24 September 2020

CIP MERCHANT CAPITAL LIMITED
(“CIP Merchant Capital” or the “Company”)

INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2020

CIP Merchant Capital is pleased to announce its Interim Report and Unaudited Consolidated Financial Statements for the six month period ended 30 June 2020.

Highlights

- The Company’s portfolio comprised nine investments as at 30 June 2020
- Post the period end, the Company realised its first exit from Circassia Group plc, delivering an IRR of over 72%
- Post the period end, the Company invested £1.1 million in EKF Diagnostics Holdings plc

For further information:

CIP Merchant Capital *Independent Non-Executive Directors and Company Secretary c/o Maitland Administration (Guernsey) Limited*	**+ 44 1481 749 360**
Merchant Capital Manager Limited (Investment Manager) Wikus van Schalkwyk	**+ 44 1481 749 363**
Strand Hanson Limited (Nominated Adviser and Broker) Richard Tulloch / James Bellman	**+ 44 20 7409 3494**

Chairman’s Statement

Introduction

I have worked in the fund management Industry for over 45 years and in these years have witnessed many events. The Pandemic which has ripped through the global economy is by far the most extraordinary. As I write it looks like we are now entering a second wave of lockdowns and the economic and social damage which will unfold over the years to come will be hard to imagine. The lack of a coordinated approach by Governments on how to handle this pandemic, has in my opinion contributed to the current state we now find ourselves in. That being said, I am pleased to present CIP Merchant Capital Limited’s (the “**Company**” or “**CIP**”) Interim Report and Unaudited Consolidated Financial Statements for the period from 1 January 2020 to 30 June 2020 (the “**Interim Financial Statements**”).

Since the Company’s admission to AIM, the Investment Manager and its advisors have been busy sourcing opportunities. Despite the first half of 2020 being a period in which much of the world has experienced the first global pandemic in the life of most of its population, we have seen some market recovery following the initial sell off. Notwithstanding the unprecedented measures implemented by various nations to support both businesses and households, both Europe and the US are now experiencing recessions and therefore, it is likely that we will continue to see market volatility going forward until the full impact of COVID-19 is known. This will likely provide opportunities for CIP, both in terms of investing and divesting, as evidenced by our ability to capitalise on the positive developments at one of our investee companies post the period end, when we realised our first exit from Circassia Group plc (“**Circassia**”), delivering an over 72% IRR on our investment.

The Company's cautious approach over the last few months means, following the Circassia divestment, that we currently have over £21 million to invest as at 18 September 2020, and we continue to monitor the market closely to take advantage of opportunities as they arise in line with our investment policy. In accordance with our cash management policy, as at 30 June 2020, the Company had invested its liquidity in short-dated sterling treasury and corporate bonds. Further details on the current portfolio are set out in the Investment Manager's Report.

I would urge shareholders to keep in mind that the Board resolved not to hedge the Company's investments in foreign currencies, and hence shareholders are encouraged to consider carefully the impact of a significant adjustment of Sterling to unforeseen outcomes such as a result of the ongoing trade negotiations between the United Kingdom and the European Union.

Performance

The Company's last NAV for the period, published on 26 June 2020, was 75.35p per share, representing a decline of 10.4% from 84.09p per share as at 31 December 2019. The fall was broadly in line with the wider market with the FTSE All Share Index being down approximately 19.39% and the FTSE AIM 100 being down approximately 8.1% over the period.

During the period, the share price gradually increased from 50p per share as at the close of business 28 December 2019 to above 60p per share in February 2020, falling to as low as 41p on 27 March 2020 as the market reacted to the COVID-19 pandemic, before recovering to around 50p by 9 April 2020. As at 30 June 2020, the Company's share price was 48.50p, which represented a discount of 35.6% to the then NAV per share of 75.35p per share. The Company's shares have traded at an average discount of 33.8% to NAV during the period.

As at 18 September 2020, the Company's share price was 49.50p per share, representing a discount of 34.7% to the NAV on 18 September 2020 of 75.77p per share.

Dividends

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

Corporate Governance

Following the postponement of the AGM announced on 20 May 2020, the AGM was held on 26 June 2020 with resolutions 1-8 being passed. Although the resolutions were passed 36.96% of the votes cast were against each of the resolutions as detailed in our announcement on 26 June 2020.

As required under the AIC Code the Board of Directors have engaged with Shareholders who voted against these resolutions and resolutions 9 and 10, in order to ascertain the reasons for their voting. Following the Shareholder feedback the main concerns were the underperformance of the Company against Shareholder expectations and also the suggested lack of independence of the Directors. The Directors accept that the performance of the Company may not have been in line with the expectation of some Shareholders but believe that the Investment Manager has invested appropriately and in line with the investing policy of the Company and that this is a longer term strategy.

On the point of independence, I would like to stress that the Company has three directors who are completely independent of the Investment Manager, are not representing the interests of any individual or group of Shareholders, and have a responsibility to treat all Shareholders equally. As part of our engagement with Shareholders we have today also announced the appointment of Piero Sansalone to the Board, who adds further investment expertise to the Company.

Resolution 9, the proposed change to the investing policy was rejected by investors at the AGM, which results in the Company continuing to invest under the existing investing policy and clearly requires comment and further explanation. As set out in the Annual Report and Consolidated Audited Financial Statements for the year ended 31 December 2019, the Board, as advised by the Investment Manager, believed it was appropriate to amend the Company's investing policy to enable the Company to take a more flexible and less constrained approach to its investments. However, the Company's shareholders rejected this proposal. Accordingly, the Board has already began engaging with shareholders with regard to the above to explain in more detail the rationale for the proposed changes.

Resolution 10, the annual renewal of the buy-back facility, which enables the Company to buy back its own shares to a maximum of 14.99% was also rejected by investors. The result of this resolution not being passed means that the Company is unable to buy back in the market any of its own shares, hence being unable to assist Shareholders in controlling the share price discount to NAV.

More generally, the Company will be seeking to improve Shareholder communications going forward to ensure all Shareholder concerns are addressed on a timely basis and ahead of the next AGM of the Company.

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

The Board of Directors

The Directors have overall responsibility for the Company's activities including the review of its activities and performance.

The Directors of the Company at the date of signing the accounts, all of whom are non-executive, are listed below:

Adrian Collins (Independent Non-Executive Chairman) – appointed November 2017
Mr. Collins has worked in the fund management business for over 45 years, a large part of which was at Gartmore Investment Management Limited where latterly he was managing director. He was until 2019, chairman of Liontrust Asset Management plc and is currently on the boards of a number of listed companies including Bahamas Petroleum Company plc, Eddie Stobart Logistics plc and Tri-star Resources plc.

Marco Fumagalli (Non-Independent Non-Executive Director) – appointed 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 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 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 November 2017
Mr King is a non-executive director of 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.

** Notice of the delisting of the shares with effect from 30 September 2020, was announced to the market on 28 August 2020*

Piero Sansalone (Non-Independent Non-Executive Director) - appointed September 2020
Mr Sansalone began his career in corporate finance at Deloitte and later at KMPG. Mr Sansalone has expertise in business analysis and valuation, as well as turnaround, restructuring and merger and acquisitions. Between 2011 and 2013, Mr Sansalone worked for the same major Swiss family office as Messrs Sgarbi and Fumagalli where he was responsible for managing private equity investments. Until 2017, Mr Sansalone was investment manager at Continental Investment Partners SA, an affiliate of the Company's Investment Manager, responsible for the Private Equity and Real Estate activities. Mr Sansalone is currently an independent financial adviser and business consultant for SMEs, family offices and Private Equity funds.

Investment Manager's Report

Investment Strategy
The Company aims to generate risk-adjusted returns through capital appreciation, investing primarily in stocks and equity securities and taking a private equity 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 via its proprietary database. Once fully invested, the Company expects that its investments will predominately be in the following industries; oil and gas; healthcare; pharmaceutical; and real estate.

Market Conditions

The first half of 2020 was marked by the COVID-19 pandemic, which led to a severe downturn in global markets following the rapid spread of coronavirus across the globe, with a significant number of countries imposing various forms of lockdown, thereby limiting economic activity. Being a systemic shock, the behaviour of the markets in each country was somewhat similar, with all the countries we track dropping significantly and rapidly. Between mid-February 2020 and mid-March 2020, the global equity markets lost between 30% and 40% of their value and then slowly began to recover towards the end of the first half of 2020, ending the period to 30 June 2020 10% to 20% below levels seen at the end of 2019.

During this period, we had the chance to observe how quality businesses were able to prove their strength and resilience. During the global sell-off , almost all equities lost some ground, though many businesses have since rebounded, with some now even being above levels seen in mid-February, whilst many have seen a much slower or non-existent recovery, indicating issues in their potential longer-term viability.

Despite the recovery across certain geographies and sectors, in particular in the US driven by the performance of tech stocks, we still see many of the potential threats, resulting from the pandemic and resulting economic recessions, being present for the foreseeable future. The full impact of the pandemic and the various restrictions and economic stimulus that have been put in place are not likely to yet be fully reflected in the majority of companies financial results and will only start to become evident over the remainder of the year and into 2021, as the various stimulus schemes, such as furlough schemes implemented across Europe, begin to come to an end. Governments have sought to fight back against the fall in economic output and reduction in aggregate demand through unprecedented stimuli, and central banks are also doing their best to ease conditions in financial markets. As is evident, however, the situation remains unclear and we believe the markets are currently pricing an outcome more favourable than that which might be experienced in the coming months.

Performance Review

After the outbreak of COVID-19 and the implementation of lockdowns, we have focused on supporting our investee companies, maintaining a continuous dialogue with the management teams, assessing the impact of the economic slowdown on the business and reviewing the upside potential, the downside risks and as appropriate, we have updated our investment case.

As at 30 June 2020, the Company's portfolio comprised nine investments. After the period end, we fully divested Circassia, exploiting the significant improvement in its share price, which resulted in a £1.1 million profit being generated on the investment of £2,751,050, corresponding to an IRR of 72.25% since the first investment in January 2020.

Portfolio Review

Portfolio Company	Industry	Country	Period end - 30 June 2020		18 September 2020	
			£	*% of NAV*	*£*	*% of NAV*
Alkemy SpA	Software/Tech	Italy	2.094.735	5.1%	2,060,029	4.9%

Brave Bison Group plc	Software/Tech	UK	862,157	2.1%	826,234	2.0%
CareTech Holding plc	Healthcare	UK	4,123,000	10.0%	4,180,000	10.0%
Circassia Group plc*	Healthcare	UK	3,136,000	7.6%	n/a*	n/a*
Coro Energy plc	Oil & Gas	UK	452,055	1.1%	421,918	1.0%
Coro Energy plc**	Oil & Gas	UK	3,410	0.0%	3,410	0.0%
Coro Energy plc***	Oil & Gas	UK	3,345,706	8.1%	3,158,256	7.6%
Orthofix Medical Inc	Healthcare	US	2,898,802	7.0%	2,576,073	6.2%
Happy Friends	Healthcare	Italy	4,009,513	9.7%	4,035,539	9.7%
Proactis Holdings plc	Software/Tech	UK	980,000	2.4%	896,000	2.2%
Redde Northgate plc	Business Services	UK	1,125,392	2.7%	1,544,190	3.7%
EKF Diagnostics Holdings PLC	Healthcare	UK	n/a****	n/a****	1,127,500	2.7%
Portfolio			**23,030,770**	**55.7%**	**20,829,149**	**50.0%**

** Subsequently divested post the period end*

*** Warrants over shares in Coro Energy plc*

**** Eurobond, comprising the principal value of the bond plus accrued coupon, valued based on a discounted cash flow*

***** Invested post period-end*

Alkemy SpA

Alkemy SpA ("**Alkemy**") seeks to assist its clients in designing and implementing digital strategies. In this sense, the pandemic and the resulting lockdowns imposed across a number of the countries has given businesses time to rethink their processes. As a result, we believe that Alkemy is well positioned to benefit as companies seek to adjust and amend their digital strategies going forward. The first signs of this shift can be seen in Alkemy's first quarter results, which mark the first quarter in the company's history at break-even (historically, the first quarter for Alkemy was a slower period with moderate business activity).

Brave Bison Group plc

During the first half of 2020, Brave Bison Group plc ("**Brave Bison**") completed the change of the management team, with Olivier Green appointed as CEO, Philippa Norridge as CFO, Theo Green as Director of Growth and Matt Law as Non-Executive Director. Brave Bison sparked its new growth strategy by announcing the acquisition of certain assets of The Hook Group Limited in April 2020. The results for H1 2020 show a contraction in revenue and consequently in profitability, though the management team sees forecast EBITDA break-even for H2 2020, which, combined with £2.1 million in cash as at 30 June 2020, we believe provides the company with headroom to deliver its strategy and to also pursue further acquisition opportunities.

CareTech Holdings plc

CareTech Holdings plc ("**CareTech**") reported a robust financial performance for H1 2020 in line with market expectations, with essentially no impact from the COVID-19 pandemic. In the six months to 31 March 2020, CareTech achieved revenues of £208.5 million (+8% vs H1 2019 of £192.5 million) and underlying EBITDA of £38.0 million (H1 2019: £33.3 million). As at 31 March 2020, CareTech had a strong financial position with net debt reduced to £287.4 (30 September 2019: £291.1 million). A £1.0 million COVID-19 fund was launched in March 2020 to proactively support staff facing adversity.

Coro Energy plc

Coro Energy plc ("**Coro**") saw the completion of a resource upgrade for the Mako gas field, which forms part of Duyung PSC in the West Natuna basin, offshore Indonesia (the "**Mako Gas Field**"), in which Coro holds a 15% non-operated direct interest. The independent resource audit, completed by Gaffney Cline and Associates in May 2020 of Conrad Petroleum Limited's, the operator of the Mako Gas Field, updated resource estimate, confirmed a 56% increase in the 1C (Contingent) Resource (low case), 79% increase in the 2C (Contingent) Resource (mid case) and a 108% increase in the 3C (Contingent) Resource (high case).

However, the oil & gas industry was severely impacted by the lockdowns imposed by many countries across the globe as a result of COVID-19, with the oil prices dipping negative for the first time in history. Despite a recovery in the market, the industry is now left with a perception of unattractiveness, which we believe has impacted on the share price of Coro. While the valuation of our equity investment is marked to market, the bond is illiquid and therefore valued using a discounted cash flow: taking a prudent approach, and irrespective of the timely payment of the coupon on March 2020. Post the period end the discount rate has been increased from 11% to 15% to reflect the added complexity resulting from the termination of the agreement to dispose of Coro's Italian assets at the end of July 2020.

Happy Friends
We were pleased to note that 7Star Srl ("**Happy Friends**") was able to mitigate the impact of COVID-19, despite operating in Northern Italy, which was one of the areas where the virus spread more aggressively and was subject to a lockdown. Levels of activity were only marginally affected, with its two operating hospitals continuing to perform well. Despite the lockdown, turnover at the Bergamo hospital declined only 7.1% versus the first half of 2019, while revenues at the Brescia hospital, which only opened in July 2019, increased 50% versus the second half of 2019. However, during the lockdown some smaller vet practices remained closed and in speaking to the Happy Friend management, they expect to be able to exploit this disruption to gain further market share. We were accordingly pleased to note that Happy Friends has just opened their third veterinary hospital in Verano Brianza.

Orthofix Medical Inc.
Orthofix Medical Inc. ("**Orthofix**") announced its results for the first and second quarter of 2020, showing a material impact as a result of COVID-19, as lockdowns across the globe led to a halt of elective medical procedures where Orthofix devices are employed. While the financial performance is clearly disappointing, a large number of the postponed procedures should resume in the near future and we expect that the technological edge of Orthofix products will allow the business to recover going forward.

Proactis Holdings plc
Some digital businesses had limited if any impact from COVID-19 and Proactis Holdings plc ("**Proactis**"), with its Software-as-a-Service business model, was one of these. In its trading update released in late August 2020, Proactis confirmed a 29% increase in total contract value to £14.6 million (2019: £11.3 million), and that it expected revenues of £49.2 million and an adjusted EBITDA of £11.8 million for the financial year ended 31 July 2020.

Redde Northgate plc
Redde Northgate plc ("**Redde**") trading was in line with expectations prior to the impact of COVID-19, which materially impacted trading in March and April 2020. Consequently, Redde's management decided to suspend the forward guidance previously provided to the market until the full impact of COVID-19 is known. We are pleased to note though that Redde acquired certain assets of Nationwide Accident Repair Services, as announced on 4 September 2020, which is expected to be earnings enhancing in the first full year of ownership as well as delivering a post-tax return on invested capital comfortably in excess of Redde's weighted average cost of capital. In addition, the aforementioned announcement by Redde also set out an improved trading environment, with strong cash inflows and good progress in the post-merger integration of the previously separated Redde Plc and Northgate Plc entities.

Cash Management
In accordance with its cash management policy, the Company has invested approximately £17.4 million in short dated treasury and corporate bonds as at 30 June 2020.

Outlook

After the collapse of the global markets in late February/early March 2020, the share prices of some companies have recovered, while others, for reasons that are not always clear, have not. We spend a lot of time with our investee companies, not only monitoring their performance, but also maintaining an active approach and seeking ways to provide development opportunities. We also continuously monitor and analyse markets and sectors, to seek to identify companies where there is a strong fundamental business case or where the market might not be fully pricing the earnings potential of a company.

All of the Company's investee companies are pursuing strategies in line with the Company's investment targets, which has already led to encouraging developments at the portfolio company level. It is hoped that the market will value the progress in these companies, leading to improvements in the share prices of investee companies which will consequently lead to an improvement in the NAV of the Company.

Unaudited Condensed Consolidated Statement of Comprehensive Income
for the period from 1 January 2020 to 30 June 2020

	Notes	Period from 1 January 2020 to 30 June 2020 £	Period from 1 January 2019 to 30 June 2019 £
INVESTMENT INCOME		**(Unaudited)**	**(Unaudited)**
Net (losses)/gains on investments at fair value through profit or loss	**4**	(4,314,261)	804,986
Foreign exchange gains/(losses)		4,067	(11,389)
NET INVESTMENT (LOSS)/INCOME		**(4,310,194)**	**793,597**
Bank Interest		(152)	1,664
EXPENSES			
Investment management fees	**3,9**	(418,521)	(489,216)
Directors' fees	**9**	(43,750)	(43,750)
Secretarial and administration fees	**3**	(39,136)	(22,172)
Advisory and consultancy fees		(20,000)	(23,370)
Legal and professional fees		(11,709)	(18,180)
Brokerage and custody fees		(8,199)	(10,787)
Audit fees		(13,924)	(9,464)
Other fees		(32,509)	(44,875)
TOTAL EXPENSES		**(587,748)**	**(661,814)**
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		**(4,898,094)**	**133,447**
Interest payable and similar charges		(90)	(53)
TOTAL COMPREHENSIVE (LOSS)/INCOME		**(4,898,184)**	**133,394**
(LOSS)/EARNINGS PER ORDINARY SHARE			

Basic and diluted (loss)/earnings per share	**14**	**(0.09)**	**0.00**

The notes form part of these Unaudited Interim Financial Statements.

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2020

	Notes	**As at 30 June 2020 £**	**As at 31 December 2019 £**
CURRENT ASSETS		**(Unaudited)**	**(Audited)**
Investments at fair value through profit and loss	**4**	40,749,901	45,001,154
Receivables and prepayments	**5**	8,200	223,508
Cash and cash equivalents		831,304	1,308,465
TOTAL ASSETS		**41,589,405**	**46,533,127**
CURRENT LIABILITIES			
Overdraft		(107)	-
Payables and accruals	**6**	(246,667)	(292,312)
TOTAL NET ASSETS		**41,342,631**	**46,240,815**
EQUITY			
Share capital	**7**	52,446,105	52,446,105
Retained earnings		(11,103,474)	(6,205,290)
TOTAL EQUITY		**41,342,631**	**46,240,815**
		£	**£**
Net Asset Value per share	**10**	**0.75**	**0.84**

Approved by the Board of Directors and authorised for issue on 24 September 2020.

John Falla	**Rob King**
Director	Director

The notes form part of these Unaudited Interim Financial Statements.

Unaudited Condensed Consolidated Statement of Changes in Equity
for the period from 1 January 2020 to 30 June 2020

			Period from 1 January 2020 to 30 June 2020
	Share Capital	**Retained Earnings**	**Total equity**
	£	**£**	**£**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Total Equity as at 1 January 2020	52,446,105	(6,205,290)	46,240,815
Total comprehensive loss for the period	-	(4,898,184)	(4,898,184)
Total Equity as at 30 June 2020	**52,446,105**	**(11,103,474)**	**41,342,631**

			Period from 1 January 2019 to 30 June 2019
	Share Capital	**Retained Earnings**	**Total equity**
	£	**£**	**£**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Total Equity as at 1 January 2019	52,446,105	(4,393,081)	48,053,024
Total comprehensive income for the period	-	133,394	133,394
Total Equity as at 30 June 2019	**52,446,105**	**(4,259,687)**	**48,186,418**

The notes form part of these Unaudited Interim Financial Statements.

Unaudited Condensed Consolidated Statement of Cash Flows
for the period from 1 January 2020 to 30 June 2020

	Period from 1 January 2020 to 30 June 2020	**Period from 1 January 2019 to 30 June 2019**
	£	**£**
	(Unaudited)	**(Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive (loss)/income	(4,898,184)	133,394
Adjustments for:		
Decrease in receivables and prepayments	215,308	340,115
Decrease in payables and accruals	(45,645)	(24,962)
Interest paid	90	53
(Gain)/loss on exchange movements	(4,067)	11,389
Net losses/(gains) on investments at fair value through profit or loss	4,314,261	(804,987)
Investment income	72,413	293,673
Purchase of investments	(27,134,110)	(35,799,091)
Sale of investments	26,998,689	35,847,640
Interest paid	(90)	(53)

NET CASH USED IN OPERATING ACTIVITIES	**(481,335)**	**(2,829)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of ordinary shares	-	-
Cancellation of ordinary shares	-	-
Expenses of ordinary shares issue	-	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	**-**	**-**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(481,335)**	**(2,829)**
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
At the beginning of the period	1,308,465	5,635,760
Net decrease in cash and cash equivalents	(481,335)	(2,829)
Gains/(losses) on exchange movements	4,067	(11,389)
At the end of the period	**831,197**	**5,621,542**
Comprised of:		
Cash and cash equivalents	831,304	5,621,556
Overdraft	(107)	(14)

The notes form part of these Unaudited Interim Financial Statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the period from 1 January 2020 to 30 June 2020

1. PRINCIPAL ACTIVITES

The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 13 September 2017 with registered number 64013, and is a registered closed-ended investment scheme pursuant to The Protection of Investors (Bailiwick of Guernsey) 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 Unaudited Interim Financial Statements for the period from 1 January 2020 to 30 June 2020 have been prepared on a going concern basis in accordance with IAS 34, the AIM Rules for Companies and applicable legal and regulatory requirements.

The Unaudited Interim Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the period ending 31 December 2019, which were prepared in accordance with International Financial Reporting Standards **("IFRS")** and which received an unqualified audit report.

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

Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Although COVID-19 has and continues to have an impact on the businesses and the valuation of our portfolio companies, the Directors have reviewed the Company's cash and cash equivalents including short dated treasury and corporate bonds of £21 million as at 18 September 2020, and consider that the Company will be able to meet its liabilities as they fall due while also availing itself of investment opportunities. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Investment entity exemption

Investments are made by the Company via its Limited Partnership – Merchant Capital LP (the "**Limited Partnership**"). The Limited Partnership has met 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

The "**Group**" is defined as the Company and its subsidiary Merchant Capital GP Limited ("**GP**").

As 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.

Critical Accounting Estimates and Judgements

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

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 were the same as those applied to the Annual Report and Financial Statements for the period ended 31 December 2019.

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 (losses)/gains on investments at fair value through profit or loss' in the Condensed Consolidated Statement of Comprehensive Income.

Financial liabilities

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.

Recognition
Financial liabilities are recognised in the Condensed 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 Condensed Consolidated Statement of Comprehensive Income.

Segmental reporting
The decision maker is the Board of Directors. 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 dated 15 December 2017. 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. INVESTMENTS

	Limited Partnership £	**Direct Investments £**	**Total Investments £**
Opening fair value as at 1 January 2020	22,957,684	22,043,470	45,001,154
Additions at cost	4,742,023	22,392,087	27,134,110
Disposal proceeds	-	(26,998,689)	(26,998,689)
Net realised loss on disposal of investments	-	(108,920)	(108,920)
Net unrealised loss on revaluation of investments	(4,348,699)	70,945	(4,277,754)
Closing fair value	**23,351,008**	**17,398,893**	**40,749,901**

as at 30 June 2020

	Limited Partnership £	Direct Investments £	Total Investments £
Opening 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 on revaluation of investments	(610,395)	262,323	(348,072)
Closing fair value as at 31 December 2019	**22,957,684**	**22,043,470**	**45,001,154**

	30 June 2020 £	31 December 2019 £
Net realised loss on disposal of investments	(108,920)	(512,720)
Net unrealised loss on revaluation of investments	(4,277,754)	(348,072)
Investment Income	72,413	400,445
Net losses on investments at fair value through profit or loss	**(4,314,261)**	**(460,347)**

5. RECEIVABLES AND PREPAYMENTS

	30 June 2020 £	31 December 2019 £
Accrued Income	-	223,508
Prepayments	8,200	-
	8,200	**223,508**

6. OTHER PAYABLES AND ACCRUALS

	30 June 2020 £	31 December 2019 £
Accrual for:		
Investment management fee	208,637	249,113
Administration and Company Secretarial fee	19,051	20,573
Audit Fee	13,924	16,000
Other expenses	5,055	6,626
	246,667	**292,312**

7. SHARE CAPITAL

	Number of shares	Share capital £
Ordinary shares		

	Number of shares	Share capital £
Opening balance	55,000,000	52,446,105
Balance as at 30 June 2020	**55,000,000**	**52,446,105**

	Number of shares	**Share capital £**
Ordinary shares		
Opening balance	55,000,000	52,446,105
Balance as at 31 December 2019	**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 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.

8. DIVIDEND POLICY

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

9. 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 £418,521 (30.06.19: £489,216) from the Company during the period in respect of normal services provided, with £208,637 (31.12.19: £249,113) outstanding at the end of the period.

During the period, the Directors received remuneration fees of £43,750 (30.06.19: £43,750), of which £nil (31.12.19: £nil) were outstanding at the end of the period. 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 4.44% (Dec 2019: 3.87%). Mr Fumagalli is also a non-executive director of Coro Energy plc in which the Company holds shares. Refer to the Unaudited Portfolio Statement for more information.

Mr Sgarbi, a Director of the Company, has an indirect beneficial interest in the Company of 4.0637% (Dec 2019: 3.87%) and a direct beneficial interest in the Company of 0.38% (2019: 0.3%).

Mr Falla, a Director of the Company, has a direct beneficial interest in the Company of 0.02% (Dec 2019: 0.02%).

Mr A. Collins, Chairman of the Company, has a direct beneficial interest in the Company of 0.09% (Dec 2019: 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 Srl 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.

10. NET ASSET VALUE RECONCILIATION

The NAV per share is expressed in GBP and is determined by dividing the net assets attributable to shareholders of the Company by the number of ordinary shares in issue on the valuation day.

11. FAIR VALUE MEASUREMENT

Valuation of financial instruments

IFRS 13 requires the Group to classify 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 in its entirety. 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 as at 30 June 2020:

	Level 1	Level 2	Level 3	Total
	£	£	£	£
30 June 2020				
Investments				
Investment in LP	-	-	23,351,008	23,351,008
Debt instruments	17,398,893	-	-	17,398,893
	17,398,893	**-**	**23,351,008**	**40,749,901**

	Level 1	Level 2	Level 3	Total
	£	£	£	£
31 December 2019				

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**

During the period, 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 portfolio statement on pages 24 and 25.

Orthofix Medical Inc, Alkemy SpA, Brave Bison Plc, CareTech Holdings plc, Coro Energy Plc (**"Coro Energy"**), Circassia Pharmaceuticals Plc, Proactis Holdings Plc and Redde Northgate Plc are all quoted equity securities and therefore their fair value is taken from quoted bid prices as at close of business on 30 June 2020.

Merchant Capital HF Limited is an unquoted security and its fair value is based on the underlying investment into 7Star Srl, being the Company's investment in Happy Friends, which has been valued using a discounted cash flow 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 adjusted to the exchange rate as at 30 June 2020. IVY Merchant Capital Limited has partial ownership of Merchant Capital HF Limited, whilst Merchant Capital GP (Malta) holds the investment in Alkemy SPA.

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

Capital risk management

The capital structure of the Company is as disclosed in the Statement of Financial Position and is managed on a basis consistent with its investment objective and policies.

12. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

In the current and prior period all Investments were measured at fair value through profit or loss. Receivables and prepayments, Cash and cash equivalents and Payables and accruals are valued at amortised cost.

13. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: Market risk (including price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

These Unaudited Condensed Interim Financial Statements do not include the financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019. The impact the COVID-19 pandemic as a risk continues to emerge and evolve the outcome of which remains uncertain. The Directors continue to monitor its impact on markets and portfolio companies.

14. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share is calculated by dividing the comprehensive income for the period of £(4,898,184) (30 June 2019: £133,394) by the weighted average number of ordinary shares outstanding during the period 55,000,000 (30 June 2019: 55,000,000).

The basic and diluted value is the same as the Group does not have any diluted shares.

15. EVENTS AFTER THE REPORTING PERIOD

The per unit value of the Coro Bond was revised in August from €0.90 as at 30/06/20 to €0.85 following an increase in the discount rate used to value the bond from 11% to 15%. This was in recognition of the financial position of Coro Energy. The valuation will be reviewed against any further information that becomes available regarding Coro Energy's financial position, and further adjustments may be applied.

Following the reporting period, the Company, through the Limited Partnership, sold its full position in Circassia Pharmaceuticals plc.

Post-period end, the Company invested in EKF Diagnostics Holdings plc ("EKF"), a point-of-care business, which has achieved meaningful growth thanks to its capability to manufacture and deliver novel Coronavirus testing equipment across the globe. Given that its production facilities are located in the UK, US and Germany, EKF represents a valuable hedge against the downturn risk of the wider market should the COVID-19 pandemic accelerate, or a vaccine be available later than the market expects.

Unaudited Portfolio Statement
As at 30 June 2020

INVESTMENTS	Valuation	Percentage of net assets
	£	%
Merchant Capital L.P.		
Alkemy SpA*	2,094,735	5.07
Brave Bison Group Plc*	862,157	2.09
Care Tech Holdings Plc*	4,123,000	9.97
Circassia Pharmaceuticals Plc*	3,136,000	7.59
Coro Energy 5% 12/04/2022**	3,345,706	8.09
Coro Energy Plc**	452,055	1.09
Coro Energy warrants 12/04/2022**	3,410	0.01
IVY Merchant Capital Limited***	1,091	0.00
Merchant Capital GP (Malta) Limited***	1,091	0.00
Merchant Capital HF Limited***	4,009,513	9.70
Orthofix Medical Inc*	2,898,802	7.01
Proactis Holdings Plc*	980,000	2.37
Redde Northgate Plc*	1,125,392	2.72
Other Assets	318,056	0.77
Fair value of Limited Partnership	23,351,008	56.48

The Company

UK Treasury 0% 06/07/2020*	4,999,932	12.10
UK Treasury 0% 14/09/2020*	4,399,888	10.64
UK Treasury 0% 16/11/2020*	2,999,773	7.26
UK Treasury 0% 27/07/2020*	4,999,300	12.09
Fair value of the Company	17,398,893	42.09
Total Investments	40,749,901	98.57
Net current assets	592,730	1.43
Total net asset value	**41,342,631**	**100.00**

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

Unaudited Portfolio Statement (continued)
As at 30 June 2020

Reconciliation of Profit

The profit consists of:

MERCHANT CAPITAL L.P.

Unrealised losses on investments	(4,348,699)
LP fair value movement	**(4,348,699)**
Realised losses on investments	(108,920)
Unrealised gains on investments	70,945
Exchange gains on currency balances	4,067
Investment income	72,413
Bank Interest	(152)
Investment management fees	(418,521)
Other expenses	(169,227)
Interest paid	(90)
Total comprehensive loss for the period	**(4,898,184)**