

CIP Merchant Capital Limited

Annual Report and Consolidated Audited Financial Statements

For the year ended 31 December 2019

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CIP Merchant Capital Limited

Corporate Summary

For the year ended 31 December 2019

CIP Merchant Capital Limited (the “**Company**”) is a closed-ended investment company limited by shares, registered and incorporated in Guernsey under the Companies (Guernsey) Law 2008, as amended, (“**Companies Law**”) on 13 September 2017, with registered number 64013.

The Company is a Registered Closed-ended Collective Investment Scheme regulated by the Guernsey Financial Services Commission (the “**GFSC**”) pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended (the “**POI Law**”) and the Registered Closed-ended Investment Scheme Rules 2015.

The Company has 55,000,000 ordinary shares of no par value in issue, all of which are admitted to trading on the AIM, a market operated by London Stock Exchange plc (the “**London Stock Exchange**”) (“**AIM**”) under the ticker “CIP”, and with ISIN: GG00BF8NW879 and SEDOL BF8NW87.

The Company is not (and is not required to be) regulated or authorised by the United Kingdom Financial Conduct Authority (the “**FCA**”), although it is subject to the AIM Rules for Companies published by the London Stock Exchange (the “**AIM Rules**”), the Market Abuse Regulation (Regulation 117 (EU) No 596/2014) (the “**MAR**”) and the rules of the London Stock Exchange.

The Company established Merchant Capital L.P. (the “**LP**” or “**Limited Partnership**”), on 1 December 2017 with registration number 2977, as a limited partnership in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), through which the Company makes its investments pursuant to its investing policy. The Company established Merchant Capital GP Limited (the “**GP**”) on 28 September 2017 with registration number 64070 as a limited company in Guernsey, to act as general partner to the LP. The Company, the GP and the Company's investment manager, Merchant Capital Manager Limited (the “**Investment Manager**”), entered into a limited partnership agreement on 30 November 2017 (the “**Limited Partnership Agreement**”), whereby the GP acts as General Partner of the LP, the Company acts as the Founder Limited Partner and the Investment Manager acts as the Special Limited Partner. Further information on the Limited Partnership Agreement is set out on page 47.

The board of directors of the Company (the “**Directors**” or, together, the “**Board**”) also constitute the board of the GP and investment decisions are taken by the Directors in their capacity as directors of the Company and in their capacity as directors of the GP (acting in its capacity as the general partner of the LP). The Board collectively has experience in the asset management, private equity and listed companies spaces spanning a broad range of sectors. Biographies of the Directors are set out on page 17.

The Company, the GP and the Investment Manager have entered into the Investment Management Agreement, (as defined and further details of which are set out on page 28, in relation to the management of the assets of the Company and its subsidiaries from time to time (the “**Group**”). The Investment Manager is licensed and regulated under the POI Law by the GFSC. The Investment Manager was founded by Marco Fumagalli and Carlo Sgarbi in August 2017 for the purpose of acting as the investment manager to the Company, and has been the Company's investment manager since its admission to AIM. The Investment Manager has entered into a service agreement with Continental Investment Partners SA (“**CIP**”), pursuant to which CIP provides certain investment due diligence, monitoring and reporting services to the Investment Manager.

CIP was established by Marco Fumagalli and Carlo Sgarbi, Non-independent Directors of the Company, whose biographies are set out on page 17, in July 2013 with the purpose of originating, arranging and advising on investment opportunities for investors seeking to generate returns through a private equity approach to investment in financial products that are flexible and specialised with a focus on value creation, by exploiting market conditions and investments in value-orientated companies. CIP is principally focused on three investment areas: (i) liquid strategies in regulated financial markets focused on corporate and financial bonds; (ii) private/public equity; and (iii) real estate.

The unaudited Net Asset Value (and Net Asset Value per Share) is calculated weekly by the Company's Administrator, Maitland Administration (Guernsey) Limited. The unaudited Net Asset Value per Share is notified weekly through a Regulatory Information Service and is available through the Company's website at www.cipmerchantcapital.com.

Information on the Company's taxation status is set out on page 48.

Investment Objective and Investing Policy

The Company's investment objective is to generate risk-adjusted returns for its 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.

The Company invests primarily in equity and equity-linked securities (and related instruments), as well as debt, convertible debt and other financial instruments with equity characteristics, of companies that the Board (as advised by the Investment Manager) believes typically have at least two or more of the following characteristics:

- ability to achieve a superior risk adjusted return with a medium/long term target IRR of 20 per cent;
- cash generative (or expected to generate cash within a reasonable investment horizon);
- attractive management track records;
- strong fundamentals;
- potential for liquidity or exit within an identified time frame; and/or
- potential for the relevant company to have a competitive advantage.

Investments may either be active, being investments made directly by the Company, or passive, being indirect investments made by the Company through similar funds or investment vehicles. The Company may set up (and potentially co-invest in) funds (including cornerstone investments in specialist funds on preferred terms (which may include lower management fees)).

The Company will consider investments in a number of industries and sectors, particularly those in which the Directors and the Investment Manager have the necessary expertise and experience to be able to identify and manage the opportunity. It is expected that investments will predominantly be in the following industries:

- oil and gas;
- healthcare;
- pharmaceutical; and
- real estate.

Investments will typically (but will not all) be listed on a Western European stock exchange, with a predominant focus on the markets of the London Stock Exchange. The Company will invest in companies with a market capitalisation of (listed) or valued at (unlisted) less than £500 million at the time of investment and will focus largely on investment in companies with a market capitalisation of or valued at less than £200 million at the time of investment.

The Company's investment holding period and the exit strategy will depend on the underlying asset, exit opportunities and the size of the Company's investment. While the Directors intend to hold the Company's investments on a medium to long term basis, the Company may dispose of investments outside this timeframe should an appropriate opportunity arise where, in the Board's opinion (as advised by the Investment Manager), the value that could be realised from such disposal would represent a satisfactory return on the initial investment and/or otherwise enhance the value of the Company, taken as a whole. In addition, the Company will also make, from time-to-time smaller investments in short term trades, based on an attractive opportunistic view of value appreciation.

The Company will at all times invest and manage its investments in a manner which is consistent with the objective of spreading investment risk.

Investment restrictions

The Company will observe the following investment restrictions:

- the maximum investment in or exposure to any single investee company will be no more than 20 per cent. of the Net Asset Value at the time of investment;
- investments in or exposure to unlisted/unquoted companies will be limited to, in aggregate, 30 per cent. of the Net Asset Value at the time of investment;
- the maximum investment in or exposure to any investee company or fund that itself invests in a portfolio of investments will not exceed 10 per cent. of the Net Asset Value at the time of investment; and
- investments concentrated in any one sector or industry shall not exceed 50 per cent. of the Net Asset Value at the time of investment.

The Board expects the portfolio to be relatively concentrated, typically consisting of exposure to five to ten companies once fully invested."

CIP Merchant Capital Limited

Chairman's Statement

For the year ended 31 December 2019

Introduction

After a busy year, I am pleased to present CIP Merchant Capital Limited's (the "**Company**") Annual Report and Audited Consolidated Financial Statements for the period from 1 January 2019 to 31 December 2019 (the "**Audited Financial Statements**").

Since the Company's admission to AIM in December 2017, having raised gross proceeds of £55 million, the Investment Manager has been busy sourcing investment opportunities and as at 31 December 2019, approximately 50% of the Company's net assets had been invested. As at the date of this report, the Company is now approximately 69% invested and has available cash resources of approximately £18.6 million to invest.

Before moving on, I will take this opportunity to comment on the global developments that have occurred during the second half of 2019 and at the beginning of 2020. Two of the major threats – trade war and Brexit – are now no longer the main reason of concern for investors. This is in part due to the first step being taken towards a resolution of the confrontation between the USA and China and an agreement having been reached in respect of the UK's departure from the EU, though the final trade agreement and resulting relationship between the UK and EU is still uncertain. In the recent weeks, a new threat has emerged with the COVID-19 pandemic. Countries have shut down in order to try and deal with the pandemic, which has and is having a significant impact on the global economic and financial markets. Governments across the globe have been announcing unprecedented financial support packages for their economies during these uncertain times. The outcome of the COVID-19 pandemic remains uncertain, though it is certain that the impact will be significant on businesses and individuals.

As a result, together with the wider financial markets, the Company's net asset value has been impacted and as at 27 March 2020, the Company's Net Assets stood at £38.2 million, down 17.4% from £46.2 million as at 31 December 2019, against the FTSE AIM All Share index declining 28.8% in the same period. The Company's cash and cash equivalents, including short dated treasury and corporate bonds, of approximately £18.6 million have provided a slight buffer during this time and importantly, provides an opportunity to create shareholder value once the full impact of COVID-19 becomes clear.

With this in mind, the Board (as advised by the Investment Manager) believes it appropriate to propose to amend the Company's investing policy to enable the Company (as advised by the Investment Manager) to take a more flexible and less constrained approach to its investments. Accordingly, shareholder approval to adopt a revised investing policy will be sought at the upcoming Annual General Meeting of the Company to be held on 22 May 2020 (the "**Annual General Meeting**"). Notice of the Annual General Meeting is attached hereto. The proposed new investing policy is set out below under the heading "Proposed new investing policy" along with a summary of and further explanation for the proposed changes to the existing investing policy.

Details on the current portfolio are set out in the Investment Manager's Report on page 13. In accordance with the Company's cash management policy, as at 31 December 2019, the Company had invested the majority of its cash in short dated treasury and corporate bonds.

Proposed new investing policy

The Directors are proposing to change the Company's investing policy in order to provide the Investment Manager with greater flexibility in making investments, in particular where it sees opportunities to create shareholder value. The Directors believe that this is particularly relevant in the current market. The proposed new investing policy is set out below, in clean and in blackline, against the existing investing policy. A summary of the key changes and the reasoning for them is as follows.

It is proposed that reference to the Company being predominantly invested in the oil and gas, healthcare, pharmaceutical and real estate industries be removed from the investing policy. Instead, it is proposed that the investing policy state that the Board (as advised by the Investment Manager) will consider investment across a range of industries and sectors. The Board (as advised by the Investment Manager) considers that given the ongoing changes in the economy, including but not limited to the transition to renewables in the energy market, the recent emergence of an oil price war, and the growth in potential of alternative sectors such as technology and digital commerce, the Investment Manager should have greater scope to invest in a broader range of sectors and industries.

In addition, it is proposed that the investing policy be amended to make it clear that the Company will, as it has already done, potentially invest in companies with a market capitalisation of (listed) or valued at (unlisted) more than £500 million at the time of investment where the Investment Manager sees opportunities to create shareholder value. Although the Investment Manager has flexibility to invest in larger companies, the Company will continue to typically seek to invest in companies with a market capitalisation of (listed) or valued at (unlisted) less than £500 million at the time of investment with the focus continuing to be largely on investment in companies with a market capitalisation of or valued at less than £200 million at the time of investment.

It is also proposed to change the investing policy to reflect the fact that the Board expects the portfolio to typically consist of exposure to ten to twenty companies once fully invested, a change from the existing expectation of exposure to five to ten companies. This is to reflect the fact that the Company has made nine investments to date and, as at the date of this report, has cash resources of approximately £18.6 million to invest.

The Board (as advised by the Investment Manager) expects that the consequences of these proposed changes would be that the Company's Portfolio may contain investments across a more diverse range of sectors and an exposure to around ten to twenty companies once fully invested. The Company will continue to typically seek to invest in companies with a market capitalisation of (listed) or valued at (unlisted) less than £500 million at the time of investment (with the focus remaining largely on investment in companies with a market capitalisation of or valued at less than £200 million at the time of investment) but it will potentially invest in companies with a market capitalisation of or valued at more than £500 million at the time of investment.

Proposed new investing policy – clean

Investing policy

The Company will seek to achieve its investment objective through investing primarily in equity and other products and instruments of predominantly listed and quoted companies, where the Board (as advised by the Investment Manager) believes the relevant target company is undervalued and could benefit from strategic, operational or management initiatives, achieved through a private equity style investment philosophy.

The Company will invest primarily in equity and equity-linked securities (and related instruments), as well as debt, convertible debt and other financial instruments with equity characteristics, of companies that the Board (as advised by the Investment Manager) believes typically have at least two or more of the following characteristics:

- ability to achieve a superior risk adjusted return with a medium/long term target IRR of 20 per cent;
- cash generative (or expected to generate cash within a reasonable investment horizon);
- attractive management track records;
- strong fundamentals;
- potential for liquidity or exit within an identified time frame; and/or
- potential for the relevant company to have a competitive advantage.

Investments may either be active, being investments made directly by the Company, or passive, being indirect investments made by the Company through similar funds or investment vehicles. The Company may set up (and potentially co-invest in) funds (including cornerstone investments in specialist funds on preferred terms (which may include lower management fees)).

The Board (as advised by the Investment Manager) will consider investment across a range of industries and sectors.

Investments will typically (but will not all) be listed on a Western European stock exchange, with a predominant focus on the markets of the London Stock Exchange. The Company will typically seek to invest in companies with a market capitalisation of (listed) or valued at (unlisted) less than £500 million at the time of investment (though it may make investments in larger companies where it sees opportunities to create shareholder value) with the focus being largely on investment in companies with a market capitalisation of or valued at less than £200 million at the time of investment.

The Company's investment holding period and the exit strategy will depend on the underlying asset, exit opportunities and the size of the Company's investment. While the Directors intend to hold the Company's investments on a medium to long term basis, the Company may dispose of investments outside this timeframe should an appropriate opportunity arise where, in the Board's opinion (as advised by the Investment Manager), the value that could be realised from such disposal would represent a satisfactory return on the initial investment and/or otherwise enhance the value of the Company, taken as a whole. In addition, the Company will also make, from time-to-time smaller investments in short term trades, based on an attractive opportunistic view of value appreciation.

The Company will at all times invest and manage its investments in a manner which is consistent with the objective of spreading investment risk.

Investment restrictions

The Company will observe the following investment restrictions:

- the maximum investment in or exposure to any single investee company will be no more than 20 per cent. of the Net Asset Value at the time of investment;
- investments in or exposure to unlisted/unquoted companies will be limited to, in aggregate, 30 per cent. of the Net Asset Value at the time of investment;
- the maximum investment in or exposure to any investee company or fund that itself invests in a portfolio of investments will not exceed 10 per cent. of the Net Asset Value at the time of investment; and
- investments concentrated in any one sector or industry shall not exceed 50 per cent. of the Net Asset Value at the time of investment.

The Board expects the portfolio to be relatively concentrated, typically consisting of exposure to ten to twenty companies once fully invested.

Proposed new investing policy – blackline

Investing policy

The Company will seek to achieve its investment objective through investing primarily in equity and other products and instruments of predominantly listed and quoted companies, where the Board (as advised by the Investment Manager) believes the relevant target company is undervalued and could benefit from strategic, operational or management initiatives, achieved through a private equity style investment philosophy.

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~~The Company will consider investment in a number of industries and sectors, particularly those industries and sectors in which the Directors and the Investment Manager have the necessary expertise and experience to be able to identify and manage the opportunity. It is expected that investments will predominantly be in the following industries:~~

- ~~• oil and gas;~~
- ~~• healthcare;~~
- ~~• pharmaceutical;~~
- ~~• real estate.~~

The Board (as advised by the Investment Manager) will consider investment across a range of industries and sectors.

Investments will typically (but will not all) be listed on a Western European stock exchange, with a predominant focus on the markets of the London Stock Exchange. The Company will **typically seek to** invest in companies with a market capitalisation of (listed) or valued at (unlisted) less than £500 million at the time of investment **(though it may make investments in larger companies where it sees opportunities to create shareholder value)** and ~~will with the focus being~~ largely on investment in companies with a market capitalisation of or valued at less than £200 million at the time of investment.

The Company's investment holding period and the exit strategy will depend on the underlying asset, exit opportunities and the size of the Company's investment. While the Directors intend to hold the Company's investments on a medium to long term basis, the Company may dispose of investments outside this timeframe should an appropriate opportunity arise where, in the Board's opinion (as advised by the Investment Manager), the value that could be realised from such disposal would represent a satisfactory return on the initial investment and/or otherwise enhance the value of the Company, taken as a whole.

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- investments concentrated in any one sector or industry shall not exceed 50 per cent. of the Net Asset Value at the time of investment.

The Board expects the portfolio to be relatively concentrated, typically consisting of exposure to ~~five ten~~ **to twenty** companies once fully invested.

Performance

The Company's NAV as at 31 December 2019 was £46.2 million (2018: £48.1million), equating to 84.09p per share (2018: 87.20p). During the period, the share price gradually declined from 72p to a low of 48.85p at the year end, representing a discount to the NAV of 41.9%. The Company's shares traded at an average discount of 28.9% to NAV per share during the period.

The negative trend continued throughout January 2020 and the share price hit a low of 48.50p, representing a discount of 42.8% on the NAV per share of 84.76p. Despite a narrowing of the discount during February following a strong rebound in the Company's share price, recent events have significantly impacted both the wider market and the Company's share price, with the Company's share price being 41.0p per share as at 27 March 2019, representing a discount of 40.9% to the NAV of 69.44p per share as at 27 March 2019.

Dividends

There were no dividends declared in the period. As stated in the Company's Admission Document, it is the Company's intention to reinvest the net proceeds of any realisations into the portfolio.

Corporate Governance

The Company complies with the Association of Investment Companies ("AIC") Code of Corporate Governance ("AIC Code") and undertakes to ensure that the Directors are kept up to date with matters concerning listed investment companies like ours. The Board take their fiduciary and corporate governance responsibilities seriously and I encourage shareholders to contact us at info@cipmerchantcapital.com should they have any questions or would like to discuss anything with us.

Adrian Collins
Non-executive Chairman

CIP Merchant Capital Limited

Investment Managers' Report

For the year ended 31 December 2019

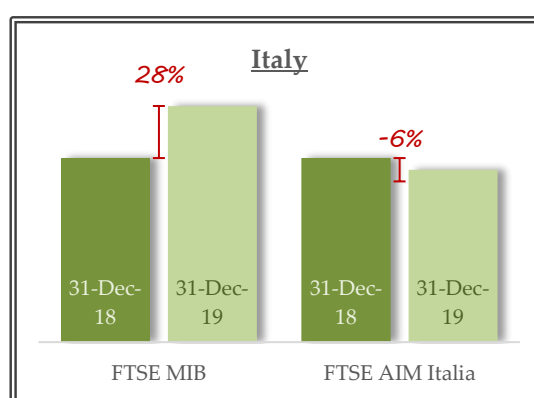
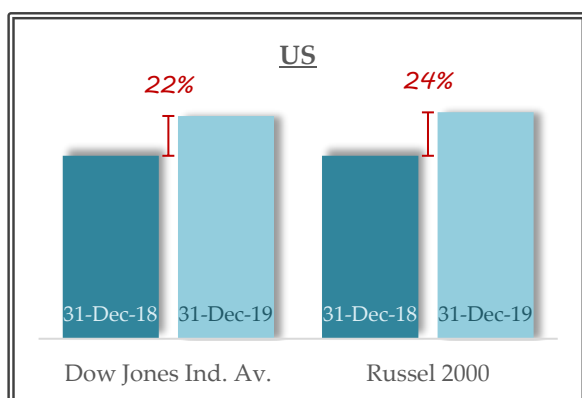
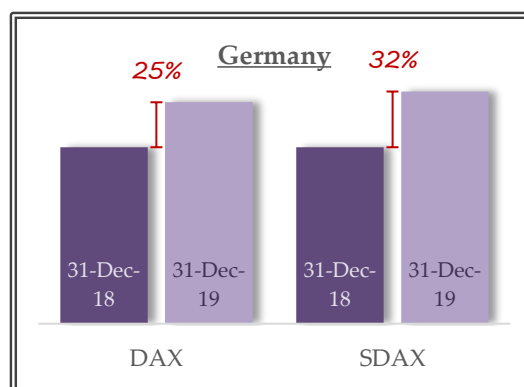
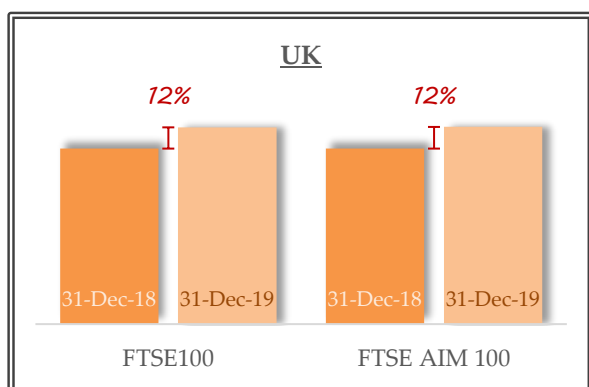
Investment Strategy

The Company aims to generate risk-adjusted returns through capital appreciation, investing primarily in equity securities and taking a private equity style investment approach to achieve a target IRR of 20% over the medium to long term. Key investment targets will predominantly be listed on a Western European stock exchange and will typically have a market capitalisation below £500 million, which the Board believes often puts such companies below the radar of the larger institutional investors in the market. A flexible mandate also allows part of the Company's capital to be deployed in debt, as well as funds or private equity.

The Investment Manager is continuously reviewing and considering various investment opportunities that may meet the Company's investment objectives and investing policy. The opportunities are actively sourced by the Investment Manager through its network of contacts and through a proactive identification of target investments through its proprietary database.

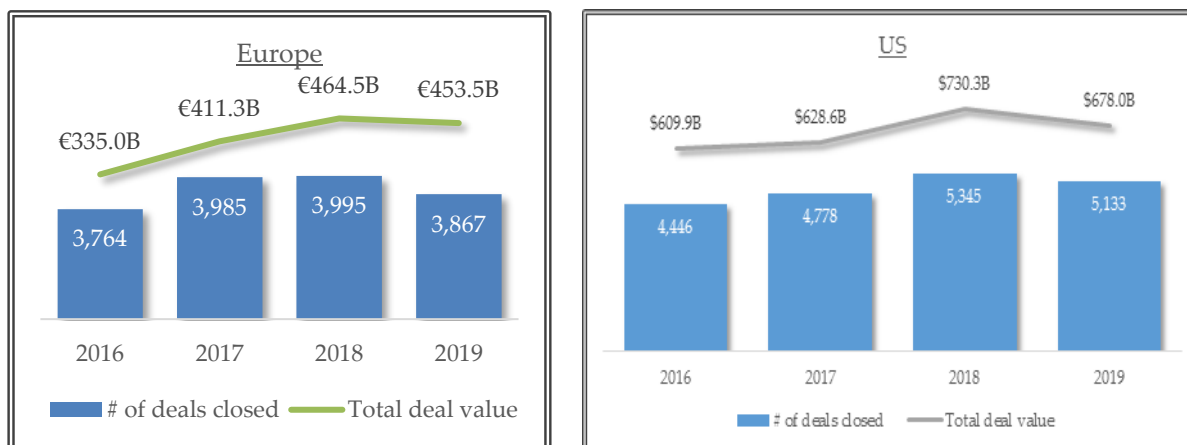
Market Conditions

In 2019, markets benefited from both a recovery, following the fall at the end of 2018, and the general support of central banks to essentially all asset classes delivering positive returns. The equity markets in the UK for both the large caps and the small caps were both up approximately 12% in 2019; similarly, in Germany, the SDAX grew by 32% and the DAX by 25%; in the US the Russel 2000 grew by 24% versus a 22% increase of the DJIA. One exception is represented by Italy where the FTSE AIM Italia index lost 6% vis-à-vis a 28% increase in FTSE MIB, mostly affected by the bankruptcy of a €1 billion market cap company listed on Italian stock exchange.



In terms of private markets in 2019 (according to PitchBook reports), Europe saw a decline in deal volumes of approximately 3% vis-à-vis 2018 and also lower than 2017. However, the total deal value in 2019 was only down approximately 2% at €453.5 billion, vis-à-vis 2018, though was above 2017 levels.

The US private markets saw a decline of approximately 4% in 2019 vis-à-vis 2018. The total transaction value was \$677.9 billion in 2019, corresponding to a 7% decline vis-à-vis 2018.



In light of the recent market turmoil, we continue to closely monitor both our current investments and pipeline and will make adjustments as appropriate to ensure that we are able to maximise and protect shareholder value going forward. Given the Company's current cash and cash equivalents (including short dated treasury and corporate bonds) of approximately £18.6 million as at 27 March 2020, we believe that the Company is well placed to be able to take advantage of investment opportunities going forward. However, we will need to be disciplined in our investment approach, as we see the full impact of recent events being reflected in companies' future earnings, with certain sectors likely to be impacted more than others. Accordingly, the Company is, subject to shareholder approval at the upcoming general meeting, proposing to amend its investing policy to allow a wider investment remit, with a focus on the market as a whole as opposed to certain sectors.

Portfolio overview

During 2019 our focus remained both on seeking to identify opportunities to invest in and supporting existing investments. We continue screening markets, analysing and meeting with potential investee companies in order to identify further investment opportunities for the Company.

On the Company's existing investments, we continue to monitor carefully the performances of the businesses, compare them against our investment case and retain open dialogue with the top executives and key shareholders.

As at 31 December 2019, the Company's portfolio comprised seven investments in several industries and with underlying businesses exposed to various geographies. Post the year end, we built stakes in Circassia Pharmaceuticals and Redde (now Redde Northgate plc).

During 2019, the Company's NAV declined 2.8% from 87.20p as at 31 December 2018 to 84.76p. The main contributors to the small decline were the negative performance of Alkemy, Coro Energy and Orthofix, which was partially offset by the strong performance of CareTech and Proactis.

However, since the year end, in line with the wider market, the valuation of our portfolio companies have been significantly impacted as a result of movements in the global financial markets in response to the COVID-19 pandemic. We continue to monitor the rapidly evolving situation closely and will make adjustments to our current investments as is necessary/appropriate.

It should be noted though that the Company's investment horizon is to make long term investments to create shareholder value. In addition, given the Company current cash equivalents, including short-dated treasury and corporate bonds of approximately £18.6 million, we believe the Company is well placed to take advantage of investment opportunities going forward.

Portfolio Company	Industry	Country	Security type	As at 31 Dec 2019		As at 27 Mar 2020	
				£	% of NAV	£	% of NAV
Alkemy ¹	Software/Tech	Italy	Equity	2,835,409	6.1%	1,531,688	4.0%
Brave Bison Group	Software/Tech	UK	Equity	898,080	1.9%	610,694	1.6%
CareTech	Healthcare	UK	Equity	4,199,000	9.1%	3,515,000	9.2%
Circassia Pharmaceuticals	Pharmaceuticals	UK	Equity	N/A	N/A	2,124,800	5.6%
Coro Energy	Oil & Gas	UK	Equity	2,712,329	5.9%	904,110	2.4%
Coro Energy	Oil & Gas	UK	Warrants	202,878	0.4%	8,524	0.0%
Coro Energy	Oil & Gas	UK	Bonds	3,023,953	6.6%	3,222,565	8.4%
Orthofix Medical	Healthcare	US	Equity	3,897,637	8.4%	2,352,598	6.2%
Happy Friends ²	Healthcare	Italy	Equity	1,596,182	3.5%	1,686,192 ³	4.4%
Happy Friends ²	Healthcare	Italy	Loan	2,140,473	4.6%	2,261,177 ³	5.9%
Proactis	Software/Tech	UK	Equity	1,288,000	2.8%	448,000	1.2%
Redde	Support Services	UK	Equity	N/A	N/A	943,483	2.5%
Portfolio				22,793,941	49.3%	19,608,831	51.4%
Cash and short dated treasury and corporate bonds				23,446,874	50.7%	18,573,487	48.6%
NAV				46,240,815	100.0%	38,190,812	100.0%

Set out below is a brief overview of each of our portfolio companies. It is important to note in the current environment that a disciplined approach is taken when considering potential investments, with a focus on a range of factors from defensible business models, management teams with a solid track record to companies that are undervalued. When making an investment, we consider the long-term potential for a company and once invested, we measure its performance against that as opposed to short term share price movements. That approach is particularly relevant now and we will continue applying this methodology going forward. However, given current events, companies' future expectations and estimates will be under review as the impact of COVID-19 is assessed and becomes clearer and, as a result, we will have not sought to provide an overview of the potential impact on our portfolio companies at this stage.

Alkemy SpA

Alkemy SpA ("Alkemy"), a digital marketing company, completed the important transition from AIM Italia to the STAR segment of the main market of Borsa Italiana on 17 December 2019. However, following a downgrade to its outlook for 2019 in December 2019, due to two contracts being delayed until 2020, Alkemy's share price closed down approximately 20% for the year.

¹ Investment held through Merchant Capital GP (Malta) Limited

² Investment held through Merchant Capital HF Limited.

³ The investment in Happy Friends is valued on a semi-annual basis, as detailed on page 56. Therefore, the value as at 27 March 2020 does not reflect an updated evaluation and represents the value as at 31 December 2019. The £ difference is related to exchange rate differences, as the underlying investment is in € (total value €4,410,000). Given the current market condition in Italy due to COVID-19, the business plan may be negatively impacted, leading to a potential impairment of the valuation.

Whilst clearly disappointing and one of the main reasons why the Company's NAV declined during 2019, we believe that Alkemy's strategy of seeking to grow both organically and through acquisitions of firms in different niches, provides the ability for it to expand its range of services it is able to offer its clients, and the potential to deliver significant growth going forward.

Brave Bison Group plc

Brave Bison Group plc's ("**Brave Bison**") is an AIM quoted social video company, specialising in cross-platform video content, connecting global audiences through social media. Its online communities reach over 135 million followers and it is one of the largest YouTube channel partners, with more than 700 channels.

As a result of the new content policy implemented by Facebook in April 2019, many publishers, including Brave Bison, had to temporarily de-monetise their Facebook pages, rebranding them and increasing the amount of exclusive and original content, which negatively impacted Brave Bison's share price. However, following the appointment of the new CEO in April 2019, together with its strong cash position underwriting a larger proportion of its equity value, we believed it provides a good investment opportunity with strong underlying fundamentals. The Company acquired an initial interest in July, increasing to an interest of 11.7% in November 2019 for a total investment of £1.1 million.

Following a number of board and senior management changes, Brave Bison is now focusing on executing its new growth strategy, based on expanding the social media platforms coverage on one hand and developing its consulting services especially in Asia on the other.

CareTech Holdings plc

The Company invested in CareTech Holdings plc ("**CareTech**"), the AIM quoted provider of specialist social care and education services to adults and children in the UK, during April 2019, and the share price performed strongly, increasing 30% from the time of investment to the end of 2019. In December 2019, CareTech reported its preliminary results for the year ended 30 September 2019, which include the completion of the acquisition of Cambian Group plc. The integration is well underway, with £3 million profit before tax synergies delivered and all key performance Indicators on track. Enlarged group total revenues for the year were £395.0 million with CareTech like-for-like revenues improved to £196.5 million (2018: £185.7 million). Earnings before interest, tax, depreciation and amortisation increased by 67.4% to £73.5m (2018: £43.9m), with CareTech like-for-like improved to £44.3m (2018: £43.9m). Progress is seen also in terms of underlying basic Earnings Per Share, with 2019 figure at 37.60p per share (2018:35.07p).

However, since the middle of February, CareTech's share price has been significantly impacted as a result of COVID-19. We continue to believe in the underlying fundamentals for CareTech and note its AGM statement on 17 March 2020, which set out that its trading performance to date in 2020 was in line with the board's and market's expectations.

Circassia Pharmaceuticals plc

After 31 December 2019, the Company built a 3.4% stake in Circassia Pharmaceuticals plc ("**Circassia**"), a specialty biopharmaceutical company focused on allergy and respiratory diseases. Circassia combines a pipeline of late-stage devices with a portfolio of marketed products, which announced it expected revenues for 2019 of between £60 million and £65 million. The company had £27 million in cash as at the end of 2019, which we believe should be sufficient to enable the company to achieve profitability.

Coro Energy plc

Coro Energy plc ("**Coro**"), the Southeast Asian focused upstream oil and gas company, had a busy 2019: it acquired a stake in an asset in Indonesia in February and then defined the drilling programme with the other partners in April. The appraisal drilling campaign was completed during the fourth quarter of 2019 and was deemed successful by its management. An updated independent valuation of the gas field has been commissioned and we note Coro's management expects an upgrade in the resource size of approximately 100Bcf in the 2C category, corresponding to a 36% increase vis-à-vis the previous 276Bcf 2C resources.

In spite of the positive achievements of Coro, the share price declined approximately 20%, contributing to the decline of NAV throughout the year. Whilst disappointing, the asset is located in a region with a structural long-term energy imbalance between demand and supply for gas and hence, we believe that it has the potential, in proper market conditions, to deliver shareholder value. Finally, we note that on 2 April 2020 Coro announced certain changes to its strategy in order to weather the difficult period the industry currently faces and preserve its \$4.5 million cash as at 31 March 2020, implementing a material cost reduction, aimed at ensuring the Company has sufficient working capital to meet its requirements until April 2021.

Happy Friends

7Star Srl ("**Happy Friends**"), currently the only non-listed investment in the Company's portfolio, is a private Italian veterinary clinics chain. The portfolio of veterinary practices comprises the first veterinary hospital in Curno (Bergamo province, Italy) opened at the end of 2017, and a second hospital opened in Brescia in July 2019, with a further two in the pipeline. Trading of the first hospital has, to date, been in line with management's expectations, with revenues growing and eventually approaching the break-even point. The second hospital has also shown encouraging trading, and in December 2019 traded in line with the first hospital.

During 2019, the Company completed the syndication of approximately 28% of the Company's investment in Happy Friends, through the transfer of such equity and shareholder loan to IVY Merchant Capital Limited ("**IVY**"). Consequently, the Company's economic interest in 7Star reduced from 49% to 35.4%, though the Company retains control of the voting rights over the shares transferred pursuant to the syndication, as the Company retains voting control over IVY.

Orthofix Medical Inc.

Orthofix Medical Inc. ("**Orthofix**") announced in October 2019 and February 2020, the results for the third and fourth quarters of 2019 respectively, showing revenues in line with the guidance provided by the management, though profitability was impacted as a result of achieving revenue-based milestone payments associated with the Spinal Kinetics acquisition. For the fiscal year 2019, Orthofix registered net revenues of US\$460 million, an increase of 1.5% compared to prior year and 2.6% on a constant currency basis, with M6-C artificial disc achieving US\$4.1 million in sales in the US. The other major development is the successful transition of Jon Serbousek as CEO.

The share price understandably declined following the weaker than expected performance in the second half of 2019, though our investment thesis is that once Orthofix completes its portfolio of reconstructive and regenerative solutions for spine and bone-related conditions, we believe it will potentially become an acquisition target for one of the larger players in the orthopaedic market.

Proactis Holdings plc

We first invested in Proactis Holdings plc ("**Proactis**"), a global spend management solution provider, in July 2019. At the time of the investment, Proactis was implementing its revised strategy that included improving the rates of winning new customers and the retention of existing customer. Shortly after the investment, Proactis announced that it had received a preliminary unsolicited approach from a US-based investor to acquire the company and as a result, that it was undertaking a formal sale process. As a result, the share price increased substantially, closing 2019 up approximately 40% vis-à-vis the price at the time of our initial investment. On 4 March 2020, Proactis announced the abandonment of the formal sale process, with no formal offer having been received, with the share price declining significantly as a result.

Despite the sale process being abandoned, we continue to believe in the underlying fundamentals of the business, which has a high level of recurring revenues year on year. In the 12 months ended 31 July 2019, Proactis had revenues of £54.1 million (2018: £52.2 million) with £44.3 million annual recurring revenue (2018: £44.7 million) and an adjusted EBITDA of £15.1 million (2018: £17.3 million). As announced on 4 March 2020, the rate of new business has continued with the group having now signed approximately £9.4 million of total contract value, cumulatively, during the seven months ended 29 February 2020 (as a comparative, the group signed £11.3 million for the whole financial year ended 31 July 2019).

Redde Northgate plc

In January 2020, the Company acquired an interest in Redde plc, a provider of a range of motor claims accident management services, including vehicle replacement and repair management together with full claims-handling assistance. The company had previously received a merger proposal by Northgate plc, which aims, in the words of Northgate plc's non-executive chairman Avril Palmer-Baunack, to create a champion automotive services business with scale, reach and resources to provide mobility solutions to a broad customer base. The merger between Redde plc and Northgate Plc concluded on 16 January 2020 and the Company is now called Redde Northgate plc ("**Redde**").

Cash Management

In accordance with its cash management policy, the Company had invested approximately £22.0 million in short dated treasury and corporate bonds as at 31 December 2019. An additional £1.3 million was also held on deposit. As at 27 March 2020, the Company had available cash and cash equivalents, including short dated treasury and corporate bonds totalling approximately £18.6 million, of which the majority was invested in short dated treasury and corporate bonds. There has been no significant change in this balance as at the date of signing these financial statements.

Outlook

As already mentioned, the current COVID-19 pandemic has the potential to cause significant disruption to businesses and the wider economy. Consequently, the market is pricing this uncertainty into companies share prices and we continue to monitor our investee companies and pipeline closely in this rapidly changing environment.

Our goal remains to maximise shareholder value and we will seek to employ the Company's available cash in suitable opportunities going forward as we monitor the market and develop our understanding how companies and sectors are likely to be impacted by current events.

Carlo Sgarbi
Investment Manager

CIP Merchant Capital Limited

The Board of Directors

For the year ended 31 December 2019

Adrian Collins (Independent Non-Executive Chairman) – appointed 13 November 2017

Mr. Collins has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management Limited where latterly he was managing director. He was until recently chairman of Liontrust Asset Management plc and is currently on the board of Bahamas Petroleum Company plc and a number of other companies.

Marco Fumagalli (Non-Independent Non-Executive Director) – appointed 13 September 2017

Mr. Fumagalli has a significant transaction track-record as a Global Partner at the PE house 3i Group, with significant results in the management of investments in both private (e.g. Giochi Preziosi, Coelsanus Preserves and Vis Pharmaceuticals) and listed companies (e.g. Biosearch Italy and Datamat Novuspharma). From 2010 to 2013, he was responsible for managing the private equity activities within a Swiss family office. Mr. Fumagalli is a co-founder and principal of Merchant Capital Manager Limited (“**Merchant Capital**”), the Company’s Investment Manager, and Continental Investment Partners SA (“**CIP**”) and is currently a non-executive director of AIM quoted companies Sound Energy plc, Echo Energy Plc and Coro Energy plc.

Carlo Sgarbi (Non-Independent Non-Executive Director) – appointed 13 September 2017

Mr. Sgarbi has over 20 years’ experience in investment banking with IMI Group, part of Intesa Sanpaolo, a leading Italian banking group, which included being appointed Head of Debt Capital Markets in 1995 for Banca IMI, the investment bank of the Intesa Sanpaolo. Mr. Sgarbi was subsequently appointed Global Head of Fixed Income and Derivatives, Co-Head of Global Markets Equities and Derivatives, where he was responsible for managing approximately 300 professionals specialised in different areas of market activities and risk. From 2007 to 2013, he was responsible for managing all investment activities within a Swiss family office, which Mr. Fumagalli was also involved with from 2010. He founded both Merchant Capital and CIP along with Mr. Fumagalli and is a Managing Partner of CIP.

John Falla (Independent Non-Executive Director) – appointed 8 November 2017

Mr. Falla trained with Ernst & Young in London before moving to their Corporate Finance Department. On returning to Guernsey he worked for an international bank, before joining the Channel Islands Stock Exchange as a member of the Market Authority. In 2000, Mr. Falla joined the Edmond de Rothschild Group in Guernsey and provided corporate finance advice to clients including open and closed-ended investment funds and institutions with significant property interests. He was also a director of a number of Edmond de Rothschild Group operating and investment companies. Mr. Falla is now a non-executive director of a number of investment companies, the majority of which are listed on the London Stock Exchange, and a consultant. Mr. Falla is a Chartered Accountant and has a BSc Hons degree in Property Valuation and Management from The City University, London. He is a Chartered Fellow of the Chartered Institute for Securities and Investment having been awarded their diploma.

Robert King (Independent Non-Executive Director) – appointed 8 November 2017

A non-executive director for a number of open and closed-ended investment funds including, Weiss Korea Opportunity Fund Limited, Chenavari Capital Solutions Limited (Chairman) and Tufton Oceanic Assets Limited (Chairman). Before becoming an independent non-executive director in 2011 he was a director of Cannon Asset Management Limited and their associated companies. Prior to this he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring of offshore open and closed ended investment funds. Mr King is British and resident in Guernsey.

CIP Merchant Capital Limited

Report of the Directors

For the year ended 31 December 2019

The Directors present the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2019.

Status and 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 which trade on the AIM market of the London Stock Exchange under the ticker "CIP". The shares were admitted for trading on 22 December 2017.

On incorporation, two shares were issued at £1.00 each for the purpose of incorporation to the subscribers to the Memorandum. These shares were redeemed by the Company on Admission. Subsequently upon Admission, a further 55,000,000 ordinary shares were issued at £1 to investors

Results and dividends

The Company's position and performance, business model and strategy during the year is discussed in the Chairman's Statement starting on page 6 and the Investment Managers report starting on page 11. The results for the year are set out in the Statement of Comprehensive Income on page 39. The Directors do not recommend the payment of a dividend for the year ended 31 December 2019. 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 has adequate resources to continue in operational existence for the foreseeable future. Furthermore, as noted in our Viability Statement, COVID-19 has had an impact on the valuation of our portfolio companies. The Directors have reviewed the Company's cash and cash equivalents including short dated treasury and corporate bond's which total £18.6million and consider the Company will be able to meet its liabilities as they fall due while also availing of investment opportunities. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Principal and emerging risks

The Company's assets consist of investments in equity and equity-related products and instruments. Investments may either be active, being investments made directly by the Company, or passive, being indirect investments made by the Company through similar funds or investment vehicles. The Company may also set up (and potentially co-invest) in funds. Its principal risks are related to market conditions in general and also in the particular circumstance of the businesses in which it invests in and the resulting performance of such investments. The Investment Manager seeks to mitigate these risks through carrying out due diligence work on target investments before seeking approval from the Board to make such investments. Once made, the Investment Manager will continue to monitor the performance of the investment and will make recommendations to the Board as to any future actions it should take.

Each Director is aware of the risks inherent in the Company's business and ensures the risks are understood and evaluated. The Board have adopted processes and controls to manage these risks and meet all of its legal and regulatory requirements. The Board evaluates risks on an ongoing basis and has adopted a risk matrix which is reviewed and discussed at each Board meeting. It ensures effective controls are in place to mitigate these risks and also to ensure that applicable laws and regulations are upheld. In particular, the Board monitors liquidity risk and the asset values and counterparty exposure.

The financial risks are discussed in Note 14 to the Financial Statements and the Company's other risk factors are discussed in the Company's Admission Document and should be reviewed by shareholders.

Another risk that has emerged is the COVID-19 pandemic the outcome of which remains uncertain. We discuss this in more detail in our Viability Statement below.

Viability statement

As required by the AIC Code, the Directors have assessed the viability of the Company over a period longer than 12 months. The Directors have assessed the prospects of the Company over the three year period to 31 December 2022. In determining the appropriate period of assessment, the Directors consider that three years is a sufficient investment time horizon to be relevant to shareholders and that choosing a longer time period can present difficulties given the lack of longer-term economic visibility.

The Board, as part of their assessment of the long-term viability of the Company, have considered the risks and uncertainties faced by the Company.

As explained in the Investment Manager's Report, the valuation of our portfolio companies since 31 December 2019, have been significantly impacted as a result of movements in the global financial markets in response to the COVID-19 pandemic. We continue to monitor the rapidly evolving situation closely and will make adjustments to our current investments as is necessary/appropriate. It should be noted though that the Company's investment horizon is to make long term investments to create shareholder value. In addition, given the Company's current combined cash and short dated treasury and corporate bonds balance of approximately £18.6 million, we believe the Company is well placed to take advantage of investment opportunities going forward.

The continuation of the Company in its present form is dependent on an investment management agreement and the limited partnership agreement remaining in place. The current investment management agreement is terminable on 12 months' notice by either party. The Directors currently know of no reason why the Investment Manager might serve notice of the investment management agreement over the period of the viability statement.

The Directors have carried out a robust assessment of the risks including the emerging risk of COVID-19 and based on the Company's processes for monitoring operating costs, share price discount, the Investment Manager's compliance with the investment objective and policy, asset allocation, the portfolio risk profile, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 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.

The Company has adopted the AIC Code, which requires the Directors to ensure that the Annual Report and Audited Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter the Board has requested that the Audit Committee advises on whether it considers that the Annual Report and Audited Financial Statements fulfil these requirements. The process by which the Audit Committee has reached these conclusions is set out in the Audit Committee Report on pages 31 to 33.

Having taken into account all matters considered by the Board and brought to the attention of the Board for the year ended 31 December 2019, as outlined in the Corporate Governance Statement, Strategic Report and the Audit Committee Report, the Board has concluded that the Annual Report and Audited Financial Statements for the year ended 31 December 2019, taken as a whole, are fair, balanced and understandable and provide the information required to assess the Company’s position, performance, business model and strategy.

Directors

The Directors of the Company who served during the year are detailed on page 17.

Directors’ interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 31 December 2019, and as at the date of signing these Financial Statements:

Director	Number of shares	% of issued shares
Adrian Collins	50,000	0.09
Marco Fumagalli	2,130,763*	3.87
Carlo Sgarbi	2,330,764*	4.24
John Falla	10,000	0.02
Rob King	-	-

*Held by Goldfinch SA, a company wholly owned in equal proportion by Marco Fumagalli and Carlo Sgarbi, which holds, in aggregate, 4,261,527 ordinary shares. 200,000 ordinary shares are held directly by Carlo Sgarbi.

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 here. A condensed table showing the information relevant to the Director's remuneration is shown in its place.

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

Director	2019 (£)
Adrian Collins	35,000
Marco Fumagalli	-
Carlo Sgarbi	-
John Falla	27,500
Rob King	25,000
Directors' fees	87,500

Mr Sgarbi and Mr Fumagalli have signed a waiver letter dated 30 November 2017 and therefore have waived their Directors' fee. Mr Falla, Mr King and Mr Collins have signed a letter of engagement dated 30 November 2017 confirming their duties and fees as set out above.

Share buy backs and discount management

The Directors believe that the most effective means of minimising any discount to Net Asset Value which may arise on the Company's share price, is to deliver strong, consistent performance from the assets held by the Group in both absolute and relative terms. However, the Board recognises that wider market conditions and other considerations affect the rating of its ordinary shares in the short term and the Board may seek to limit the level and volatility of any discount to Net Asset Value at which its ordinary shares may trade. The means by which this might be done could include the Company repurchasing its ordinary shares. Therefore, subject to the requirements of the Companies Law, the Company's Articles and other applicable legislation, the Company may purchase its ordinary shares in the market in order to address any imbalance between the supply of and demand for its ordinary shares. Such purchases would be at a discount to Net Asset Value and would be accretive to the Net Asset Value of its ordinary shares.

In deciding whether to make any such purchases, the Directors will have regard to what they believe to be in the best interests of the Company's shareholders and to the applicable Guernsey legal requirements which require the Directors to be satisfied on reasonable grounds that the Company will, immediately after any such repurchase, satisfy a solvency test prescribed by the Companies Law and any other requirements in its Memorandum and Articles.

The Directors have the general authority to make market purchases of up to 14.99% of its currently issued share capital. Such authority was renewed at the annual general meeting of the Company on 2 May 2019 and will, subject to shareholder approval, be renewed at the upcoming general meeting. There is no present intention to exercise such general authority, however the making and timing of any market purchases is at the absolute discretion of the Board.

Market purchases may only be made provided the price to be paid is not more than the higher of: (i) 5% above the average of the mid-market value of its ordinary shares for the five business days before the day the purchase is made; or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. Shares purchased by the Company may be cancelled or held as treasury shares.

The Company may borrow and/or realise investments in order to finance such Share purchases.

Treasury Shares

The Company may hold any ordinary shares repurchased by it 'in treasury', meaning that the shares remain in issue owned by the Company rather than being cancelled. Shares held in treasury are not entitled to receive any dividend declared by the Company or to exercise voting rights.

Shares held in treasury may be subsequently cancelled or sold for cash. There is no limit on the number of ordinary shares which may be held in treasury.

Whilst the Company currently has authority to sell its ordinary shares out of treasury for cash on a non-pre-emptive basis, the Directors do not intend to sell any shares out of treasury at a price which represents a discount to the then prevailing NAV per share. Shares being held in treasury should give the Company the ability to sell such shares quickly and cost efficiently and should provide the Company with additional flexibility in the management of its capital base. In addition, the Board believes that the effective use of treasury shares could assist the Company in improving liquidity in its shares and managing any imbalance between supply and demand.

There were no shares held in treasury at the year end (31 December 2018: nil).

Shareholders' significant interests

The following shareholders had a substantial interest of 3% or more of the Company's issued share capital as at 27 March 2020, and as at the date of the signing of these Financial Statements:

	% of issued share capital
Efg Bank	9.09%
Corporation Financiere Europeene SA	9.09%
Spartan Fund Ltd SAC	5.32%
Carlo Sgarbi	4.24%
Marco Fumagalli	3.87%
Ecostone Fund Ltd	3.32%
Horbit Small Cap Opportunities Fund Ltd	3.27%

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Financial Statements are also distributed to other parties who have an interest in the Company's performance. Additional information on the Company can be obtained through the website www.cipmerchantcapital.com.

Annual General Meeting

The notice for the Annual General Meeting of the Company, which is to be held on 22 May 2020 at 11.00am, is attached hereto. The Form of Proxy for the Annual General Meeting is attached to these Consolidated Financial Statements.

As set out in the Chairman's Statement, we are also looking to amend the Company's Investing Policy to provide greater flexibility in respect of the sectors and industries in which we can invest in.

Independent Auditor

The Audit Committee is responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and their remuneration. BDO Limited ("**BDO**") has been appointed as the Company's external auditor.

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.

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

Alternative Investment Fund Managers Directive ('AIFMD')

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

Approved by the Board of Directors on 3 April 2020 and signed on behalf of the Board by

Adrian Collins
Director

John Falla
Director

CIP Merchant Capital Limited

Corporate Governance Statement

For the year ended 31 December 2019

The Company has joined the AIC and has therefore elected to comply with the provisions of the AIC Code of Corporate Governance 2019 (“**AIC Code**”) which sets out a framework of best practice in respect of governance of investment companies. The AIC Code has been endorsed by the Financial Reporting Council as an alternative means for members to meet their obligations in relation to the UK Corporate Governance Code.

The Financial Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission (the “**GFSC**”) (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) Law, 1987 (as amended). Companies reporting against the UK Corporate Governance Code or the Association of Investment Companies Code of Corporate Governance are deemed to comply with the GFSC Code.

The Board has considered the principles and recommendations of the AIC Code, produced by the AIC, by reference to the AIC Corporate Governance Guide for Investment Companies (the “**AIC Guide**”). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies, such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to Shareholders. The Company has complied with the recommendations of the AIC Code.

Considering that the Board includes three Independent Directors, no Senior Independent Director has been appointed.

The Board

The Board has formulated policies and procedures to assist them to comply with the AIC Code: There is no separate nomination committee and accordingly, Directors are selected and appointed by the Board as a whole as explained below.

The Board has been assembled, with the aid of the Company’s advisers, to ensure that it has the appropriate breadth of experience and skills. The Directors will thereafter be responsible for reviewing the size, structure and skills of the Board as a whole and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company’s business or to maintain a balanced Board. This will be formally considered annually at the time of the Board’s annual performance appraisal. The Board has been briefed about their ongoing responsibilities as Directors. The Company’s articles of association (“**Articles**”) require that at each annual general meeting, each director who is not an Independent Director shall retire from office and each such director will offer themselves up for re-election by the members. The Directors have agreed that each Director both non independent and independent will offer themselves up for election or re-election by the members at each annual general meeting

The Directors are responsible for the determination of the Company’s investing policy and strategy and have overall responsibility for the Company’s activities including the review of investment activity and performance. The Directors will meet at least four times per annum, and the Audit Committee of the Company will meet at least two times per annum. The Management Engagement Committee will meet at least once a year at appropriate times in the Company’s reporting and audit cycle and otherwise as required at the discretion of the Committee Chairman or at the request of any of its members.

The Directors ensure that the Board members have and maintain the appropriate breadth of experience and skills.

Independence

Mr Collins, Mr King and Mr Falla are currently considered by the Board to be independent of the Company and the Investment Manager and the Continental Investment Partners group. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. New Directors will receive an induction from the Investment Manager and the Administrator on joining the Board, and all Directors will receive other relevant training as necessary on their on-going responsibilities in relation to the Company.

Appointment, re-election and remuneration of Directors

The Board fulfils the role of the remuneration committee due to the nature and size of the Company. Subject to the Companies Law and the Articles, the Directors shall have power at any time, and from time to time, without sanction of the Company in general meeting, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-appointment. Subject to the Companies Law and the Articles, the Company may by ordinary resolution appoint any person as a Director; and remove any person from office as a Director.

A Director may resign from office as a Director by giving notice in writing to that effect to the Company at its office, which notice shall be effective upon such date as may be specified in the notice, failing which upon delivery to the registered office.

In accordance with the Articles, at each annual general meeting of the Company, (i) each Director who is not an Independent Director shall retire from office and each Director may offer himself up for election by the Shareholders, and (ii) one third of the Independent Directors shall retire from office and each such Director may offer himself for election or re-election by the Shareholders. The Directors have decided that they will all stand for re-election at each annual general meeting.

A list of the Directors' remuneration can be found on page 21.

Annual performance appraisal

The performance of the Board, committees and individual Directors is evaluated annually through a self-assessment process coordinated by the administrator who will circulate the findings. The Board will consider the need for and the benefits of having this externally facilitated by an independent 3rd party from time to time. The last evaluation took place on 5 December 2019 where it was concluded that the Board was working effectively.

Operation of the Board

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. The Company has neither Executive Directors nor any employees. However, the Board do engage external firms to undertake the investment management, secretarial and custodial activities of the Company under guidance. Documented contractual arrangements are in place between the Company and these firms, which clearly set out the areas where the Board has delegated authority to them.

The Board meet at least quarterly to review the overall business of the Group and consider the matters specifically reserved for it. The quorum at Directors' meetings is two Independent directors present in person or by telephone. Detailed information is provided by the Investment Manager and Administrator for these meetings and additionally at regular intervals to enable the Directors to monitor compliance with the investment objective and the investment performance of the Company both in an absolute and relative sense. The Directors are provided with board papers in advance of each quarterly meeting to allow the review of several key areas including the

Company's investment activity, portfolio performance and risk management over the quarter relative to its investment policy.

The Board also receive quarterly reports from the Registrar analysing and commenting on the composition of the Company's share register and monitoring of significant changes to Shareholders during the period.

Attendance at the Board, Audit Committee and Management Engagement Committee meetings during the year was as follows:

Director	Board meetings		Audit Committee		Management Engagement Committee	
	Held	Attended	Held	Attended	Held	Attended
Adrian Collins	5	5	3	3	1	1
Marco Fumagalli	5	4	N/A	N/A	N/A	N/A
Carlo Sgarbi	5	4	N/A	N/A	N/A	N/A
John Falla	5	5	3	3	1	1
Rob King	5	5	3	3	1	1

Board Committees

The Company's Audit Committee

The Audit Committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The Audit Committee also monitors the need for an internal audit function at least annually.

The Audit Committee comprises all of the Independent Directors, including the Chairman of the Company due to the fact that the Company only has three independent Directors with John Falla acting as the chair of the committee. The Audit Committee meets at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee also meets with the Company's external auditor as required.

Management Engagement Committee

The Company has established a Management Engagement Committee, comprising all of the Independent Directors, with Robert King acting as the chair of the committee. The Management Engagement Committee meets at least once a year.

The Management Engagement Committee carried out its annual review of the performance and capabilities of the Investment Manager on 29 March 2019 to confirm that the continued appointment of Merchant Capital Manager Limited as the Investment Manager was deemed to be in the interest of Shareholders. As part of the review process, the Management Engagement Committee concluded that the Company's outsourced service providers are performing in accordance with the Company's expectations and contractual arrangements.

The Management Engagement Committee's main function is to review and make recommendations on any proposed amendment to the Investment Management Agreement and keep under review the performance of the Investment Manager and other service providers

Other Committees

The Company has not formed a separate Remuneration and Nominations Committee due to the size of the Company therefore, the Board as a whole fulfils the responsibilities typically undertaken by a nominations committee. The Company will revisit the need for separate committees of the above to be formed as its business grows.

In addition, the Board has the ability to put in place sub-committees of Directors to review ad-hoc pieces of information and take decisions based upon their findings, e.g. decisions in relation to disclosure of information under the AIM Rules or MAR.

A majority of Independent Directors are responsible for authorising all purchases and sales within the Company's portfolio. More specifically, the Investment Manager advises the Board on the investment, management and disinvestment activities, other than in the portfolio's management strategies. The majority of the Independent Directors are responsible for supporting or rejecting the advice of the Investment Manager. All investment decisions are subject to Board approval.

Internal control and financial reporting

The Board is responsible for establishing and maintaining the Company's system of internal controls. Internal control systems are designed to meet the specific needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss.

The key procedures which have been established to provide effective internal controls include:

- Maitland Administration (Guernsey) Limited is responsible for the provision of administration, accounting and company secretarial duties;
- Merchant Capital Managers Limited is the Investment Manager and provides portfolio management and risk management services to the Company. They are also the AIFM for the purposes of the AIFMD;
- Computershare Investor Services (Guernsey) Limited is responsible for the provision of Registrar services; and
- Strand Hanson Limited is responsible for the provision of Nomad and Broker services.

The Board clearly defines the duties and responsibilities of the Company's agents and advisers in the terms of their contracts and in this regard, the Board:

- receives assurances from the Company's agents and advisers that any amendments required as a result of regulatory change, are actioned accurately and timeously; and
- reviews financial information and compliance reports produced by the Administrator on a regular basis.

The Board and Audit Committee have reviewed the Company's risk management and internal control systems and believe that the controls are satisfactory, given the size and nature of the Company.

Service Providers

Investment Manager/AIFM

The Company's Investment Manager is Merchant Capital Manager Limited, which is licensed and regulated in Guernsey under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. The Investment Manager was founded by Marco Fumagalli and Carlo Sgarbi in August 2017 for the purpose of acting as the investment manager to the Company. Mr. Fumagalli and Mr. Sgarbi are the sole shareholders of the Investment Manager and accordingly it is an affiliate of CIP and its group.

The Company, the GP and the Investment Manager have entered into the Investment Management Agreement. Under the Investment Management Agreement, the Investment Manager has 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 is entitled to receive, from the Company, a management fee which is calculated and paid quarterly in arrears at an annual rate of 2% per annum of the prevailing net asset value.

The Investment Management Agreement may be terminated by the Investment Manager or the Company and the GP giving not less than 12 months' notice in writing, such notice not to be given earlier than the fifth anniversary of the Company's admission to AIM. The Investment Management Agreement may also be terminated in certain customary circumstances, including change of control of the Investment Manager, deterioration of performance of the Investment Manager and if Marco Fumagalli and/or Carlo Sgarbi have ceased to be involved in the day to-day running of the business of the Investment Manager (and, in each case, the Company has declined the Investment Manager's nomination to replace such person), and if the Investment Manager ceases to be licensed and/or authorised and regulated by a relevant regulatory body. The Company has given certain market standard indemnities, confirmations and undertakings in favour of the Investment Manager in respect of the Investment Manager's potential losses in carrying on its responsibilities under the Investment Management Agreement.

The Investment Manager has entered into a services agreement with CIP. Under the services agreement, CIP provides certain investment due diligence, monitoring and reporting services to the Investment Manager. These services include, but are not limited to, carrying out bottom-up fundamental analysis of potential investee companies, preparation of due diligence reports, monitoring and reporting of fund performance and investments, monitoring the listed and private equity and debt markets generally, introducing contacts to the Investment Manager with a view to enabling it to create and/or pursue investment opportunities and providing access to Continental

Investment Partners' proprietary database of shadow investee companies and its proprietary screening to enable the Investment Manager to identify potential investee companies.

Administrator and Secretary

Maitland Administration (Guernsey) Limited has been appointed as Administrator and Secretary to the Company pursuant to the Administration Agreement dated 15 December 2017. Maitland was incorporated with limited liability in Guernsey on 20 January 2010 and is licensed by the GFSC under the POI Law.

Registrar

Computershare Investor Services (Guernsey) Limited has been appointed as Registrar to the Company pursuant to the Registrar Agreement dated 15 December 2017. In such capacity, the Registrar will be responsible for the transfer and settlement of shares held in certificated and uncertificated form. The Company's share register may be inspected at the office of the Registrar.

Anti-bribery and corruption

The Board acknowledges that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of the UK Bribery Act the Board reviews the perceived risks to the Company arising from bribery and corruption to identify aspects of the business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards both bribery and corruption, and reiterates its commitment to carry out business fairly, honestly and openly.

Environment

The Company seeks to conduct its affairs responsibly and environmental factors are taken into consideration with regard to investment decisions taken on behalf of the Company. The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Company's Investment Manager to deliver against these objectives, they have also requested that the Investment Manager take into account the broader social, ethical and environmental issues of the investments within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long term risk to the sustainability of their businesses. More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholders' relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

Diversity Policy

The Company supports the AIC Code provision that Boards should consider the benefits of diversity, including gender, when making appointments and is committed to ensuring it receives information from the widest range of perspectives and backgrounds. The Company's aim as regards the composition of the Board is that it should have a balance of experience, skills and knowledge to enable each Director and the Board as a whole to discharge their duties effectively. Whilst the Board of the Company agrees that it is entirely appropriate that it should seek diversity, it does not consider that this can be best achieved by establishing specific quotas and targets and appointments will continue to be made based wholly on merit. Accordingly, when changes to the Board are required, regard is paid to both the need for diversity and to a comparative analysis of candidates' qualifications and experience. A pre-established, clear, neutrally formulated and unambiguous set of criteria would be utilised to determine the most suitable candidate for the specific position sought.

Share Dealing Code

The Company has adopted a share dealing code, in conformity with the requirements of the AIM Rules and MAR, and will take steps to ensure compliance by the Board and relevant senior staff with the terms of the policy.

Conflicts

There are potential and actual conflicts of interest between the Company, the Group, the Investment Manager, CIP and the other members of the Continental Investment Partners group of companies. Certain of these relationships are described below.

The Investment Manager, which is an affiliate of CIP, provides services to the Company and the GP. In due course, it may provide financial, investment and/or professional advice to other clients. CIP is involved in other financial, investment and professional activities and accordingly will not devote their full time and attention to the affairs of the Group.

The Investment Management Agreement generally does not limit or restrict the Investment Manager's ability to engage in any business or manage any other investment, subject to certain restrictions contained therein.

In such circumstances, it is the policy of the Investment Manager to endeavour to ensure that such conflicts are resolved, and any investment opportunities allocated, fairly. Each such conflict will be fully disclosed to the Company and the GP by the Investment Manager provided that such disclosure does not breach any law or regulation. In addition, the Investment Manager shall disclose to the Board prior to making any investment recommendation to the Company whether the Investment Manager or CIP has invested or intends to invest or co-invest in such investee company. Principals of the Investment Manager may take board positions at investee companies of the Company.

The Company has a right of first refusal in respect of any investment opportunity identified by the Investment Manager and/or CIP falling within the Company's investing policy. The Investment Manager, however, has no obligation to originate, sell or exchange any investment for the Company which the Investment Manager and/or CIP may originate, purchase, sell or exchange for one or more other funds/clients if the Investment Manager believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the Company.

All final decisions in respect of any investment made or disposed of by the Group are made by the Board.

The activities of the Investment Manager, in its capacity as the Company's Investment Manager are subject to the overall policies, supervision and review of the Board.

John Falla
Director

CIP Merchant Capital Limited

Audit Committee Report

For the year ended 31 December 2019

Background

The Audit Committee has been in operation throughout the year under review. The Audit Committee, chaired by John Falla, operates within clearly defined terms of reference (which are available from the Company's website, www.cipmerchantcapital.com), which include all matters indicated by DTR 7.1 and the AIC Code. Its other members are Adrian Collins and Rob King. Only Independent Directors can serve on the Audit Committee and members of the Audit Committee must have no links with the Company's external auditor and must be independent of the Company. The identity of the Chairman of the Audit Committee is reviewed on an annual basis and the membership of the Audit Committee and its terms of reference are kept under review. The Audit Committee meet at least twice a year in Guernsey, and meet the external auditor as required in Guernsey. The Board has taken note of the requirement that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in that respect, with all members being highly experienced and, in particular two members having backgrounds as chartered accountants.

Duties

The duties of the Audit Committee in discharging its responsibilities include reviewing the Interim Report, Annual Report, the valuation of the Company's investment portfolio, the system of internal controls, and the terms of appointment of the external auditor together with their remuneration. It is also the formal forum through which the external auditor reports to the Board and shall meet not less than twice a year and at such other times as the Audit Committee chairman shall require. The objectivity of the external auditor is reviewed by the Audit Committee, which also reviews the terms under which the external auditor is appointed to perform non-audit services and the fees paid to the external auditor or their affiliated firms overseas.

The Audit Committee also reviews, considers and, if thought appropriate, recommends for the purposes of the Group's financial statements, valuations prepared by the Investment Manager.

The main duties of the Audit Committee are:

- giving full consideration and recommending to the Board for approval of the contents of the Interim Report and Annual Report and reviewing the external auditor's report thereon;
- reviewing the scope, results, cost effectiveness, independence and objectivity of the external auditor;
- reviewing the draft valuation of the Company's investments, and making a recommendation to the Board on the valuation of the Company's investments;
- reviewing and recommending to the Board for approval of the audit, audit related and non audit fees payable to the external auditor and the terms of their engagement;
- reviewing and approving the external auditor's plan for the following financial year;
- reviewing the appropriateness of the Company's accounting policies;
- ensuring the standards and adequacy of the internal control systems;
- reviewing and considering the UK Code, the AIC Code and the FRC Guidance on Audit Committees; and
- reviewing the risks facing the Company and monitoring the risk matrix.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken. The external auditor is invited to attend the Audit Committee meetings at which the Interim Reports and Annual Reports are considered and at which they have the opportunity to meet with the Committee.

Financial Reporting

The primary role of the Audit Committee in relation to the financial reporting is to review with the Administrator and any external consultant the appropriateness of the Interim Reports and Annual Reports, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with either an external consultant or the external auditor;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- any correspondence from regulators in relation to the Company's financial reporting. To aid its review, the Audit Committee considers reports from the Investment Manager and any external consultant as appointed by the Company of the underlying Funds and also reports from the external auditor on the outcomes of their half-year review and annual audit.

Meetings

The Committee has met on two occasions during the year. The matters discussed at those meetings included:

- review of the terms of reference of the Audit Committee to confirm that they remain appropriate to the business of the committee and the current regulatory environment in which the Company operates;
- review of the accounting policies and format of the financial statements;
- the draft valuation of the Company's direct investments and investments in the LP, and the recommendation to the Board on the valuation of the Company's investments;
- review and approval of the audit plan of the external auditor;
- review, discussion and approval of the fee for the external audit;
- detailed review of the Annual Report and recommendation for approval by the Board;
- detailed review of the Interim Report and recommendation for approval by the Board;
- assessment of the effectiveness of the external audit process as described below; and
- review of the Company's key risks and internal controls.

Primary area of judgement

The Audit Committee determined that the key risk of misstatement of the Group's financial statements related to the valuation of investments at fair value through profit or loss, in the context of the judgements necessary to evaluate current fair values. As outlined in note 6 to the financial statements, the total carrying value of financial assets of the Group at fair value at 31 December 2019 was £45,001,154.

The external auditor explained the results of their review of the valuations, including their challenge of management's underlying projections, the economic assumptions and multiples used. On the basis of their audit work, there were no adjustments proposed that were material in the context of the financial statements of the Company as a whole.

Internal Audit

The Audit Committee shall consider at least once a year whether or not there is a need for an internal audit function. Currently, the Audit Committee does not consider there to be a need for an internal audit function, given that there are no employees in the Company and all outsourced functions are with parties who have their own internal controls and procedures.

External Audit

BDO Limited (“**BDO**”) has been the Group’s external auditor since the Company’s inception. The lead audit director, Justin Hallett, has not changed during the year. Mr Hallett will be replaced in the year ended 31 December 2023 in accordance with normal audit director rotation arrangements. The objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services.

The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor, with particular regard to any non-audit work that the external auditor may undertake and the level of fees associated to this non-audit work. In order to safeguard external auditor independence and objectivity, the Audit Committee ensures that any other advisory and/or consulting services provided by the external auditor does not conflict with its statutory audit responsibilities. Advisory and/or consulting services will generally only cover reviews of interim financial statements, tax compliance and capital raising work. Any non-audit services conducted by the external auditor outside of these areas require the consent of the Audit Committee before being initiated. The external auditor may not undertake any work for the Company in respect of the following matters – preparation of the financial statements, preparation of valuations used in financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations. The Audit Committee considers BDO to be independent of the Company. To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee considered:

- changes in audit personnel in the audit plan for the current year;
- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the Audit Committee reviewed:

- the external auditor’s fulfilment of the agreed audit plan and variations from it; and
- reports highlighting the major issues that arose during the course of the audit.

The Audit Committee is satisfied with BDO’s effectiveness and independence as external auditor having considered the degree of diligence and professional scepticism demonstrated by them. As such, the Audit Committee has not considered it necessary this year to conduct a tender process for the appointment of its external auditor. Having carried out the review described above and having satisfied itself that the external auditor remains independent and effective, the Audit Committee recommended to the Board that BDO be reappointed as external auditor.

On behalf of the Audit Committee,

John Falla

Chairman of the Audit Committee
3 April 2020

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

Opinion

We have audited the consolidated financial statements of CIP Merchant Capital Limited and its subsidiary Merchant Capital GP Limited ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards, as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of its loss for the year then ended 31 December 2019;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor’s Report to Members of CIP Merchant Capital Limited (Cont’d)

Key Audit Matter	Audit Response
<p>Investments (note 6) The investment portfolio, whether held directly, or indirectly via the Limited Partnership, at 31 December 2019 comprised both listed and unlisted investments, unlisted warrants and a listed but not traded bond.</p> <p>This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations, which include significant judgement and assumptions, being prepared by the Investment Manager, who is remunerated based on the net asset value of the funds, derived using those valuations.</p> <p>We focused on the valuation and existence of all investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.</p>	<p>For listed investments, we agreed the existence of the investment portfolio holdings to the respective Custodian confirmations.</p> <p>For unlisted investments we agreed the warrants to the warrant instrument and obtained direct confirmation from the underlying investment for the unlisted investment.</p> <p>We tested the valuation of all listed investments held by agreeing the prices used in the valuation to independent third-party sources.</p> <p>For the unlisted warrants we obtained management’s valuation and challenged this by using sensitivity analysis to ensure that the valuation was immaterial to the financial statements.</p> <p>For the listed but untraded bond, we obtained management’s valuation model and challenged the discount rate and cashflows assumptions used. We reviewed and challenged as to whether there were any indicators of a change in credit risk of the investee since the investment was made.</p> <p>For the unlisted investment, we obtained management’s valuation model challenging the key inputs of discount rates and underlying forecast assumptions used. In addition, we obtained an understanding of the milestone achievements on the overall plan in relation to the planned business roll out and any associated impact on the assumptions used.</p> <p><i>Key observations</i> Based on the procedures performed we are satisfied that the investment valuations and ownership testing has been performed appropriately.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report to Members of CIP Merchant Capital Limited (Cont'd)

Based on our professional judgment, we determined materiality for the financial statements as a whole to be £750,000 (2018: £725,000), which is based on a level of 1.5% of total assets. We considered total assets to be the most appropriate benchmark due to the Group being an investment fund with the objective of long-term capital growth.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the Group has been set at £487,500 (2018: £471,000) which is 65% of materiality.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to sensitive fees including: investment management fees, administration fees, directors' fees, legal and professional fees; audit fees, advisory and consultancy fees and brokerage and custody fees. We determined materiality for these areas to be £75,000 (£2018: £72,500).

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £37,500 (£3,750 for items audited to our lower materiality above). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We carried out a full scope audit of the Company which was tailored to take into account the nature of the Company's investments, involvement of the Investment Manager, the Company's Administrator and Custodian, the accounting and reporting environment and the industry in which the Company operates.

We considered the likelihood, nature and potential magnitude of any misstatement and following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

The group consists of the parent company and one subsidiary which was determined to be an insignificant component.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Independent Auditor's Report to Members of CIP Merchant Capital Limited (Cont'd)

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report to Members of CIP Merchant Capital Limited (Cont'd)

Use of our report

This report is made solely to the members of CIP Merchant Capital Limited (the "parent company"), 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement director on the audit resulting in this independent auditor's report is Justin Hallett.

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

Date 3 April 2020

CIP Merchant Capital Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	Year to 31 December 2019 £	Period from 13 September 2017 to 31 December 2018 £
Net losses on investments at fair value through profit or loss	6	(460,347)	(3,015,869)
Foreign exchange (losses)/gains		(16,335)	40,580
NET INVESTMENT LOSSES		(476,682)	(2,975,289)
INCOME			
Bank Interest		1,858	16,438
EXPENSES			
Investment management fees	3, 11	(987,430)	(1,049,646)
Directors' fees	11	(87,500)	(105,479)
Secretarial and administration fees	3	(95,530)	(87,736)
Advisory and consultancy fees		(40,000)	(47,672)
Legal and professional fees		(27,886)	(16,899)
Brokerage and custody fees		(21,636)	(21,777)
Audit fees		(25,500)	(25,500)
Other fees		(51,903)	(79,521)
TOTAL EXPENSES		(1,337,385)	(1,434,230)
LOSS FOR THE FINANCIAL YEAR		(1,812,209)	(4,393,081)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,812,209)	(4,393,081)
Diluted and basic earnings per share (ordinary shares)	13	(0.03)	(0.08)

The comparative figures cover more than one year as the Company was incorporated on 13 September 2017 and 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. The Company opted to prepare a long period of account to 31 December 2018.

The notes on pages 43 to 57 form part of these financial statements.

CIP Merchant Capital Limited
Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	As at 31 December 2019 £	As at 31 December 2018 £
ASSETS			
Investments at fair value through profit or loss	6	45,001,154	42,256,877
Receivables and prepayments	7	223,508	468,001
Cash and cash equivalents		1,308,465	5,635,760
		<u>1,531,973</u>	<u>6,103,761</u>
TOTAL ASSETS		46,533,127	48,360,638
LIABILITIES			
Payables and accruals	8	(292,312)	(307,614)
TOTAL NET ASSETS		46,240,815	48,053,024
EQUITY			
Share capital	9	52,446,105	52,446,105
Retained earnings	10	(6,205,290)	(4,393,081)
TOTAL EQUITY		46,240,815	48,053,024
Net Asset Value per share	12	0.84	0.87

The Financial Statements were approved and authorised for issue by the Board on 3 April 2020 and sign on its behalf by:

John Falla
Director

Rob King
Director

The notes on pages 43 to 57 form part of these financial statements.

CIP Merchant Capital Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

		Share Capital	Retained Earnings	Total equity
	Notes	£	£	£
Total Equity as at 1 January 2019		52,446,105	(4,393,081)	48,053,024
Total comprehensive loss for the year		-	(1,812,209)	(1,812,209)
Total Equity as at 31 December 2019		52,446,105	(6,205,290)	46,240,815
		Share Capital	Retained Earnings	Total equity
	Notes	£	£	£
Total Equity as at 13 September 2017		-	-	-
Transactions with Shareholders:				
Shareholders proceeds from issues of shares	9	55,000,002	-	55,000,002
Cancellation of shares	9	(2)	-	(2)
Expenses of share issue	9	(2,553,895)	-	(2,553,895)
Total transactions with shareholders		52,446,105	-	52,446,105
Total comprehensive loss for the period		-	(4,393,081)	(4,393,081)
Total Equity as at 31 December 2018		52,446,105	(4,393,081)	48,053,024

The notes on pages 43 to 57 form part of these financial statements

CIP Merchant Capital Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Year to 31 December 2019	Period from 13 September 2017 to 31 December 2018
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive loss	(1,812,209)	(4,393,081)
Adjustments for:		
Decrease/(increase) in receivables and prepayments	244,493	(468,001)
(Decrease)/increase in payables and accruals	(15,302)	307,614
Net losses on investments at fair value through profit or loss	460,347	3,015,869
Investment income	400,445	503,801
Foreign exchange losses/(gains)	16,335	(40,580)
Purchase of investments	(60,974,124)	(82,776,547)
Sale of investments	57,369,055	37,000,000
NET CASH USED IN OPERATING ACTIVITIES	(4,310,960)	(46,850,925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of ordinary shares	-	55,000,002
Cancellation of ordinary shares	-	(2)
Expenses of ordinary shares issue	-	(2,553,895)
NET CASH GENERATED FROM FINANCING ACTIVITIES	-	52,446,105
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,310,960)	5,595,180
Cash and cash equivalents at the beginning of the year/period	5,635,760	-
(Losses)/gains on exchange movements	(16,335)	40,580
Net (decrease)/increase in cash and cash equivalents	(4,310,960)	5,595,180
Cash and cash equivalents at end of year/period	1,308,465	5,635,760

The notes on pages 43 to 57 form part of these financial statements

CIP Merchant Capital Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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) Law, 1987, as amended and the Registered Closed-ended Investment Scheme Rules (the “**RCIS Rules**”). 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.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

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

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.

The following accounting standards and their amendments were effective from 1 January 2019:

- IFRS 16 Leases
- IAS 28 Investments in Associates and Joint Ventures (long term interests in associates or joint ventures)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual improvements to IFRS 2015-2017 Cycle

The Group does not have any leases, investments in associates or joint ventures and is not liable for income tax, therefore the above standards do not have an impact on the current Group financial statements.

The following accounting standard and amendment was in issue at the year end but will not be in effect until after this financial year and was not early adopted.

- IFRS 3 Business Combinations (amendment)

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 has adequate resources to continue in operational existence for the foreseeable future.

Since the year end the impact of the coronavirus (COVID-19) pandemic has caused extensive disruptions to businesses and economic activities globally. The fair value of the Company's quoted investments has significantly fallen since the year end as detailed in the Investment Manager's Report, though the Directors believe that the Group has adequate liquidity to meet its ongoing expenses for the next 12 months, due to cash and cash equivalents and short dated treasury and corporate bonds of approximately £18.6m, which could be liquidated quickly to meet any future cash demands. In addition, the Company does not have any external debt and therefore, the Directors believe that the aforementioned resources would 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.

Investment entity exemption

The Investments are made by the Group via 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 has therefore not consolidated the Limited Partnership on the basis of the Limited Partnership being an investment entity. The investment in the Limited Partnership has therefore been reflected at fair value.

Basis of Consolidation

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

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and 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 Statement of Financial Position.

Foreign exchange gains and losses arising from translation are included in the 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.

Use of estimates

The preparation of financial statements in accordance with IFRS requires the Board to make 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 year. Actual results could differ from those estimates and assumptions.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements is included in note 4.

Financial assets

Classification

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

- those to be measured at fair value or 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 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 has 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 cashflows. 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 derecognised either (i) when the Group has transferred substantially all the risks and rewards of ownership; or (ii) when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or (iii) when the contractual right to receive cash flow has expired.

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 only has financial liabilities which are classified as amortised cost using the effective interest method. This method discounts future cashflows of the liability using an effective interest rate to calculate its carrying 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

Interest income is accounted for on an accruals basis and 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.

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

Segmental reporting

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

3. SIGNIFICANT ONGOING AGREEMENTS

The following 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 has 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 annum of the prevailing Net Asset Value. The management fees are calculated on the last day of each quarter and are payable in arrears.

Administration Agreement

Under the Administration Agreement, Maitland Administration (Guernsey) Limited (the “**Administrator**”) receives from the Company a fee computed and payable quarterly in arrears. The fee is calculated at the rate of 0.09% 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.

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

The Investment Manager will receive 20% of the net realised cash profits from investments and follow-on investments made over the relevant period once the Company has received all loan capital and a preferred return that equates to an IRR of 5% for the relevant period and associated follow-on period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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 2. 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 14 for more information.

The impact of the coronavirus (COVID-19) pandemic has caused some uncertainty in the market. This is a non adjusting post balance sheet event which has not been taken into account in the valuations of investments as at 31 December 2019. This is discussed in more detail in the Investment Manager's Report and Report of the Directors.

5. TAXATION

The Company is eligible for exemption from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, and has 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 has 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.

6. INVESTMENTS

	Limited Partnership £	Direct Investments £	Total Investments £
Opening at fair value as at 1 January 2019	16,351,413	25,905,464	42,256,877
Additions at cost	8,732,797	52,241,327	60,974,124
Disposal proceeds	(1,516,125)	(55,852,930)	(57,369,055)
Net realised loss on disposal of investments	(6)	(512,714)	(512,720)
Net unrealised (loss)/gain on revaluation of investments	(610,395)	262,323	(383,697)
Closing fair value as at 31 December 2019	22,957,684	22,043,470	45,001,154

	Limited Partnership £	Direct Investments £	Total Investments £
Opening at fair value as at 13 September 2017	-	-	-
Additions at cost	19,520,047	63,256,500	82,776,547
Disposal proceeds	-	(37,000,000)	(37,000,000)
Net realised loss on disposal of investments	-	(23,075)	(23,075)
Net unrealised loss on revaluation of investments	(3,168,634)	(327,961)	(3,496,595)
Closing fair value as at 31 December 2018	16,351,413	25,905,464	42,256,877

The valuation of investments is discussed in more detail in note 14.

	2019 £	2018 £
Net realised loss on disposal of investments	(512,720)	(23,075)
Net unrealised loss on revaluation of investments	(348,072)	(3,496,595)
Investment Income	400,445	503,801
Net losses on investments at fair value through profit or loss	(460,347)	(3,015,869)

7. RECEIVABLES AND PREPAYMENTS

	2019 £	2018 £
Accrued income	223,508	458,181
Prepayments	-	9,820
	223,508	468,001

8. OTHER PAYABLES AND ACCRUALS

	2019 £	2018 £
Accrual for:		
Investment management fee	249,113	241,805
Administration and Company Secretarial fee	20,573	20,964
Audit fee	16,000	17,500
Other expenses	6,626	27,345
	292,312	307,614

9. SHARE CAPITAL

	Number of Shares	Share Capital £
Ordinary shares		
Opening balance as at 1 January 2019	55,000,000	52,446,105
Balance as at 31 December 2019	55,000,000	52,446,105

	Number of Shares	Share Capital £
Ordinary shares		
Opening balance as at 13 September 2017	-	-
Issue of shares – Gross proceeds	55,000,002	55,000,002
Issue costs	N/A	(2,553,895)
Redemption of shares	(2)	(2)
Balance as at 31 December 2018	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 of broker fees and legal and professional fees of £2,553,895.

10. RETAINED EARNINGS

Retained earnings represents the accumulated profit and loss of the Group and may be used for any purpose so long as the Company law solvency requirements are met.

11. RELATED PARTY TRANSACTIONS

The basis of calculation of the fees due to the Investment Manager are set out in note 3. The Investment Manager earned remuneration of £987,430 (2018: £1,049,646) from the Company during the period in respect of normal services provided, with £249,113 (2018: £241,805) outstanding at the end of the year.

During the year, the Directors received remuneration fees of £87,500 (2018: £105,479) of which £nil (2018: £21,875) were outstanding at the end of the year. The Independent Non-Executive Directors received an annual remuneration fee of £25,000 each. The Chairman receives an additional £10,000 and the Chairman of the Audit Committee receives an additional £2,500.

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

Mr Fumagalli, a Director of the Company, has an indirect beneficial interest in the Company, of 3.87%.

Mr Sgarbi, a Director of the Company, has an indirect beneficial interest in the Company of 3.87% and a direct beneficial interest in the Company of 0.3%.

Mr J. Falla, a Director of the Company, has a direct beneficial interest in the Company of 0.02%.

Mr A. Collins, Chairman of the Company, has a direct beneficial interest in the Company of 0.09%.

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

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

On 24 June 2019 the Company completed its syndication of a minority stake of its investment in 7Star S.R.I. to certain investors. Mr Sgarbi participated in the syndication subscribing for €100,000.

12. NET ASSET VALUE

The 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 participating redeemable shares in issue on the valuation day.

13. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per share is calculated by dividing the comprehensive loss for the year of £1,812,209 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.

The basic and diluted value is the same as the Company doesn't have any diluted type of shares.

14. 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. All three of these components may be affected by COVID-19 although this is not quantifiable at the time of publication of these financial statements. This is discussed in more detail in the Investment Manager's Report and Directors' Report.

Price risk

The Group is exposed to price risk on both its listed and financial instruments. There is a risk that the value of a listed and/or financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual company or financial instrument respectively held or factors affecting all listed companies or financial instruments traded in the market. Following the ongoing uncertainty in the markets caused by the impact of COVID-19 the price risk sensitivity analysis has increased from 5% to 15% (2018: 5%) and is reflected below.

If the prices of the Group's financial investments as at 31 December 2019 had increased by 15% (2018: 5%) with all other variables held constant, this would have increased net assets attributable to shareholders by approximately £3,306,520 (2018: £1,295,273). Conversely, if the prices had decreased by 15% (2018: 5%), this would have decreased net assets attributable to shareholders by approximately £3,306,520 (2018: £1,295,273).

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 has 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 31 December 2019 had increased by 15% (2018: 5%) with all other variables held constant, this would have increased net assets attributable to shareholders by approximately £2,374,568 (2018: £817,571). Conversely, if the prices had decreased by 15% (2018: 5%), this would have decreased net assets attributable to shareholders by approximately £2,374,568 (2018: £817,571). The sensitivity analysis for the Coro Bond and the investment in Happy Friends is not included in this analysis but shown separately below.

The following table shows the change in net assets attributable to shareholders if the discount factor applied in the valuation of the Limited Partnership's unlisted investments changed by 5%.

	Coro Bond	Happy Friends	Total
	£	£	£
31 December 2019			
If discount rate appreciated 5%	(280,704)	(193,330)	(483,408)
If discount rate depreciated 5%	324,880	247,268	561,609

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 2019 of financial assets and financial liabilities to interest rate risk is shown by reference to:

- Floating interest rates
- Fixed interest rates

GROUP	2019	2018
	£	£
Exposure to fixed interest rates*	23,066,628	24,105,238
Exposure to floating interest rates	2,000,795	1,800,226
Cash and cash equivalents (floating interest rate)	1,308,465	5,635,760
	26,375,888	31,541,224

* Includes Limited Partnership interest rate risk exposure of £3,023,953. (2018: £nil).

Interest rate sensitivity

The following table illustrates the sensitivity of the Group to an increase or decrease of 50 basis points (bps) in interest rates in regards to the assets which are subject to interest rate risk.

The sensitivity analysis is based on the Group's financial instruments held at the balance sheet date, with all other variables held constant.

	50 bps	50 bps
	increase	decrease
31 December 2019	£	£
Effect on Net equity	37,131	(37,131)
	50 bps	50 bps
	increase	decrease
31 December 2018	£	£
Effect on Net equity	16,653	(16,653)

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 at 31st December 2019 are shown below:

	US Dollars £	Euro £	Total £
31 December 2019			
Investment at fair value through profit or loss	3,897,637	9,724,135	13,621,772
Cash and cash equivalents	3,120	-	3,120
	3,900,757	9,724,135	13,624,892

	US Dollars £	Euro £	Total £
31 December 2018			
Investment at fair value through profit or loss	3,895,083	9,028,248	12,923,331
Cash and cash equivalents	484,658	24,933	509,591
	4,379,741	9,053,181	13,432,922

If the foreign currency exchange rates at 31 December 2019 had increased/decreased by 5% with all other variables held constant, this would have increased/decreased net assets attributable to shareholders as follow:

	US Dollars £	Euro £	Total £
31 December 2019			
If exchange rates appreciated 5%	205,356	511,797	717,153
If exchange rates depreciated 5%	(185,799)	(463,054)	(648,853)

	US Dollars £	Euro £	Total £
31 December 2018			
If exchange rates appreciated 5%	230,513	476,483	706,996
If exchange rates depreciated 5%	(208,559)	(431,103)	(639,662)

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 Dollars £	Euro £	Total £
31 December 2019			
If exchange rates appreciated 5%	205,139	511,797	716,936
If exchange rates depreciated 5%	(185,602)	(463,054)	(648,656)

	US Dollars £	Euro £	Total £
31 December 2018			
If exchange rates appreciated 5%	(205,004)	(475,171)	(680,175)
If exchange rates depreciated 5%	185,480	429,917	615,397

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.

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 are 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 Statement of Financial Position.

The Group does not have any collateral held as security or other credit enhancements as at 31 December 2019.

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 the 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.

The following table analyses, within the fair value hierarchy, the Company's financial assets (by class) measured at fair value at 31 December 2019:

31 December 2019	Level 1 £	Level 2 £	Level 3 £	Total £
Investments				
Investment in LP	-	-	22,957,684	22,957,684
Debt Instruments	22,043,470	-	-	22,043,470
	22,043,470	-	22,957,684	45,001,154

31 December 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Investments				
Investment in LP	-	-	16,351,413	16,351,413
Debt Instruments	25,905,464	-	-	25,905,464
	25,905,464	-	16,351,413	42,256,877

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 58.

Orthofix Medical Inc, Brave Bisson Group, Proactis Holdings Plc, Alkemy SpA, CareTech Holdings Plc and Coro Energy Plc are all listed or quoted securities and therefore their fair value is using quoted bid prices as at close of business on 31 December 2019.

Merchant Capital HF Limited is an unquoted security and its fair value is based on the underlying investment in 7Star Srl, being the Company's investment in Happy Friends, which has been valued on a discounted cashflow model ("**DCF Model**").

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 2019 exchange rate.

The Coro Energy Eurobond is valued using a DCF Model. The DCF Model calculates the net present value of the Bond and interest using market interest rates. Coro Energy Plc warrants are priced using the Black- Scholes model which gives a theoretical estimate of the price of the option. The warrants are not material to the financial statements.

Capital risk management

The capital structure of the Company consists entirely of equity (comprising issued capital, reserves and retained earnings). The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. 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.

15. EVENTS AFTER THE REPORTING PERIOD

Following the reporting period, the Company, through the Limited Partnership, invested in Circassia Pharmaceuticals plc, acquiring a 3.4% interest, and Redde Northgate plc, acquiring a 0.6% interest.

The impact of the COVID-19 pandemic has caused some uncertainty in the market. This is a non adjusting post balance sheet event which has not been taken into account in the valuations of investments as at 31 December 2019 but the effect of which can be seen in the 17.4% decline in NAV in the year to 27 March 2020, as further detailed in the Investment Manager report.

However, the impact of the COVID-19 pandemic on markets provides opportunities to create shareholder value: given the cash and cash equivalent (including short dated treasury and corporate bonds) currently available to the Company, and accordingly, as detailed in the Chairman's Statement, the Company is seeking to amend its investing policy to provide greater flexibility in the investments it is able to make going forward.

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CIP Merchant Capital Limited
Unaudited Portfolio Statement
As at 31 December 2019

	Issued currency	Valuation as at 31 December 2019 £	Percentage of net assets %
Merchant Capital L.P.			
Alkemy SpA*	EUR	2,835,409	6.13
Brave Bison Group Plc*	GBP	898,080	1.94
CaraTech Holdings Plc*	GBP	4,199,000	9.08
Coro Energy Plc**	GBP	2,712,329	5.87
Coro Energy Plc warrants 12/04/2022**	GBP	202,878	0.44
Coro Energy 5% 12/04/2022**	EUR	3,023,953	6.54
IVY Merchant Capital Limited***	EUR	1,017	-
Merchant Capital GP (Malta) Limited***	EUR	1,017	-
Merchant Capital HF Limited***	EUR	3,737,389	8.08
Orthofix Medical Inc*	USD	3,897,637	8.43
Proactis Holdings Plc*	GBP	1,288,000	2.79
Other assets		160,975	0.35
Fair value of Limited Partnership		22,957,684	49.65
The Company			
European Investment Bank 2.25% 07/03/2020*	GBP	6,014,918	13.01
European Investment Bank FRN 17/02/2020*	GBP	2,000,795	4.33
European Investment Bank 0.625% 17/01/2020*	GBP	5,999,402	12.97
UK Treasury 4.75% 07/03/2020*	GBP	5,036,850	10.89
UK Treasury 0% 18/05/2020*	GBP	2,991,505	6.47
Fair value of the Company		22,043,470	47.67
Total Investments		45,001,154	97.32
Cash and cash equivalents		1,308,465	2.83
Other net current liabilities		(68,804)	(0.15)
Total net asset value		46,240,815	100.00

* Quoted

** Quoted but not traded

*** Unquoted

Reconciliation of Loss

The loss consists of:

MERCHANT CAPITAL L.P.	£
Realised losses on investments	(6)
Unrealised losses on investments	(610,395)
LP Fair value movement	(610,401)
Other Gains/Losses	
Realised losses on investments	(512,714)
Unrealised gains on investments	262,323
Exchange losses on currency balances	(16,335)
Investment income	400,445
Bank interest	1,858
Investment management fees	(987,430)
Other expenses	(349,813)
Interest payable	(142)
Total comprehensive loss for the year	(1,812,209)

CIP Merchant Capital Limited

General Information

The shares were issued and admitted to the AIM market of the London Stock Exchange on 22 December 2017.

Directors

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

Registered office

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

Investment Manager and AIFM

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

Nominated Adviser and Broker

Strand Hanson Limited
26 Mount Row
London W1K 3SQ
United Kingdom

Legal Advisers to the Company (as to English law)

Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU
United Kingdom

Legal Advisers to the Company (as to Guernsey law)

Ogier
Redwood House
St Julians Avenue
St Peter Port GY1 1WA
Guernsey

Administrator and Company Secretary

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

CIP Merchant Capital Limited

General Information (continued)

Independent Auditor

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

Registrar

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom or, if not, from another appropriately authorised independent adviser.

If you have recently sold or transferred all of your shares in CIP Merchant Capital Limited, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

CIP Merchant Capital Limited

**Registered Office Address: 1 Le Truchot, St. Peter Port, Guernsey, GY1 1WD
Registration Number: 64013**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Members of CIP Merchant Capital Limited (the '**Company**') will be held at 1 Le Truchot, 3rd Floor, St. Peter Port, Guernsey on 22 May 2020 at 11.00 a.m. BST to transact the business set out in the Resolutions below.

Ordinary business

ORDINARY RESOLUTIONS

1. To receive the Company's Annual Report and Audited Financial Statements for the period ended 31 December 2019.
2. To re-appoint BDO Limited as auditor to the Company until the conclusion of the next annual general meeting at which the accounts are laid before the Company.
3. To authorise the Directors of the Company to determine the remuneration of the auditor.
4. To re-elect Mr Carlo Sgarbi as a Director of the Company who retires by rotation in accordance with Article 24.1 of the Articles of Incorporation of the Company.
5. To re-elect Mr Marco Fumagalli as a Director of the Company who retires by rotation in accordance with Article 24.1 of the Articles of Incorporation of the Company.
6. To re-elect Mr Adrian Collins as a Director of the Company who retires by rotation in accordance with Article 24.1 of the Articles of Incorporation of the Company.
7. To re-elect Mr Robert King as a Director of the Company who retires by rotation in accordance with Article 24.1 of the Articles of Incorporation of the Company.
8. To re-elect Mr John Falla as a Director of the Company who retires by rotation in accordance with Article 24.1 of the Articles of Incorporation of the Company.

9. The Company is authorised, in accordance with the Companies (Guernsey) Law, 2008 (the “**Companies Law**”), as amended, subject to the AIM Rules for Companies and all other applicable legislation and regulations, to make market acquisitions (within the meaning of section 316 of the Companies Law) of its own redeemable ordinary share of no par value in the capital of the Company issued and designated as an “ordinary share” (“**Shares**”) which may be cancelled or held as treasury shares, provided that: (i) the maximum number of Shares authorised to be purchased under this authority shall be a number equal to 8,244,500 Shares, representing 14.99% of the issued ordinary share capital of the Company as at 2 April 2020; (ii) the minimum price (exclusive of expenses) which may be paid for a Share shall be £0.01 pence per Share; (iii) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than an amount equal to the higher of (i) 5% above the average of the mid-market value of the Shares for the five business days prior to the day the purchase is made; or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the EU Market Abuse Regulation (594/2014) from time to time, such authority to expire on 30 June 2021 (unless previously renewed, revoked or varied by the Company in a general meeting) save that the Company may make a contract to acquire Shares under this authority before its expiry which will or may be executed wholly or partly after its expiration and the Company may make an acquisition of Shares pursuant to such a contract. The authority granted by this resolution shall replace all existing authorities previously granted to the Company to make market acquisitions of its own Shares.
10. To approve and adopt the investing policy set out on page 7 under the heading “Proposed new investing policy - clean” in the Chairman’s Statement of the Annual Report and Consolidated Audited Financial Statements for the year ended 31 December 2019, a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting, with immediate effect from the end of the meeting as the investing policy of the Company.

By order of the Board
Maitland Administration (Guernsey) Limited
1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

3 April 2020

NOTES

Proxies

1. Members entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company. A form of proxy accompanies this notice. Completion and return of the form of proxy will not preclude members from attending or voting at the Meeting, if they so wish. The fact that members may have completed forms of proxy will not prevent them from attending and voting at the Meeting in person should they afterwards decide to do so.
2. To be valid, the form of proxy, together with the power of attorney or the authority, if any, under which it is executed (or a notarially certified copy of such power of attorney) must be deposited with Computershare Investor Services (Guernsey) Limited, c/o The Pavillons, Bridgewater Road, Bristol, BS99 6ZY by no later than 11.00 a.m. BST on 20 May 2020 before the time for holding the Meeting or adjourned Meeting or the taking of a poll at which the person named in the instrument proposes to vote.
3. If you do not intend to attend the Meeting please complete and return the form of proxy as soon as possible.

Thresholds and entitlement to vote

4. A member must first have his or her name entered on the register of members not later than 11.00 am on 20 May 2020. If the Meeting is adjourned, members entered on the register not later than 11.00am on 20 May 2020 before the time fixed for the adjourned Meeting shall be entitled to attend and vote at the Meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any holders to attend and vote at the Meeting.
5. To be passed, ordinary resolutions require a majority in favour of the votes cast in person or by proxy at the Meeting and special resolutions require a majority of not less than 75% of members who vote in person or by proxy at the Meeting. On a show of hands every shareholder who is present in person (or being a company is present by a representative not himself a shareholder) and who is allowed to vote at a general meeting shall have one vote. Upon a poll every member holding Shares who is present in person or by proxy (or being a company is represented) shall have one vote for every Share of which he is the registered holder.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
7. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a member provided that no more than one corporate representative exercises powers over the same share.
8. As at 2 April 2020, being the latest practicable date before the publication of this notice of annual general meeting, the Company's issued share capital consisted of 55,000,000 Shares each carrying one vote. Therefore, the total voting rights in the Company as at 2 April 2020 is 55,000,000.

Miscellaneous

9. Copies of the Directors' letters of appointment are available for inspection at the registered office of the Company during normal business hours from 2 April 2020 and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

10. Members who have general queries about the annual general meeting should write to Maitland Administration (Guernsey) Limited, the Company Secretary, at the registered office of the Company: 3rd Floor, 1 Le Truchot, St Peter Port GY1 1WD, Guernsey.

Explanation of certain resolutions

11. Resolution 1 – annual report and audited financial statements – the Board will present the Company's Annual Report and Audited Financial Statements for the period ended 31 December 2019 to the meeting.
12. Resolutions 2 and 3 – auditor re-appointment and remuneration – The Company is required to appoint an auditor to serve until the next annual general meeting and seek shareholder consent for the Directors to set the remuneration of the auditors.
13. Resolutions 4 to 9– re-election of a Director - Pursuant to article 24.1 of the articles of incorporation of the Company, any new Director appointed by the directors to either fill a casual vacancy or as an additional director shall hold office only until the next following annual general meeting and shall then be eligible for re-appointment.
14. Resolution 9 – market purchases – the Directors are requesting authority for the Company to make market purchases of up to 8,244,500 Shares, representing 14.99% of the issued ordinary share capital of the Company as at 2 April 2020 (the latest practicable date prior to the publication of this document)). There is no present intention to exercise such general authority. Any repurchase of Shares will be made subject to the Companies Law, the AIM Rules and within guidelines established from time to time by the Directors (which will take into account the income and cash flow requirements of the Company) and will be at the absolute discretion of the Directors, and not at the option of shareholders. Subject to shareholder authority for the proposed repurchases, general purchases of the Shares in issue will only be made through the market. Such purchases may only be made provided the price to be paid is not more than the higher of: (i) 5% above the average of the middle market quotations for the Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

Resolution 10 – Investing Policy – the Directors are requesting authority for the Company to adopt the investing policy set out on page 7 under the heading “Proposed new investing policy - clean” in the Chairman’s Statement of the Annual Report and Consolidated Audited Financial Statements for the year ended 31 December 2019, with immediate effect from the end of the meeting as the investing policy of the Company. A summary of and explanation for the proposed changes to the investing policy are also included in the Chairman’s Statement.

CIP Merchant Capital Limited
Registered Office Address: 1 Le Truchot, St. Peter Port, Guernsey, GY1 1WD
Registration Number: 64013

FORM OF PROXY

**For use at the Annual General Meeting of CIP Merchant Capital Limited (the “Company”)
to be held on 22 May 2020 at 11.00 a.m. (BST)**

I/We _____ (block _____ capitals _____ please)

of address) _____

being (a) member(s) of the Company appoint the Chairman of the meeting or (see note 1)

As my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 1 Le Truchot, 3rd Floor, St. Peter Port, Guernsey on **22 May 2020 at 11.00 a.m. (BST)** and any adjournment thereof.

Please indicate with an ‘X’ in the spaces provided how you wish your votes to be cast on the resolutions specified.

	For	Against	Abstain
ORDINARY RESOLUTIONS			
1. To receive the Company’s Annual Report and Audited Financial Statements for the period ended 31 December 2019.			
2. To re-appoint BDO LLP Limited as auditor to the Company.			
3. To authorise the Directors of the Company to determine the remuneration of the auditor.			
4. To re-elect Mr Carlo Sgarbi as a Director of the Company.			
5. To re-elect Mr Marco Fumagalli as a Director of the Company.			
6. To re-elect Mr Adrian Collins as a Director of the Company.			
7. To re-elect Mr Robert King as a Director of the Company.			
8. To re-elect Mr John Falla as a Director of the Company.			

9. To authorise the Company to make market acquisitions of its own Shares.			
10. To approve and adopt the investing policy.			

Subject to any voting instructions so given, the proxy will vote, or may abstain from voting, on any resolution as he/she may think fit.

Signature_____

Dated this _____ day of _____ 2020

PROXY NOTES

1. If you so desire you may delete the words 'Chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated. Joint holders are not permitted to vote independently of each other and must vote as one.
4. To appoint more than one proxy to vote in relation to different shares within your holding, you may photocopy this form. Please indicate on each copy of the form the proxy's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you).

Please also indicate if the appointment of a proxy is one of multiple appointments being made. All such forms should be signed and returned together in the same envelope. Appointing a proxy shall not preclude a member from attending and voting in person at the meeting.

5. If this form is returned without indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
6. To be valid, this form of proxy, duly executed together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at Computershare Investor Services (Guernsey) Limited, c/o The Pavillions, Bridgewater Road, Bristol, BS99 6ZY by no later than 11.00 a.m. BST on 20 May 2020 before the time for holding the meeting or adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote.

No member shall be entitled to be present or take part in any proceedings or vote either personally or by proxy at any meeting unless all calls due from him have been paid.