

MERCHANT BIOTECH FUND

ARSN 654 495 468

INTERIM FINANCIAL REPORT
For the six months ended 31 December 2023

Merchant Biotech Fund
ARSN 654 495 468

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Merchant Biotech Fund
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Corporate Directory
As at 31 December 2023

Responsible Entity

CIP Licensing Limited

Directors of the Responsible Entity

Keith Jones	- Director
Kate Golder	- Director
Don O'Brien	- Director

Secretary

Kate Golder

Registered Office

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

Auditors of the Fund

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

Merchant Biotech Fund
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Directors' Report
For the six months ended 31 December 2023

The Directors of CIP Licensing Limited (ABN 63 603 558 658), the Responsible Entity of Merchant Biotech Fund (“the Fund”), submit their report for the Fund for the six months ended 31 December 2023, and the auditor’s report thereon.

Directors

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

David McKay French – B.Econs, Dip.Corp Management, Director (appointed 6 January 2015, resigned 17 November 2023)

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

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

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

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

Kate Golder –Director (appointed 10 January 2023)

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

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

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Directors' Report (continued)
For the six months ended 31 December 2023

DIRECTORS (continued)

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

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

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

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

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

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Directors' Report (continued)
For the six months ended 31 December 2023

PRINCIPAL ACTIVITIES

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

The Fund is a diversified investment fund, investing in listed and unlisted Australian Biotech shares.

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

SCHEME INFORMATION

Merchant Biotech Fund is an Australian registered scheme and was constituted on 21 October 2021. CIP Licensing Limited was appointed as the Responsible Entity of the Fund on this date. Merchant Funds Management Pty Ltd, the investment manager of the Fund, is responsible for the day to day management of the Fund.

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

Merchant Biotech Fund
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Directors' Report (continued)
For the six months ended 31 December 2023

REVIEW OF RESULTS AND OPERATIONS

Results

The net operating income of Merchant Biotech Fund is presented in the Statement of Comprehensive Income. Net operating profit for the six months ended 31 December 2023 was \$2,758,133 (31 December 2022 operating profit: \$1,905,282).

Distributions

No distribution will be paid for the six months ended 31 December 2023. No distributions were paid for the six months ended 31 December 2022.

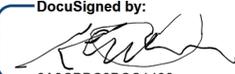
SCHEME ASSETS

At 31 December 2023 Merchant Biotech Fund held total assets of \$11,579,743 (30 June 2023: \$8,740,485).

AUDITOR'S INDEPENDENCE DECLARATION

Moore Australia Audit (WA), our auditors, have provided a written independence declaration to the Directors of the Responsible Entity in relation to their review of the Interim Financial Report for the six months ended 31 December 2023. This independence declaration, which forms part of the Directors' Report, can be found at page 7.

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

DocuSigned by:

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Keith Jones
Director

Sydney
14 June 2024

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the financial report of Merchant Biotech Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information and the directors' declaration.

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

- i. giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

Basis for Conclusion

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

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

Directors' Responsibility for the Half-Year Financial Report

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

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

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



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 17th day of June 2024

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2023, there have been:

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



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth on the 17th day of June 2024

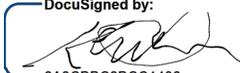
Merchant Biotech Fund
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Directors' Declaration
For the six months ended 31 December 2023

In accordance with a resolution of the Directors of CIP Licensing Limited, the Responsible Entity of Merchant Biotech Fund, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes set out on pages 9 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting', and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

On behalf of the Board
CIP Licensing Limited

DocuSigned by:

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Keith Jones
Director

Sydney
14 June 2024

Merchant Biotech Fund
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Condensed Interim Statement of Comprehensive Income
For the six months ended 31 December 2023

	Notes	31 Dec 2023 \$	31 Dec 2022 \$
Revenue			
Interest income		1,809	6,633
Dividend income		-	12,000
Net gain on financial investments through profit or loss		2,961,036	1,979,334
		<u>2,962,845</u>	<u>1,997,967</u>
Expenses			
Responsible Entity and Fund Manager fees		(182,436)	(64,247)
Accounting fees		(5,225)	(5,414)
Auditors' remuneration		(11,832)	(10,817)
Custodian and administration fees		-	(6,407)
Other expenses		(5,218)	(5,800)
		<u>(204,711)</u>	<u>(92,685)</u>
Profit from Operating Activities		2,758,134	1,905,282
Other Comprehensive Income			
Total Comprehensive Income For the Period	2(b)	<u>2,758,134</u>	<u>1,905,282</u>

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

Merchant Biotech Fund
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Condensed Interim Statement of Financial Position
As at 31 December 2023

	Notes	31 Dec 2023 \$	30 June 2023 \$
Assets			
Cash and cash equivalents		45,893	73,013
Prepayments, loans and receivables:			
Prepayments, dividends and other receivables		6,097	27,152
Financial assets held at fair value through profit or loss:			
Equity investments and units in listed and unlisted schemes		11,527,753	8,640,320
Debentures and convertible notes		-	-
Total Assets		11,579,743	8,740,485
Liabilities			
Financial liabilities measured at amortised cost:			
Accrued expenses		22,000	29,500
Accounts payable		-	37,474
Responsible entity and fund manager fees payable		11,363	7,117
Provision for performance fee		111,852	-
Distributions payable		-	-
Total Liabilities (excluding net assets attributable to Unitholders)		145,216	74,091
Net Assets Attributable To Unitholders - Liability	2(b)	11,434,527	8,666,394

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

Merchant Biotech Fund
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Condensed Interim Statement of Cash Flows
For the six months ended 31 December 2023

	31 Dec 2023	31 Dec 2022
	\$	\$
Cash flows from operating activities		
Proceeds from sale of investments	1,165,568	1,959,713
Purchase of investments	(1,109,557)	(2,070,013)
Interest received	1,809	4,331
Dividends received	-	12,000
Payments to suppliers	(25,997)	(45,476)
Payments to responsible entity and fund manager	(68,944)	(49,467)
Net cash flows from/(used in) operating activities	<u>(37,120)</u>	<u>(188,912)</u>
Cash flows from financing activities		
Unit capital application	10,000	750,000
Unit capital redemption	-	(411,250)
Net cash flows from financing activities	<u>10,000</u>	<u>338,750</u>
Net increase/(decrease) in cash and cash equivalents	(27,120)	149,838
Cash and cash equivalents at 1 July	73,013	133,037
Cash and cash equivalents at 31 December	<u>45,893</u>	<u>282,875</u>

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

Merchant Biotech Fund
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Condensed Interim Statement of Changes in Equity
For the six months ended 31 December 2023

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

Merchant Biotech Fund
ARSN 654 495 468
Notes to the condensed interim financial statements
For the six months ended 31 December 2023

Note 1 Basis of Preparation of the Condensed Interim Financial Report

(a) Reporting Entity

Merchant Biotech Fund (the Fund) is an Australian Registered Scheme and was constituted on 21 October 2021 under the Corporations Act 2001. The Fund is a for profit entity. CIP Licensing Limited was appointed as the Responsible Entity of the Fund on the same date. CIP Licensing Limited is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Suite 1B, 103 Bolsover St, Rockhampton QLD 4700.

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

The condensed interim financial report of the Fund is for the six months ended 31 December 2023.

(b) Statement of Compliance

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

The condensed interim financial report does not include all the information required for the full annual financial report and should be read in conjunction with the annual financial report of the Fund for the year ended 30 June 2023.

The condensed interim financial report was authorised for issue by the directors of the Responsible Entity on the 14 June 2024.

(c) Basis of Preparation

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

The accounting policies and methods of computation applied by the Fund in this interim financial report are the same as those applied by the Fund for the year ended 30 June 2023, unless otherwise stated. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

Merchant Biotech Fund
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Notes to the condensed interim financial statements (continued)
For the six months ended 31 December 2023

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

(d) New Standards and Interpretations applicable for the half year ended 31 December 2023

In the period ended 31 December 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Fund and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Fund and, therefore, no material change is necessary to Fund accounting policies.

(e) Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2023. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Fund and, therefore, no change is necessary to Fund accounting policies.

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Notes to the condensed interim financial statements (continued)
For the six months ended 31 December 2023

Note 2 Net assets attributable to unitholders	Six months to 31 December 2023	Year to 30 June 2023
(a) Units on issue	Number	Number
Units on issue as at beginning of reporting period	10,902,002	10,502,003
Units issued during reporting period	12,999	865,215
Units redeemed or otherwise cancelled during reporting period	-	(465,216)
Units on issue as at the end of the reporting period	<u>10,915,001</u>	<u>10,902,002</u>
	Six months to 31 December 2023	Year to 30 June 2023
(b) Movement in net assets attributable to unitholders	\$	\$
Net assets attributable to unitholders at beginning of reporting period	8,666,394	6,437,102
Total comprehensive income/(loss) for the period	2,758,134	1,933,112
Distribution to Unitholders	-	-
Units issued during the reporting period	10,000	828,000
Units redeemed or cancelled during the reporting period	-	(531,822)
Net assets attributable to unitholders at the end of reporting period	<u>11,434,527</u>	<u>8,666,394</u>

Note 3 Distributions

There were no distributions for the half year.

Merchant Biotech Fund
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Notes to the condensed interim financial statements (continued)
For the six months ended 31 December 2023

Note 4 Related parties

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

Total management and performance fees paid to the Responsible Entity and Fund Manager during the six months ended 31 December 2023 were \$68,944 (GST inclusive) (31 December 2022: \$49,467). There were payables of \$11,363 as at 31 December 2023 (30 June 2023: \$7,117).

The accrued performance fees as at 31 December 2023 was \$111,852 (30 June 2023: \$Nil).

Note 5 Contingencies

There are no contingent liabilities or contingent assets as at 31 December 2023 (30 June 2022: \$Nil)

Note 6 Subsequent Events

Other than the matters discussed above, there have been no events subsequent to balance date which require disclosure in this report.

Note 7 Financial Instruments

Carrying amount versus fair values

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

Financial risk management

During the six months ended 31 December 2023 the Fund's financial risk management objectives and policies are consistent with those disclosed in the Fund's annual financial report.

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Notes to the condensed interim financial statements (continued)
For the six months ended 31 December 2023

Note 7 Financial Instruments (continued)

Fair Value Hierarchy

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

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

31 December 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets classified as fair value through profit and loss	10,984,783	542,520	-	11,527,753

30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets classified as fair value through profit and loss	7,131,320	1,509,000	-	8,640,320

During the six months ended 31 December 2023, there were no transfers between level 1 and level 2 of the fair value hierarchy.