with applicable accounting standards including AASB 134 'Interim Financial Reporting' and the requirements of the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

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 for the year ended 30 June 2022.

The condensed interim financial report was authorised for issue by the directors of the Responsible Entity on the 18 April 2023.

(c) Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial assets.

The accounting policies and methods of computation applied by the Fund in this interim financial report are the same as those applied by the Fund for the year ended 30 June 2022, unless otherwise stated. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

For the purpose of preparing the interim financial statements, the six month period has been treated as a discrete reporting period. All amounts are presented in Australian dollars.

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Notes to the condensed interim financial statements (continued)
For the six months ended 31 December 2022

Note 1 Basis of Preparation of the Condensed Interim Financial Report (continued)

(d) New Standards and Interpretations applicable for the half year ended 31 December 2022

In the period ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Fund and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Fund and, therefore, no material change is necessary to Fund accounting policies.

(e) Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Fund and, therefore, no change is necessary to Fund accounting policies.

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Notes to the condensed interim financial statements (continued)

For the six months ended 31 December 2022

Note 2 Net assets attributable to unitholders	Six months to 31 December 2022	Year to 30 June 2022
(a) Units on issue	Number	Number
Units on issue as at beginning of reporting period	40,809,871	39,222,544
Units issued during reporting period	115,180	6,146,918
Units redeemed or otherwise cancelled during reporting period	(752,019)	(4,559,591)
Units on issue as at the end of the reporting period	<u>40,173,032</u>	<u>40,809,871</u>
	Six months to 31 December 2022	Year to 30 June 2022
(b) Movement in net assets attributable to unitholders	\$	\$
Net assets attributable to unitholders at beginning of reporting period	89,880,313	112,419,535
Total comprehensive income/(loss) for the period	20,748,585	(27,678,212)
Distribution to Unitholders	-	-
Units issued during the reporting period	310,000	17,345,213
Units redeemed or cancelled during the reporting period	(2,040,752)	(12,206,223)
Net assets attributable to unitholders at the end of reporting period	<u>108,898,146</u>	<u>89,880,313</u>

Note 3 Distributions

There were no distributions for the half year.

Merchant Opportunities Fund

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Notes to the condensed interim financial statements (continued)

For the six months ended 31 December 2022

Note 4 Related parties

The Responsible Entity, CIP Licensing Limited, and the Fund Manager, Merchant Funds Management Pty Ltd, received all management and performance fees that have been deducted from the Fund during the period.

Total management and performance fees paid to the Responsible Entity and Fund Manager during the six months ended 31 December 2022 were \$802,301 (GST inclusive) (31 December 2021: \$6,192,697). There were payables of \$137,745 as at 31 December 2022 (30 June 2022: \$109,954).

The accrued performance fees as at 31 December 2022 was \$178,693 (30 June 2022: \$Nil).

Note 5 Contingencies

There are no contingent liabilities or contingent assets as at 31 December 2022 (30 June 2022: Nil)

Note 6 Subsequent Events

On 4 February 2022 the Fund announced a redemption facility for the three months ended 28 February 2023. A redemption of \$282,674 was paid to unitholders on 15 March 2023.

Note 7 Financial Instruments

Carrying amount versus fair values

The fair values of financial assets and financial liabilities approximate their carrying amounts in the condensed statement of financial position.

Financial risk management

During the six months ended 31 December 2022 the Fund's financial risk management objectives and policies are consistent with those disclosed in the Fund's annual financial report.

Merchant Opportunities Fund
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Notes to the condensed interim financial statements (continued)
For the six months ended 31 December 2022

Note 7 Financial Instruments (continued)

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued based on techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets classified as fair value through profit and loss	34,115,814	1,041,250	73,464,350	108,621,414

30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets classified as fair value through profit and loss	35,780,883	936,250	43,310,993	80,028,126