

Merian Chrysalis Investment Company Limited

Interim Report and Unaudited Interim Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

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Chairman's Statement

Introduction

I am pleased to present the first Interim Report of Merian Chrysalis Investment Company Limited ("the Company" or "Merian Chrysalis") since the Company commenced trading on the London Stock Exchange's Main Market for listed securities on 6 November 2018.

This report covers the period from incorporation on 3 September 2018 to 31 March 2019.

Investment Objective

The Company's Investment Objective is to generate long-term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted investments.

Share capital

The Company raised gross proceeds of £100m at its launch. As at 31 March 2019 there were a total of 100 million Ordinary Shares in issue. Post period end, on 16 April 2019, £100m was raised and a further 90,909,091 Ordinary Shares were issued.

Performance

The Net Asset Value ("NAV") at launch was 98.85p. As at 31 March 2019 the NAV was 108.41p. NAV total return for the period was 9.66%.

Portfolio

I am pleased to report that our rate of capital deployment was faster than anticipated, the net proceeds of the IPO was 70% invested as at 31 March 2019. As at 31 March 2019, in addition to the initial portfolio comprising investments in TransferWise Limited and Secret Escapes Limited, further investments had been made into The Hut Group Limited, Graphcore Limited and Growth Street Limited. A further investment in Starling Bank was announced during the period, on 13 February 2019. This transaction completed post the period end on 10 April 2019, bringing the company to 85% fully invested.

Following the raising of additional capital on 16 April 2019, we expect to notify the market on further investments in due course as Merian Global Investors (UK) Limited, our Investment Advisor, continues to evaluate opportunities currently in companies across various market sectors; there are several exciting opportunities going through the due diligence process.

The Investment Advisor's report reviews the market and provides more detail on the portfolio.

Share price

The share price remained relatively stable from IPO to mid-February despite some volatility in the UK market. From mid-February 2019 to 31 March 2019 the share price steadily increased. As at 26 June 2019, the latest practicable date before the publication of these financial statements, the Company's share price was 122.50 pence per share, representing a 13% premium to the last published NAV per share. No shares have been bought back in the period under review.

Dividends

The Directors have resolved not to pay a dividend. The Company is focused on providing capital growth, and given the investment opportunities in the sector, we do not anticipate recommending to pay a dividend in the near future.

Interim Report

In the interests of cost control, Interim Reports to shareholders will only be available on the Company's website. These can be viewed and downloaded at www.merian.com/Chrysalis. Annual Reports, the first being for the period ending 30 September 2019, will be available on the website.

Chairman's Statement (continued)

Outlook

In a short period of time, Merian Chrysalis has built real momentum. The investment proposition is resonating strongly with late-stage private companies that are seeking to evolve their shareholder base. The opportunity for a crossover investment strategy, investing in private companies and helping them transition on to the public markets, in the UK and across Europe is very compelling. Investors are recognising the strength of this offering, as evidenced by their support for the recent placing. I am confident that Merian Chrysalis can build upon its strong start and become a very meaningful player in European private capital markets.

Andrew Haining

Chairman

28 June 2019

Board Members

The Directors are responsible for managing the business affairs of the Company in accordance with the Articles of Incorporation and the investment policy and have overall responsibility for the Company's activities including its investment activities and reviewing the performance of the Company's portfolio.

The Directors may delegate certain functions to other parties such as the Alternative Investment Fund Manager ("AIFM"), the Investment Advisor, the Administrator, the Company Secretary, the Depositary and the Registrar. In particular, the Directors have delegated responsibility for day-to-day management of the investments comprising the Company's portfolio to the Investment Advisor. The Directors have responsibility for exercising supervision of the Investment Advisor.

Andrew Haining (Chairperson) (Independent)

Andrew has had a 30-year career in banking and private equity with Bank of America, CDC (now Bridgepoint) and Botts & Company. During his career, Andrew has been responsible for over 20 private equity investments with transactional values in excess of \$1bn.

Andrew holds several Guernsey and UK board positions, including Chairman of Praxis IFM Group Limited and Chairman of Aurigny, the state-owned Channel Islands airline.

Stephen Coe (Independent)

Stephen is currently a director and Chairman of the Audit Committee of Leaf Clean Energy Company Limited and Weiss Korean Opportunities Fund Limited. Stephen has been involved with offshore investment funds and managers since 1990, with significant exposure to property, debt, emerging markets and private equity investments. Stephen qualified as a Chartered Accountant with Price Waterhouse Bristol in 1990 and remained in audit practice, specialising in financial services, until 1997. From 1997 to 2003 Stephen was a director of the Bachmann Group of fiduciary companies and Managing Director of Bachmann Fund Administration Limited, a specialist third party fund administration company. From 2003 to 2006 Stephen was a director with Investec in Guernsey and Managing Director of Investec Trust (Guernsey) Limited and Investec Administration Services Limited. Stephen became self-employed in August 2006, providing services to financial services clients.

Simon Holden (Independent)

Simon, a Guernsey resident, brings Board experience from both private equity and portfolio company operation roles at Candover Investments then Terra Firma Capital Partners. Since 2015, Simon has become an active independent director to listed alternative investment companies (HICL Infrastructure Company Limited, Hipgnosis Songs Fund Limited, Trian Investors 1 Limited and Merian Chrysalis Investment Company Limited), private equity funds and trading company Boards, including a trading asset owned by the States of Guernsey.

Simon holds the DiploD in Company Direction from the Institute of Directors, graduated from the University of Cambridge with an MEng and MA in Manufacturing Engineering and is an active member of Guernsey's GIFA, NED Forum and IP Commercial Group.

Board Members (continued)

Anne Ewing (Independent)

Anne has over 35 years of financial services experience in banking, asset and fund management, corporate treasury, life insurance and the fiduciary sector. Anne has an MSc in Corporate Governance and is a Chartered Fellow of the Securities Institute and a Fellow of ICSA. Anne has held senior roles in Citibank, Rothschilds, Old Mutual International and KPMG and latterly has been instrumental in the start-ups of a Guernsey fund manager and a fiduciary licensee. Anne is self-employed and has a number of non-executive directorships and chairman roles in investment companies, banks and trust companies in the Channel Islands and in London. Anne is currently a Senior Independent Director on the LSE listed Alcentra Floating Rate Income Fund Limited.

Tim Cruttenden (Independent)

Tim is Chief Executive Officer of VenCap International plc, a UK-based asset management firm focused on investing in venture capital funds. He joined VenCap in 1994 and is responsible for leading the strategy and development of the firm. Prior to joining VenCap, Tim was an economist and statistician at the Association of British Insurers in London. He received his Bachelor of Science degree (with honours) in Combined Science (Economics and Statistics) from Coventry University and is an Associate of the CFA Society of the UK. Tim is a non-executive director of Polar Capital Technology Trust.

Portfolio Statement

As at 31 March 2019

Company	Holding (no. of shares)	Value (£'000)	% of net assets
Transferwise Limited	391,170	26,416	24.37
Graphcore Limited	5,823,289	19,093	17.61
Secret Escapes Limited	106,279	14,985	13.82
The Hut Group Limited	23,284	10,478	9.67
Growth Street Limited	790,513,834	5,000	4.61
Total Investments		75,972	70.08
Cash and other net assets		32,438	29.92
Total net assets		108,410	100.00

Investment Advisor's Report

Overview

The period in question saw a substantial level of corporate activity. Despite weak stock markets, the Company successfully raised £100m of gross proceeds from a range of investors and held its IPO on 6 November 2018.

The Company was seeded with the initial portfolio, comprising shares in TransferWise Limited and Secret Escapes Limited. The Company announced a second purchase of shares in The Hut Group Limited in 2018. As a result, the Company had deployed approximately 48% of the gross proceeds of the IPO.

Having lined up a strong pipeline of opportunities pre-IPO, the Company made an investment in Graphcore Limited in late December, and has since invested in Growth Street Limited and Starling Bank. As of March 2019, the Company had invested 70% of gross proceeds of the IPO, meeting its target of being substantially deployed earlier than planned.

In April 2019, the Company raised a further £100m of gross proceeds in a subsequent placing to continue to pursue opportunities. Pleasingly, this raise saw follow-on commitments from existing investors, as well as new investors coming in.

Market

The market backdrop over the period since incorporation represented a tale of two halves. Global equities reported sharp declines through Q4 2018, with investors concerned about slower economic growth, rising interest rates, global trade and a hard Brexit. A series of profit warnings from high profile stocks such as Apple and NVIDIA led to increased uncertainty in the technology sector and also prompted a sell-off in growth stocks. Equities recovered tentatively through Q1 2019, despite ongoing political uncertainty, as central banks stepped away from tighter monetary policy and China-US trade disputes eased.

Market conditions in the private arena continue to feel buoyant. In the UK unlisted market, 19 comparative deals closed in Q4 2018, similar to Q3 2018 with 21 deals; 87 deals were completed in 2018. These deals have the characteristics of >\$20m in deal size in late-stage or expansion rounds and being UK based only. In early 2019, anecdotally we noted some talk of private companies trying to access funding with more urgency, in anticipation of further volatility; this now appears to have abated with public markets settling down. Generally, the types of business the Company is targeting are typically more immune to the economic cycle than the wider stock market, given the high levels of structural growth they display.

Investment objective and rationale

The objective of the Company is to provide investors with access to the returns available from investing in later-stage, private companies with long-term growth potential, an investment class that has traditionally been difficult to access for individual investors. The Company does not consider venture capital-type (VC) start-ups.

MGI (UK) Ltd, the Investment Advisor, has realised substantial capital returns through investments in listed securities over recent years. However, it has become clear that not all companies are choosing a public listing to fund their growth. Instead, they are staying private for longer. Between 2011 and 2018, the average age of a private company investment at exit almost doubled to approximately 10 years. This trend is also visible in the falling number of UK IPOs. Between 1997 and 2007, there was an average of 217 IPOs per annum. During the period from 2011 to 2018 this figure fell to 94.

MGI (UK) Ltd believes there are a number of possible reasons for this trend, including:

- capital-light business models;

Investment Advisor's Report (continued)

Investment objective and rationale (continued)

- the "value curve" trade-off – where companies look to maximise valuation for a given level of growth;
- greater flexibility offered by private markets;
- a growing private securities market with increased liquidity

As companies have stayed private for longer, there has been a growing focus on cultivating the optimum shareholder structure as they mature and consider a future IPO. This has driven an interest in "crossover" investors. Most late-stage private companies are backed by VC, which are natural sellers of equity at a future IPO. A crossover investor that can operate in both the public and private market is extremely attractive to investee companies at this stage of their development as it can enable a company to de-risk a future IPO process, by aligning itself with a natural buyer of listed equity. The Investment Advisor believes that the Company, due to MGI's presence in the public market, is one of only a few credible entities that has relevance as a crossover investor in the UK market and the ability to provide permanent capital.

Portfolio

The strategy of the Company is to invest only in what it believes to be high quality businesses, with high growth potential. At IPO, the stated intention was to invest the initial proceeds in a portfolio of 6–8 holdings – to ensure a relevant ticket size and timely deployment of proceeds – and then to return to the market to raise money to further build out the number of holdings.

Given that full sector diversification is difficult based on 6–8 holdings, there was an expectation of a relatively concentrated portfolio initially, that would subsequently become more diversified over time.

We look for investments that display some or all of the following:

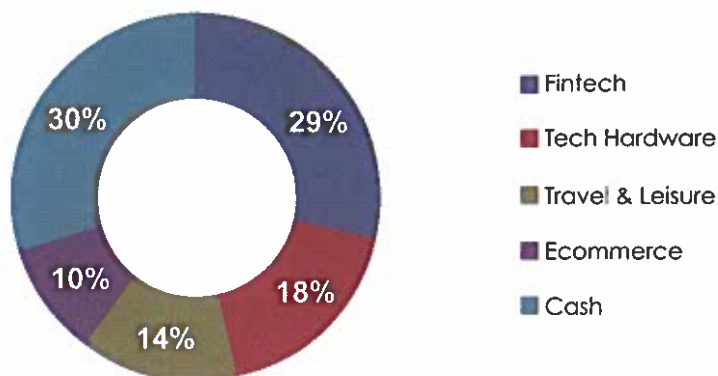
- investee companies to typically have demonstrated proof of concept – usually implying revenue generation credentials;
- ability to generate growth rates substantially better than an average UK plc;
- ability to protect these growth rates for a substantial period of time;
- where valuation appears attractive, particularly against a listed market backdrop, giving an ability to earn a multiple of the entry valuation; and
- ability to earn superior returns at scale

Typically these businesses are at an advanced stage of private ownership and are beginning to consider an IPO in two to five years' time. In addition, the maturity of these opportunities, as compared to VC/start-ups, should substantially decrease stock specific risk.

As at the end of March 2019, the portfolio consisted of five holdings. The weighted average revenue growth rate in 2018 of the five companies within the portfolio was in excess of 50% over 2017.

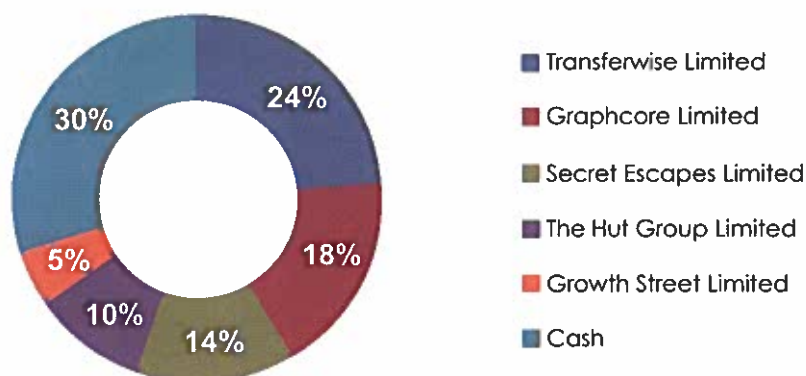
Investment Advisor's Report (continued)

Sector exposure (as of 31 March 2019)



The Company invests and manages its assets with the objective of spreading risk. No single investment will represent more than 20% of gross assets, calculated at the time of investment. Transferwise Limited and Graphcore Limited are the Company's two largest investments; collectively they represent 42% of the portfolio.

Holdings (as of 31 March 2019)



TransferWise Limited

TransferWise Limited was founded with the aim of reducing fees associated with sending money across borders. With a simple money transfer platform and borderless accounts, TransferWise Limited makes it quick and easy for individuals who travel, live and work internationally to manage their money. Businesses can use TransferWise Limited to pay suppliers or employees overseas, request payments from customers and transfer funds between their own accounts in different countries. Over four million people use TransferWise Limited to transfer over £3bn every month, saving themselves over £3m every day.

The Company invested approximately US\$22m in TransferWise Limited on admission.

Secret Escapes Limited

Secret Escapes Limited is a members-only online travel company. Its digital marketplace uses innovative technology to connect travellers with discounts on luxury hotels and travel experiences. It helps hotels minimise unsold inventory by allowing them to discreetly market to its members who are seeking luxury travel at affordable prices.

The firm operates in many countries around the world and is the market-leading membership based travel company in Germany, UK, Czech Republic, Poland, Slovakia and the Nordics.

The Company invested approximately £13m in Secret Escapes Limited on admission.

Investment Advisor's Report (continued)

The Hut Group Limited

The Hut Group Limited is an ecommerce business that operates a highly scalable, end-to-end proprietary technology platform powering sales of its own brands and third-party brands online. The firm has invested significantly in its infrastructure, technology platform and brands and is one of the world's largest online beauty and wellbeing businesses.

In December 2018, the Company announced an investment of approximately £9.5m in The Hut Group Limited.

Graphcore Limited

Graphcore Limited is a leading artificial intelligence processor business, which has developed the Intelligence Processing Unit ("IPU") and the related Poplar® graph software toolchain. The IPU is a processor that has been designed from the ground up for machine intelligence applications and supports the training and inference of deep learning models, as well as other machine learning approaches. Based in Bristol, Graphcore Limited's products can improve the efficiency and performance of artificial intelligence applications by between 10 to 100 times, compared to existing hardware solutions.

The Company invested approximately US\$25m in a US\$200m series D funding round conducted in December 2018.

Growth Street Holdings Limited

Growth Street Holdings Limited has developed an innovative peer-to-peer ("P2P") product specifically targeted at UK SMEs. The firm's proprietary technology platform integrates with a number of data sources to provide unmatched speed, flexibility and credit monitoring for SMEs. Growth Street Holdings Limited reconciles accounting, bank and credit data on a daily basis which enables it to streamline the credit decision process and provide ongoing credit monitoring and credit line adjustment. Its flagship business finance facility, GrowthLine, is a highly flexible revolving line of credit designed to replace and extend bank overdrafts and invoice financing. Growth Street Holdings Limited has facilitated more than £80m of borrowing since launching in 2014.

The Company invested approximately £5m in a funding round conducted in January 2019.

Pipeline and outlook

Starling Bank

In April 2019 The Company committed to invest approximately £19m in a £60m series C funding round. The Company later noted that Starling Bank was awarded a £100m grant from the RBS capability and Innovation Fund.

Starling Bank is a digital challenger bank which has built a scalable platform that delivers a range of financial services. Core products include bank accounts for both retail and SME customers, which allow users to bank via a mobile app, offering digital sign up, instant notification of transactions, insights into spending habits and 24/7 support.

Growth Street Holdings Limited

On 11 June 2019, a further investment was made in Growth Street Holdings Limited with the purchase of £7.5m worth of convertible loan notes which can be converted into Preference Shares at a later date, conditional upon FCA approval.

Companies are typically staying private for longer. The survivorship bias this generates means the late-stage private growth companies the Company targets are getting bigger, in turn implying they require larger capital investment to continue to fulfil their growth aspirations. In addition, these businesses are beginning to think harder about what type of capital they wish to take. Many are now looking for peripheral benefits afforded by strategic and value-add investors.

Investment Advisor's Report (continued)

Pipeline and outlook (continued)

In addition, the proposition of crossover permanent capital also offers potential investee companies a different type of money – one that is not a forced seller at a possible future IPO. This is a very attractive proposition, and one that has allowed the Company access to a range of deals that are out of reach of the majority of investors in this area of the market.

The encouraging result of this is that the traction the crossover concept has gained has been increasing, with a commensurate improvement in our early engagement with investment prospects; possible co-investors; and the intermediary banking and broking channels. As a result, the Company's Investment pipeline as at 31 March 2019 included eight qualified leads at various stages of due diligence, substantially better than that pre-IPO. Based on success to date, the Company raised a further £100m in gross proceeds in April to allow it to continue to execute, selectively, on the pipeline.

Our job over the coming months is to select and identify the deals that offer the best risk-adjusted returns for investors, with quality of the investment thesis paramount. With funding available, and a strong pipeline of opportunities, we are excited for prospects of the Company.

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the strategies of the Company. The interim management report should not be relied upon by any other party or for any other purpose.

The interim management report contains forward looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Interim Management Report

For the period from 3 September 2018 to 31 March 2019

Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's performance and could cause actual results to differ materially from expected and historical results.

The AIFM has overall responsibility for risk management and control within the context of achieving the Company's objectives. The Board agrees the strategy for the Company, approves the Company's risk appetite and the AIFM monitors the risk profile of the Company. The AIFM also maintains a risk management process to identify, monitor and control risk concentration.

The Board's responsibility for conducting a robust assessment of the principal risks is embedded in the Company's risk map and stress testing, which helps position the Company to ensure conformance with the Association of Investment Companies Corporate Governance Code's requirements.

The principal risks to which the Company will be exposed in the remaining six months of the financial year are given in note 16 to the Unaudited Interim Financial Statements and below:

The main risks that the Company faces arising from its financial instruments are:

- (i) market risk, including:
 - other price risk, being the risk that the value of investments will fluctuate as a result of changes in market prices;
 - interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates;
 - foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates; and
- (ii) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

Other risks

- (i) **Brexit** - The United Kingdom held a referendum on 23 June 2016 in which a majority of voters voted to exit the European Union ("Brexit"). On 29 March 2017, the UK triggered the formal process to leave the European Union. The effects of Brexit will depend, amongst other things, on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could adversely affect UK, European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets.

The Company's ability to raise new capital could be hindered by any heightened market volatility caused by Brexit in the shorter term. Brexit could also adversely affect the operational, regulatory, insurance and tax regime to which the Company is currently subject and negatively impact the value of the Company and its underlying investments and make accurate valuations of the Company's shares and the investment interests comprising the assets of the Company more difficult. In the longer term, if any changes to the national private placement regimes on which the Company currently relies to raise capital from certain investors based in the EEA arise as a result of Brexit or otherwise, this could restrict the Company's ability to market its shares in the EEA, which in turn may have a negative effect on marketing and liquidity of the shares generally. Any of these effects of Brexit, and others that the Directors cannot anticipate at this stage given the political and economic uncertainty surrounding the nature of the United Kingdom's future relationship with the European Union, could adversely affect the Company's business, financial condition and cash flows, including the ability of the Company to invest in equity and equity-related securities issued by companies in the European Union.

Interim Management Report (continued)

For the period from 3 September 2018 to 31 March 2019

Risks and Uncertainties (continued)

- (ii) **There can be no guarantee that the basis of calculation of the value of the Company's investments will reflect the actual value achievable on realisation of those investments.** - A significant proportion of the Company's portfolio will comprises unquoted securities. Such investments can be more difficult to value than quoted securities. The Company's investments in unquoted securities will be valued in accordance with the valuation policy adopted by the Board from time to time.
- (iii) **Investments may be difficult to realise** - The Company invests a significant proportion of its assets in securities that are not readily tradable, are highly illiquid and have no public market. These features may make it difficult for the Company to sell its investments. Further, even where there are potential purchasers, sales of investments made by the Company in unquoted interests in portfolio companies may require the consent or cooperation of other interested parties. A failure or delay to obtain consent or cooperation of other interested parties may restrict the ability of the Company to realise unquoted interests in portfolio companies prior to an IPO by the relevant portfolio company or other corporate transactions policy adopted by the Board from time to time.
- (iv) **Investments outside the UK may be exposed to local legal, economic, political, social and other risks** - The Company is expected to mainly invest in companies with a substantial presence in the UK. Over time, the Company's investment portfolio may expand to become exposed to companies established, or undertaking a substantial part of their operations, in other geographical locations. The laws and regulations of various jurisdictions in which the Company may invest may impose restrictions that would not exist in the UK. Such jurisdictions may have their own legal, economic, political, social, cultural, business, industrial and labour and environmental risks and investments made in such jurisdictions may require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in the UK.
- (v) **The Company is reliant on the performance and retention of key personnel** - The Company will rely on key individuals at the Investment Adviser to identify and select investment opportunities and to manage the day-to-day affairs of the Company. There can be no assurance as to the continued service of these key individuals at the Investment Adviser. The death or departure of any of these from the Investment Adviser without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations. Accordingly, the ability of the Company to achieve its investment objective depends heavily on the experience of the Investment Adviser's team, and more generally on the ability of the Investment Adviser to attract and retain suitable staff. The Board will have broad discretion to monitor the performance of the Investment Adviser or to appoint a replacement but the performance of the Investment Adviser or that of any replacement cannot be guaranteed.

Interim Management Report (continued)

For the period from 3 September 2018 to 31 March 2019

Risks and Uncertainties (continued)

Important events and financial performance

The important events that have occurred since incorporation are:

Highlights

31 March 2019

Net Asset Value per share	108.41p
Share Price	112.00p
% of capital deployed	70%

The table below provides monthly performance information:

Date	Price p	% change in price since launch
03.11.18	98.85	0.0%
31.12.18	98.54	-0.3%
31.03.19	108.41	9.7%

The net profit for the period amounted to £9,554,000.

Further details of the Company's performance for the period are included in the Investment Advisor's Report on pages 6 to 10, which includes a review of investment activity and adherence to investment restrictions.

Premium

As per the disclosure in the Chairman's Statement, the share price has been trading at a premium. Details of this can be found on page 1 of the interim report.

Related party transactions

Details of related party transactions are given in note 17 to the Unaudited Interim Financial Statements.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- the Unaudited Interim Financial Statements ("Financial Statements") have been prepared in accordance with IAS 34 Interim Financial Reporting and the Directors have elected to prepare financial statements that comply with International Financial Reporting Standards as adopted by the EU;
- the interim management report (which includes the Chairman's Statement, Interim Management Report and the Investment Advisor's Report) includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the period from 3 September 2018 (date of incorporation) to 31 March 2019 and their impact on the Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the period from 3 September 2018 (date of incorporation) to 31 March 2019 and that have materially affected the financial position or the performance of the entity during that period.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Stephen Coe
Director
28 June 2019



Independent Review Report to Merian Chrysalis Investment Company Limited

Conclusion

We have been engaged by Merian Chrysalis Investment Company Limited ("the Company") to review the Unaudited Interim Financial Statements ("the Financial Statements") in the interim financial report for the period from 3 September 2018 (date of incorporation) to 31 March 2019 of the Company which comprises the Unaudited Statement of Comprehensive Income, the Unaudited Statement of Financial Position, the Unaudited Statement of Changes in Equity, the Unaudited Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Statements for the period from 3 September 2018 (date of incorporation) to 31 March 2019 do not give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and its cash flows for the period from 3 September 2018 (date of incorporation) to 31 March 2019 in accordance with International Financial Reporting Standards as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the interim financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the Financial Statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with IAS 34: Interim Financial Reporting and the DTR of the UK FCA.

The Financial Statements included in this interim report have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Financial Statements in the interim financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 Company for our review work, for this report, or for the conclusions we have reached.



Barry Ryan

for and on behalf of KPMG Channel Islands Limited

Chartered Accountants, Guernsey

28 June 2019

Unaudited Statement of Comprehensive Income

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

	Notes	Revenue £'000	2019 Capital £'000	Total £'000
Investments				
Net gains on investments held at fair value through profit or loss	11	–	11,463	11,463
Losses on currency movements		–	(15)	(15)
Net investment gains		–	11,448	11,448
Interest income	5	–	114	114
Total income		–	114	114
Investment management fees	6	(110)	(1,617)	(1,727)
Other expenses	7	(280)	–	(280)
(Losses)/gains before finance costs and taxation		(390)	9,945	9,555
Finance costs	8	(1)	–	(1)
(Losses)/gains before taxation		(391)	9,945	9,554
Withholding tax expense		–	–	–
Total (losses)/gains and comprehensive income for the period		(391)	9,945	9,554
(Losses)/gains per Ordinary Share (pence)	9	(0.39)	9.95	9.56

The total column of this statement represents the Statement of Comprehensive Income of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The supplementary revenue and capital return columns are prepared under guidance published by the Association of Investment Companies ("AIC").

All items in the above statement derive from continuing operations.

The notes on pages 20 to 35 form an integral part of these Financial Statements.

There are no comparative figures for the period, as the Company was incorporated on 3 September 2018 and commenced business, following the admission of the Company's shares to trading on the London Stock Exchange, on 6 November 2018. These are therefore the first Interim Financial Statements produced by the Company.

Unaudited Statement of Financial Position

As at 31 March 2019

	Notes	2019 £'000
Non-current assets		
Investments held at fair value through profit or loss	11	<u>75,972</u>
Current assets		
Cash and cash equivalents		34,298
Other receivables	12	<u>6</u>
		34,304
Total assets		<u>110,276</u>
Current liabilities		
Other payables	13	<u>(1,866)</u>
Total liabilities		<u>(1,866)</u>
Net assets		<u>108,410</u>
Equity		
Share capital	14	98,856
Capital reserve		9,945
Revenue reserve		<u>(391)</u>
Total equity		<u>108,410</u>
Net Asset Value per Ordinary Share (pence)	15	108.41
Number of Ordinary Shares in issue		100,000,000

Approved by the Board of Directors and authorised for issue on 28 June 2019 and signed on their behalf:



Stephen Coe
Director

The notes on pages 20 to 35 form an integral part of these Financial Statements.

Unaudited Statement of Changes in Equity

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

	Share capital 2019 £'000	Capital reserve 2019 £'000	Revenue reserve 2019 £'000	Total 2019 £'000
For the period 3 September 2018 to 31 March 2019				
At 3 September 2018	–	–	–	–
Total gains/(losses) and comprehensive income for the period	–	9,945	(391)	9,554
Issue of Management Shares	1	–	–	1
Redemption of Management Shares	(1)	–	–	(1)
Issue of Ordinary Shares	100,000	–	–	100,000
Expenses of share issue	(1,144)	–	–	(1,144)
At 31 March 2019	98,856	9,945	(391)	108,410

The notes on pages 20 to 35 form an integral part of these Interim Financial Statements.

Unaudited Statement of Cash Flows

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

	Notes	2019 £'000
Cash flows from operating activities		
Bank interest paid		(1)
Other expense payments		(147)
Interest income		114
Purchases of investments	11	(64,509)
Sales of investments	11	-
Net cash outflow from operating activities		<u>(64,543)</u>
Cash flows from financing activities		
Issue of Ordinary Shares		100,000
Expenses of Ordinary Share issuance		(1,144)
Net cash inflow from financing activities		<u>98,856</u>
Net increase in cash and cash equivalents		34,313
Cash and cash equivalents at beginning of period		-
Effect of foreign exchange		(15)
Cash and cash equivalents at end of period		<u>34,298</u>
Cash and cash equivalents comprise of the following:		
Cash at bank		1,315
Cash equivalents - UK Treasury Bills		32,983
		<u>34,298</u>

The notes on pages 20 to 35 form an integral part of these Interim Financial Statements.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

1. Reporting Entity

Merian Chrysalis Investment Company Limited ("the Company") is a closed-ended investment company, registered in Guernsey on 3 September 2018. The Company's registered office is 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey GY1 1WD. The Company's shares have a premium listing on the London Stock Exchange's Main Market for listed securities and commenced trading on 6 November 2018. The Interim Financial Statements of the Company are presented for the period from 3 September 2018 (date of incorporation) to 31 March 2019.

The Company invests in a diversified portfolio consisting primarily of equity and equity-related securities issued by unquoted companies.

The Company and its Alternative Investment Fund Manager received investment advice from MGI (UK) Ltd during the period from 3 September 2018 to 31 March 2019. The administration of the Company is delegated to Maitland Administration (Guernsey) Limited ("MAGL") (the administrator).

2. Significant accounting policies

(a) Basis of accounting

The unaudited interim Financial Statements (the "Financial Statements") have been prepared in accordance with IAS 34 Interim Financial Reporting and the Directors have elected to prepare Financial Statements that comply with International Reporting Standards ("IFRS") as adopted by the European Union.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment companies issued by the Association of Investment Companies ("AIC") updated in February 2018 is consistent with the requirements of IFRS, the directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

(b) Going concern

The Directors have adopted the going concern basis in preparing the Financial Statements.

The Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows.

(c) Functional and presentation currency

The Financial Statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Financial Statements, the results and financial position of the Company are expressed in pound sterling (GBP), and the presentation currency for the Financial Statements.

(d) Segmental reporting

The chief operating decision maker is the Board of Directors. The Directors are of the opinion that the Company 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.

The key measure of performance used by the Board is the Net Asset Value of the Company (which is calculated under IFRS). Therefore no reconciliation is required between the measure of profit or loss used by the board and that contained in these Financial Statements.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

2. Significant accounting policies (continued)

(e) Income

Interest income is accounted for on an accruals basis and recognised in profit or loss in the Statement of Comprehensive Income. Interest income includes interest earned on cash held at bank on call, on deposit and cash held as cash equivalents including UK treasury bills.

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

(f) Expenses

Expenses are accounted for on an accruals basis. The Company's investment management and administration fees, finance costs and all other expenses are charged through the Statement of Comprehensive Income and are charged to revenue.

(g) Dividends to shareholders

Dividends are recognised in the period in which they are paid.

(h) Taxation

The Company has been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 amended by the Director of Income Tax in Guernsey for the current period. Exemption is applied and granted annually and subject to the payment of a fee, currently £1,200.

(i) Financial Instruments

Classification

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

- those to be measured subsequently at fair value or through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Company 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 in order to collect contractual cash flows give rise to cash flows that are 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 Company has elected to apply 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 Company's financial assets held at amortised cost include trade and other receivables and cash and cash equivalents.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

2. Significant accounting policies (continued)

(i) Financial Instruments (continued)

Financial assets at fair value through profit or loss

For investments actively traded in organised financial markets, fair value will generally be determined by reference to Stock Exchange quoted market bid prices at the close of business on the valuation date, without adjustment for transaction costs necessary to realise the asset.

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital Valuation Guidelines ("IPEVC").

The Company has adopted a valuation policy for unquoted securities to provide an objective, consistent and transparent basis for estimating the fair value of unquoted equity securities in accordance with IFRS as well as IPEVC.

The unquoted securities valuation policy and MGI (UK) Ltd's valuation procedures are subject to review on a quarterly basis, and updated as appropriate, in line with industry best practice. In addition, MGI (UK) Ltd works with independent third-party valuation firms, to obtain assistance, advice, assurance, and documentation in relation to the ongoing valuation process.

MGI (UK) Ltd considers it impractical to perform an in-depth valuation analysis for every unquoted investment on a daily basis (whether internally or with the assistance of an independent third party). Therefore, it is expected that an in-depth valuation of each investment will be performed independently by an independent third-party valuation firm: (i) on a quarterly basis; and (ii) where MGI (UK) Ltd determines that a Triggering Event has occurred.

A "Triggering Event" may include any of the following:

- a subsequent round of financing (whether pro rata or otherwise) by the relevant investee company;
- a secondary transaction involving the relevant investee company on which sufficient information is available;
- a change in the makeup of the management of the relevant investee company;
- a material change in the recent financial performance or expected future financial performance of the relevant investee company;
- a material change in the market environment in which the relevant investee company operates; or
- a significant movement in market indices or economic indicators.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

The change in fair value is recognised in profit or loss and is presented within the "net gains on investments held at fair value through profit or loss" in the Unaudited Statement of Comprehensive Income.

IFRS requires the Company to measure fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

2. Significant accounting policies (continued)

(i) Financial instruments (continued)

The three levels of fair value hierarchy under IFRS are as follows:

- Level 1 reflects financial instruments quoted in an active market.
- Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.
- Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data. For investments that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest significant input) at the date of the event that caused the transfer.

Recognition and derecognition

A financial asset (in whole or in part) is derecognised either (i) when the Company 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. Any gain or loss on derecognition is taken to the Unaudited Statement of Comprehensive Income.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(j) Cash and cash equivalents

Cash comprises cash and demand deposits. Cash equivalents, which include bank overdrafts and UK treasury bills, are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(k) Other receivables

Other receivables do not carry interest and are short-term in nature and are accordingly recognised at amortised cost.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

2. Significant accounting policies (continued)

(l) Foreign currency

Transactions and balances

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the period or year end. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise. Transactions denominated in foreign currencies are translated into pound sterling (GBP) at the rate of exchange ruling at the date of the transaction.

Foreign exchange gains and losses arising from translation are included in the Unaudited Statement of Comprehensive Income.

Where foreign currency items are held at fair value, the foreign currency movements are presented as part of the fair value change.

(m) Capital reserve

Profits achieved by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to profit or loss in the capital column of the Statement of Comprehensive Income and allocated to the capital reserve. The capital reserve is also used to fund dividend distributions.

(n) Revenue reserve

The balance of all items allocated to the revenue column of the Statement of Comprehensive Income in each year is transferred to the Company's revenue reserve.

3. Use of estimates and critical judgements

The preparation of Financial Statements in accordance with IFRS requires management 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 period. Actual results could differ from those estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. There were no significant accounting estimates or significant judgements in the current period, except the valuation of the unquoted investments detailed in note 16.

4. New and revised standards

The following accounting standards and their amendments were in issue at the period end but will not be in effect until after this financial year end. The Directors have considered the impact of this accounting standard and it will have no impact on the Financial Statements.

- IFRS 16 Leases – effective 1 January 2019

5. Interest income

Interest income was earned from the UK treasury bills which are held at amortised cost and interest accounted for using the effective interest rate method.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

6. Investment management fees

	2019
	£'000
Investment management fee	110
Investment Advisor's performance fee – charged to capital	1,617
Total management fee	1,727

Under the terms of the portfolio management agreement, MGI (UK) Ltd is entitled to a management fee and a performance fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.

Management fee

The monthly management fee is equal to 1/12 of 0.5 percent of the Net Asset Value ("the management fee"). The management fee is calculated and paid monthly in arrears. For the period from first admission until the date on which 90% of the net proceeds has been invested, directly or indirectly, the value attributable to any Investments other than equity or equity-related investments in quoted or unquoted portfolio companies held for investment purposes (including cash, near cash investments or highly liquid investments immediately convertible into cash) is excluded from the calculation of Net Asset Value for the purposes of determining the management fee.

If at any time the Company invests in or through any other investment fund or special purpose vehicle and a management fee or advisory fee is charged to such investment fund or special purpose vehicle by MGI (UK) Ltd or any of its Associates and is not waived, the value of such investment will be excluded from the calculation of Net Asset Value for the purposes of determining the management fee.

MGI (UK) Ltd agreed to waive such portion of the management fee as was required to ensure the Company's ongoing charge expense ratio did not exceed 0.85% of its NAV until and including the earlier of:

- (i) 5 November 2019; and
- (ii) the business day prior to which the invested NAV is first equal to or greater than £200m.

As at 31 March 2019, an amount of £110,000 was outstanding and due to MGI (UK) Ltd in respect of management fees.

Performance fee

MGI (UK) Ltd will be entitled to receive a performance fee, the sum of which is equal to 20% of the amount by which the Adjusted Net Asset Value at the end of a Calculation Period exceeds the higher of: (i) the Performance Hurdle; and (ii) the High Water Mark ("the performance fee"). The calculation period for the current period will be the period commencing date of first admission to 30 September 2019.

Adjusted Net Asset Value at the end of a calculation period shall be the audited NAV in pound sterling at the end of the relevant calculation period:

- (i) plus an amount equal to any accrued or paid performance fee in respect of that calculation period or any prior calculation period;
- (ii) plus an amount equal to all dividend or other income distributions paid to shareholders that have been declared and paid on or prior to the end of the relevant calculation period;

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

6. Investment management fees (continued)

(iii) minus the amount of any distribution declared in respect of the calculation period but which has not already reduced the audited NAV;

(iv) minus the Net Capital Change.

"Performance Hurdle" means, in relation to each calculation period, "A" multiplied by "B" where:

"A" is 8% (expressed for the purposes of this calculation as 1.08) (calculated as an annual rate and adjusted to the extent the calculation period is greater or shorter than one year); and

"B" is in respect of the first calculation period, the Net Issue Proceeds.

"High Water Mark" means the Adjusted Net Asset Value as at the end of the calculation period in respect of which a performance fee was last earned or if no performance fee has yet been earned, an amount equal to the Net Issue Proceeds.

Under the terms of the portfolio management agreement, any accrued and unpaid performance fees will crystallise and become payable to MGI (UK) Ltd upon certain termination events.

The accrued performance fee shall only be payable by the Company to the extent that the Payment Amount is greater than the performance fee Amount (which shall both be calculated as at the end of each calculation period) and, to the extent that the Payment Amount is less than the performance fee amount, an amount equal to the difference shall be carried forward and included in the "performance fee amount" calculated as at the end of the next calculation period (and such amount shall be paid before any performance fee accrued at a later date).

"Payment amount" is:

(i) aggregate net realised profits on Investments since the start of the relevant calculation period; plus

(ii) an amount equal to each IPO Investment Unrealised Gain where the initial public offering of the relevant Investment takes place during the relevant calculation period; plus or minus (as applicable)

(iii) an amount equal to the Listed Investment Value Change attributable to that calculation period; plus

(iv) the aggregate amount of all dividends or other income received from Investments of the Company in that calculation period (other than Investments made pursuant to the cash management policy of the Company as stated in the Investment Policy)

As at 31 March 2019, the Company had exceeded the High Water Mark and performance hurdle and an accrual of £1,617,000 for performance fees has been reflected within these Financial Statements.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

7. Other expenses

	2019
	£'000
Directors fees	94
Administration fee	30
AIFM fee	16
Auditor's remuneration for:	
– audit and interim review fees	33
Secretarial fees	14
Special pricing fees	23
Printing fees	6
Registrars' fees	7
Listing fees	7
FCA fees	3
Legal fees	9
Depository fees	32
Directors' liability insurance	4
Sundry	2
	<hr/>
	280
	<hr/>

8. Finance costs

	2019
	£'000
Interest payable	1
	<hr/>

9. Earnings per Ordinary Share

For the period 3 September 2018 to 31 March 2019

	Net return	Per share
	£'000	pence
Revenue return	(391)	(0.39)
Capital return	9,945	9.95
Total return	<hr/>	<hr/>
	9,554	9.56

Weighted average number of Ordinary Shares 100,000,000

10. Dividends

The Board has not declared an interim dividend.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

11. Investments held at fair value through profit or loss

	2019 £'000
Opening book cost	–
Opening investment holding gains	–
Opening valuation	<u>–</u>
Movements in the period:	
Purchases at cost	64,509
Sales – proceeds	–
– gains on sales	–
Movement in unrealised gains during the period	11,463
Closing valuation	<u>75,972</u>
Closing book cost	64,509
Closing investment holding gains	11,463
	<u>75,972</u>
Realised gains on sales	–
Movement in unrealised gains during the period	11,463
	<u>11,463</u>

12. Other receivables

	2019 £'000
Prepayments and accrued income	6
	<u>6</u>

13. Other payables

	2019 £'000
Accruals and deferred income	1,866
	<u>1,866</u>

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

14. Share capital

	2019	
	No of shares	£'000
Ordinary shares		
Issue of Management Shares	1	-
Issue of shares	100,000,000	100,000
Issue costs	-	(1,144)
Redemption of Management Shares	(1)	-
Ordinary Shares at no par value	<u>100,000,000</u>	<u>98,856</u>

The holders of Ordinary Shares have the right to receive notice of and attend, speak and vote in general meetings of the Company. They are also entitled to participate in any dividends and other distributions of the Company.

The Company was incorporated on 3 September 2018 with an issued share capital of £1 represented by 1 Management Share of £1 each. The Management Share was redeemed immediately following admission of the Ordinary Shares on the 6 November 2018.

On 6 November 2018 the Company issued 100 million ordinary shares at £1 per share in an initial placing offer for subscription and intermediales offer raising £98.9m after expenses.

15. Net Asset Value per share

The Net Asset Value per Ordinary Share and the Net Asset Value at the period end calculated in accordance with the articles of incorporation were as follows:

	NAV per share pence	NAV attributable £'000
Ordinary Shares: basic and diluted	<u>108.41</u>	<u>108,410</u>

The Net Asset Value per Ordinary Share is based on 100,000,000 Ordinary Shares, being the number of Ordinary Shares in issue at the period end.

16. Financial instruments and capital disclosures

Financial assets and financial liabilities of the Company are carried in the Unaudited Statement of Financial Position at their fair value. The fair value is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than a forced or liquidation sale. For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market mid prices and Stock Exchange Electronic Trading Services ("SETS") at last trade price at the period end date, without adjustment for transaction costs necessary to realise the asset.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

16. Financial instruments and capital disclosures (continued)

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Quoted prices provided by external pricing services, brokers and vendors are included in Level 1, if they reflect actual and regularly occurring market transactions on an arm's-length basis.

Level 2 – 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 inputs include the following:

- quoted prices for similar (i.e. not identical) assets in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active. Characteristics of an inactive market include a significant decline in the volume and level of trading activity, the available prices vary significantly over time or among market participants or the prices are not current;
- inputs other than quoted prices that are observable for the asset (for example, interest rates and yield curves observable at commonly quoted intervals); and
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market-corroborated inputs).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 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.

At 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Unquoted equity	–	–	75,972	75,972
	–	–	75,972	75,972

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

16. Financial instruments and capital disclosures (continued)

The following table shows the valuation techniques used for level 3 fair values, as well as the significant unobservable inputs used for level 3 items:

Fair value as at 31 March 2019 £'000	Valuation technique	Significant unobservable inputs	Range	Sensitivity to changes in significant unobservable inputs
14,985	Comparable Company Multiples	• EV/Revenue	1.8x-5.6x	The estimated fair value would increase/(decrease) if the multiple were higher/(lower).
60,987	Other	Most recent financing	Not Applicable	Not Applicable

A reconciliation of fair value measurements in level 3 is set out in the following table:

	2019 £'000
Opening balance	–
Purchases	64,509
Sales	–
Total gains/(losses) included in gains on investments in the statement of comprehensive income	
– on assets sold	–
– on assets held at period end	11,463
Closing balance	<u>75,972</u>

There have been no transfers between levels during the period.

The main risks that the Company faces arising from its financial instruments are:

- (i) market risk, including:
- other price risk, being the risk that the value of investments will fluctuate as a result of changes in market prices;
 - interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates;
 - foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates;

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

16. Financial instruments and capital disclosures (continued)

- (ii) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and
- (iii) liquidity risk, being the risk that the Company will not be able to meet its liabilities when they fall due. This may arise should the Company not be able to liquidate its investments.

Other price risk

The management of price risk is part of the investment management process and is characteristic of investing in equity securities. The investment portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Although it is the Company's current policy not to use derivatives they may be used from time to time, for the purpose of efficient portfolio management and managing any exposure through its investment to currencies other than pound sterling.

If the investment portfolio valuation rose or fell by 10% at 31 March 2019, the impact on the net asset value would have been £7,597,200. The calculations are based on the investment portfolio valuation as at the respective Statement of Financial Position dates and are not necessarily representative of the period as a whole.

Interest rate risk

The Company is exposed to interest rate risks to the extent that prevailing interest rates may fluctuate on the floating rate instruments.

The exposure as at 31 March 2019 of financial assets and financial liabilities to interest rate risk is shown below:

	In one year or less £'000	Greater than one year £'000	Total £'000
Exposure to floating interest rates	–	–	–
Cash and cash equivalents (fixed interest rates)	32,983	–	32,983
Cash and cash equivalents (floating interest rates)	1,315	–	1,315
Total	34,298	–	34,298

Given the majority of cash and cash equivalents is at fixed interest rate, the Company is not exposed to significant interest rate risk.

Foreign currency risk

The Company invests in securities denominated in foreign currencies which give rise to currency risks.

Foreign currency exposure:

	Investments £'000	2019		Creditors £'000
	£'000	Cash £'000	Debtors £'000	£'000
US dollar	45,509	–	–	–
Total	45,509	–	–	–

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

16. Financial instruments and capital disclosures (continued)

During the period the pound sterling strengthened by an average of 1.9% against all of the currencies in the investment portfolio (weighted for exposure at 31 March 2019), if the value of pound sterling had strengthened against each of the currencies in the portfolio by 10%, the impact on the Net Asset Value would have been negative £4,137,000. If the value of pound sterling had weakened against each of the currencies in the investment portfolio by 10%, the impact on the Net Asset Value would have been positive £5,056,000. The calculations are based on the investment portfolio valuation and cash balances as at the period end and are not necessarily representative of the period as a whole.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. MGI (UK) Ltd has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the Statement of Financial Position date, and the main exposure to credit risk is via the Company's Depository who is responsible for the safeguarding of the Company's Investment and cash balances.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2019
	£'000
Cash and cash equivalents	34,298
Other receivables	6
	<hr/>
	34,304

All the assets of the Company which are traded on a recognised exchange are held on its behalf by Citi Bank Europe plc, UK Branch, the Company's Depository. Bankruptcy or insolvency of the Depository may cause the Company's rights with respect to securities held by the Depository to be delayed or limited.

The credit risk on cash is controlled through the use of counterparties or banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

The credit rating of Barclays Bank Plc was A at the period end. The credit rating of Citibank Europe plc, UK Branch was A-1 at the period end.

Liquidity risk

Liquidity risk is defined as the risk that the Company do not have sufficient liquid resources to meet its obligations as they fall due. In managing the Company's assets, the AIFM will seek to ensure that the Company holds at all times a portfolio of assets (including cash) to enable the Company to discharge its payment obligations as they fall due. The Company may also maintain a short-term overdraft facility that it may utilise from time to time to manage short-term liquidity.

The Company's assets comprise of readily realisable UK Treasury bills. Short-term flexibility is achieved through the ability to liquidate these UK treasury bills. The Company also invests in a number of unquoted securities which are not readily realisable. These investments make up 70% of the net assets.

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

16. Financial instruments and capital disclosures (continued)

The Company's liquidity risk is overseen by MGI (UK) Ltd in accordance with established policies, procedures and governance structures in place. Cash flow forecasting is monitored by MGI (UK) Ltd to ensure that it has sufficient cash to meet obligations as they fall due.

The maturity profile of the Company's financial liabilities £1,866,000 are all due in one year or less, and there is sufficient liquid assets to fulfil these obligations.

Capital management objectives, policies and procedures

The structure of the Company's capital is described in note 14 on page 29 and details of the Company's reserves are shown in the Unaudited Statement of Changes in Equity on page 18.

The Company's capital management objectives are:

- to ensure that it is able to continue as a going concern; and
- to generate long-term capital growth through investing in a portfolio consisting primarily of equity or equity related investments in unquoted companies.

The Board, with the assistance of the AIFM and the Portfolio Manager, regularly monitors and reviews the broad structure of the Company's capital. These reviews include:

- the level of gearing, set at limits in normal market conditions, between 5% and 25% of net assets, which takes account of the Company's position and the views of the Board, the AIFM and the Portfolio Manager on the market;
- the extent to which revenue reserves should be retained or utilised; and
- ensuring the Company's ability to continue as a going concern.

17. Related parties

Merian Global Investors (UK) Limited have been appointed as the Investment Advisor to the Company. The relationship is governed by an agreement dated 11 October 2018.

The total management fee charged by Merian Global Investors (UK) Limited for the period ended 31 March 2019 was £110,000. The amounts outstanding at 31 March 2019 was £110,000.

The total performance fee charged by Merian Global Investors (UK) Limited for the period ended 31 March 2019 was £1,617,000. The amounts outstanding at 31 March 2019 was £1,617,000.

Directors' fees paid for the period ended 31 March 2019 was £94,000. As at 31 March 2019 there were no outstanding Director's fees.

As at 31 March the following Directors have holdings in the Company:

Director	Number of Ordinary Shares	% Ordinary Shares issue as at 31 March 2019
Andrew Haining	30,000	0.030
Simon Holden	15,000	0.015
Stephen Coe	25,000	0.025
Anne Ewing	0	0
Tim Cruttenden	0	0

Notes to the Unaudited Financial Statements

For the period from 3 September 2018 (date of incorporation) to 31 March 2019

17. Related parties (continued)

The following MGI UK Ltd's sub-funds hold an investment in the Company. The board is notified about any transaction in relation to the sub-funds by MGI UK Ltd's risk and compliance report.

Related party	Number of holdings	Shares purchased during the period	Shares sold during the period	Value of holdings 31 March 2019 £'000
Merian UK Smaller Companies Focus Fund	2,205,360	2,205,360	–	2,470
Merian UK Specialist Equity Fund	2,616,023	2,616,023	–	2,910
Merian UK Mid Cap Fund	13,191,196	13,191,196	–	14,675
Merian UK Smaller Companies Fund	4,737,421	4,737,421	–	5,270
Total	22,750,000	22,750,000	–	25,325

During the period, the Company acquired shares in Secret Escapes Limited and Transferwise Limited at a total value of £30,150,000 from funds managed by the Investment Advisor or its affiliates.

18. Post balance sheet events

Between the 31st March and 26 June 2019, the latest practicable date before the publication of these Financial Statements, the Company has issued Ordinary Shares for a consideration of £100m.

Following such issue, the Company has 190,909,091 Ordinary Shares in issue. Therefore, the total number of voting rights of the Company is currently 190,909,091.

Starling Bank

In April 2019 the Company committed to invest approximately £19m in a £60m series C funding round. Following the successful investment, the Company is pleased to note that Starling Bank was awarded a £100m grant from the RBS Capability and Innovation Fund.

Growth Street Holdings Limited

On 11 June 2019, a further investment was made in Growth Street Holdings Limited with the purchase of £7.5m worth of convertible loan notes which can be converted into Preference Shares at a later date, conditional upon FCA approval.

Corporate Information

Directors

Andrew Haining, Chairman (appointed 4 October 2018)
Anne Ewing (appointed 4 October 2018)
Simon Holden (appointed 4 October 2018)
Stephen Coe (appointed 4 October 2018)
Tim Cruttenden (appointed 4 October 2018)

Registered office

3rd Floor
1 Le Truchot
St Peter Port
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Alternative Investment Fund Manager

Maitland Institutional Services Ltd
Springfield Lodge
Colchester Road
Chelmsford
Essex, CM2 5PW

Investment Advisor

Merian Global Investors (UK) Limited
Millennium Bridge House
2 Lambeth Hill
London, EC4P 4WR

Financial Advisor and Corporate Broker

Liberum Capital Limited
Ropemaker Place Level 12
25 Ropemaker Street
London, EC2Y 9LY

Administrator and Company Secretary

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

Registrar

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

Corporate Information (continued)

Depositary

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English and US Legal Advisor to the Company

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10 Snow Hill
London, EC1A 2AL

Guernsey Legal Advisor to the Company

Ogier (Guernsey) LLP
Redwood House
St Julian's Avenue
St Peter Port, GY1 1AW

Independent Auditor

KPMG Channel Islands Limited
Gategny Court
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