



chrysalis
investments

Chrysalis Investments Limited

(Formerly Merian Chrysalis Investment Company Limited)

Financial Report and Audited Financial Statements

For the year ended 30 September 2020

Next era potential: Transformative tech that changes our world.

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Performance highlights



"In a nutshell, this is what Chrysalis Investments was designed to do for investors: give them access to previously unobtainable investments that are growing substantially faster than those in public markets."

Nick Williamson
Investment Advisor Jupiter Asset Management

160.97p

– NAV growth of 42.0%

Asset revaluations drove material Net Asset Value ("NAV") per ordinary share growth over the prior year (113.33p).

£258.4m

– New investments

Material capital investments were made in the year, as proceeds from the prior period's fund raise were utilised in new investments and follow-on investments.

145p

– Share price growth of 16.9%

The Company's Share Price performed well year-on-year (124p) and more than doubled versus the COVID-19 induced trough in March (70p).

12 investments

– Increased diversification

Following three new investments over the year, further portfolio diversification was achieved.

£160.4m

– Pre-tax gain

The Company achieved a significant pre-tax gain for the year, driven by £196.4m net investment gains.

Welcome to investing in the 21st century digital economy.

Chrysalis Investments Limited's ("Chrysalis Investments" or the "Company") proposition to high growth private companies remains distinct: one of permanent crossover capital.

Our attractiveness to companies is our ability to fund them up to and through IPO, helping them de-risk this process and align with a natural buyer of listed equity.

Our attractiveness to investors is that our crossover proposition allows us access to some of the most exciting private growth names, which are unavailable to most investors.

Our proposition is based on our ability to offer material crossover funding, underpinned by over £6 billion of capital managed by Merian Global Investors ("MGI") focused on the UK small and mid-cap listed market. This pool of funds is the largest of its kind and makes MGI one of the biggest IPO investors in the UK.

The Company was set up to seek out attractive, unlisted companies. We define some of the characteristics we are targeting as:

- The ability to deliver growth rates substantially higher than the average UK plc;
- The ability to protect the duration of these growth rates via competitive advantage, e.g., via scale or technology; and
- The ability to generate significant margins, and thus profits, at scale.

This has led us towards a group of businesses we label "tech-enabled disruptors".

We believe:

- Technology is at the heart of modern life, and thus at the heart of most modern businesses;
- Technology offers society ways to operate more efficiently than under older business models; and
- Technology serves society best when the benefits of this efficiency are shared with its users.

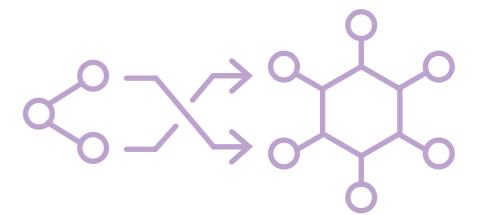
Illuminating a better way forward.

Chrysalis targets unlisted businesses that offer the technology to transform the way we live and work. Technology that creates meaningful change, delivering a simpler, easier, more rewarding customer experience. Technology that reveals a more effective and efficient world.



Generating opportunities in next era tech.

Chrysalis understands the disruptor tech ecosystem. Our experience and understanding has honed our ability to sort true long-term promise from the also-rans, delivering a deeper certainty. And we are not afraid to follow our convictions, challenge convention.



Supporting transformative, disruptive tech teams.

Open and genuinely collaborative, Chrysalis enables, guides and, when asked, supports tech disruptors to deliver on the promise of their ideas. We empower businesses with permanent crossover capital and nurture their growth with knowledgeable insight and an entrepreneurial energy.



¹ As of 30 September 2020

42.0% NAV per share growth
16.9% Share price growth
£258m Committed over the period



I am delighted to report on a successful year, which has seen significant progress in terms of NAV growth, portfolio development, realisations, and underlying investee company performance, as well as a change in ownership of our Investment Advisor and the Company's name from Merian Chrysalis Investment Company Limited to "Chrysalis Investments Limited".

"We have developed a great relationship with the team and we were truly delighted when they became one of our cornerstone investors and helped ensure a smooth transition onto the public markets."

Matt Moudling
CEO and Chairman THG PLC

The Company saw strong NAV per share growth of 42.0% during the twelve months to 30 September 2020, driven by robust performances from several of our major assets. Shares in the Company rose 16.9% over the year, closing at 145p, and we have seen a strong start to 2021, with the shares trading at a good premium to the September NAV as of late January 2021¹.

I have previously discussed the Company moving out of its initial stage of development – the "Investment phase" – into the second stage of its development – the "Growth Phase" – with an eye on a third stage – "Realisations". At the time of the Interim Report, I articulated a belief that Chrysalis Investments was entering the Growth Phase, and I note the 48.2% growth in NAV over the second half. In addition, progress has been made on the realisation front, with a \$25 million sell down in TransferWise in July, and the IPO of The Hut Group ("THG") just before year end.

The THG IPO warrants special mention, as it demonstrates the concept of crossover investing that Chrysalis Investments is trying to capture. The Investment Advisor first invested in this asset – via some of its other funds – three years ago, a year before Chrysalis Investments was established, and THG formed part of the early asset purchases by the Company shortly after its own IPO. The Company's existing shareholding in THG enabled it to commit further capital to the IPO – effectively providing a full-capability crossover offering – and shareholders have subsequently benefited from share price performance in the aftermarket: the shares closed the year up approximately 20% on the IPO price. This has resulted in an IRR on this investment of nearly 120% for the Company, as of the year end.

The Company added three new holdings to its portfolio in the year, wefox in December 2019, Featurespace in May 2020, and You & Mr Jones on the last day of the financial year, taking the number of investee companies to 12 at year end.

These investments continue to diversify the portfolio, which I know has been a focus for the Investment Advisor.

In addition, the Investment Advisor has made several follow-on investments into existing positions where it sees considerable potential for future growth.

As a result of these investments, approximately £258 million has been committed over the year, building out a portfolio that I believe offers investors the potential for strong valuation growth over the coming years. The Investment Advisor discusses portfolio dynamics and individual company performances in its report, but well over half the portfolio is invested in unicorns (companies with a valuation of more than \$1 billion), demonstrating the scale of the companies with which we are partnering.

Despite their size, and the impact of COVID-19, average revenue growth for the portfolio was approximately 60% on a trailing 12-month basis² to the end of September 2020.

Investment Advisor

The Investment Advisor has performed strongly for the Company. Despite the distractions of a change in its own parent company, as described below, and the disruption caused by COVID-19, the team has worked tirelessly to build a high-quality portfolio of assets. I believe its expertise has given the Company a great opportunity to build on its early successes and become a major global player in late-stage, private growth investing.

On 1 July 2020, the acquisition of MGI by Jupiter Asset Management ("Jupiter", "JAM") was completed which triggered a change of control provision in the Company's investment advisory agreement. We held discussions with the senior management of Jupiter on the implications of the change in control. During these discussions, the Chrysalis Board was able to gain the necessary comfort on how the investment advisory contract would be managed under Jupiter's ownership of MGI.

¹ 21.8% premium as of 27 January 2020.

² Based on last 12 months revenue growth to September 2020 and holding percentages as of year end.

Chairman's Statement

(continued)

Investment Advisor (continued)

We are pleased that all the Company's investment team, led by Richard Watts and Nick Williamson, has moved to Jupiter and will continue to provide the same services to the Company going forward. The terms of the investment advisory agreement have not altered as a result of the change of control and accordingly, and as a result of the strong performance of the Company, a performance fee of £32.6 million is due and payable to the Investment Advisor.

Environmental, Social and Governance ("ESG")

As Chrysalis Investments has grown, so our approach to ESG has been evolving and I am pleased to say that work on developing our ESG strategy has been progressing well.

Following the acquisition of MGI by Jupiter, we are incorporating Jupiter's ESG policies into our own procedures and will report more fully on our ESG review and monitoring during 2021.

The Board believes that the adherence to principles of appropriate ESG policies exists at both the Company and Investment Advisor level. We are pleased that Jupiter is a signatory to the UN PRI. Additionally, the Investment Advisor has formalised its ESG framework covering origination and monitoring of, and engagement with, investments.

The Board is determined to set itself the challenge of ensuring that, both as a Company, and as a portfolio of investments, the principles of socially responsible investing form a key part of our strategy for investing in, what we hope will be, leading companies of the future.

Outlook

The Company's successful fundraising in October, together with the position in THG, provides significant liquidity. The Company is also looking to put in place a revolving credit facility in order to provide funding flexibility around further investments; any leverage taken on is not expected to be structural. As a result, the Company is in a strong position from which to continue to pursue its pipeline of new investments and follow-on opportunities.

Based on the experience of the last two years since Chrysalis Investments' IPO, which has seen substantial progress in terms of raising capital and deploying it into highly attractive assets, I believe the prospects for your Company are very strong.

The portfolio is well positioned to continue to benefit from the structural shift in activity from the "offline" world to the "online", and this trend was significantly accelerated over the period in many cases due to the impact of COVID-19, which has typically led to material growth in new user adoption by many of our portfolio companies.

The Board actively supports the Investment Advisor in its desire to continue to grow the size of the Company. To date, the strength of the Investment Advisor's crossover proposition and strong contacts has enabled access to several investments in the "global leader" category – typically the reserve of the largest global investors. It is clear to both the Board and the Investment Advisor that combining greater scale with Chrysalis Investments' offering should cement its access to the best deal flow, by allowing the Company to write more substantial investment tickets – approaching those of the large global funds.

The Board and the Investment Advisor are focused on achieving this greater scale with an eye on both the speed of scaling, and on its efficiency for shareholders. Fund raises have allowed the Company to scale at speed. Converting revaluation investment gains – reflecting roughly 35%¹ of total asset growth to date – into realisations is the most capital efficient way for growing shareholder value. However, this route can take time to provide sufficient capital to recycle into new investments which the Investment Advisor is sourcing.

I am pleased to say that both routes for asset growth remain possible for the Company, with the choice of path likely to be dependent on the future size and pace of investment opportunities in front of the Company at any point in time. A revolving credit facility will assist in managing this growth.

With an established proposition and strong portfolio, I am optimistic of further progress in the year ahead. The established base which the Investment Advisor has been able to develop for the Company has been derived from the on-going support of investors, for which the Board is most grateful.








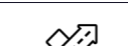


Andrew Haining
Chairman
29 January 2021

¹ At year end, investible assets stood at approximately £575 million (calculated as total investments of £606.3m less the You & Mr Jones investment at period end (£46.4 million), which was subsequently funded by the October 2020 share placing, add cash of £15.6 million). Given the £375 million raised to that date, this implies revaluation performance has contributed approximately £200 million, or roughly 35%, to total asset growth.

Portfolio statement

As at 30 September 2020

Company	Location	Date of acquisition	Cost (£'000)	Value (£'000)	% of net assets	
THG	THG PLC	UK	16/09/2020	44,089	94,213	17.4
Klarna.	Klarna Holding AB	Sweden	09/08/2019	64,381	93,453	17.2
 TransferWise	Transferwise Limited	USA	07/11/2018	43,992	79,658	14.7
 Starling Bank	Starling Bank Limited	UK	10/04/2019	53,248	69,641	12.8
GRAPHCORE	Graphcore Limited	USA	17/12/2018	50,395	67,394	12.4
 embark group	Embark Group Limited	UK	14/08/2019	27,100	60,069	11.1
 You & Mr Jones	You & Mr Jones Inc.	USA	30/09/2020	46,440	46,440	8.6
FEATURE SPACE	Featurespace Limited	UK	13/05/2020	20,000	36,391	6.7
 wefox	FinanceApp (wefox)	Germany	18/12/2019	16,556	35,018	6.5
 Sorted.	Sorted Holdings Limited	UK	15/08/2019	10,000	11,690	2.2
 secret escapes	Secret Escapes Limited	UK	07/11/2018	15,667	11,064	2.0
 GROWTH STREET	Growth Street Holdings Limited	UK	22/01/2019	12,612	1,256	0.2
Total investments				404,480	606,287	111.8
Cash and cash equivalents					15,559	2.9
Other current net liabilities ¹					(79,803)	(14.7)
Total net assets					542,043	100

¹ Other net current liabilities include £46,440,000 investment payable for the You & Mr Jones investment, which was concluded on 30 September 2020, but funded post year end.



Nick Williamson and Richard Watts
of Jupiter Asset Management Ltd

 **Wanted: Teams looking to
reshape our tech world.**

Overview

The last twelve months have proved to be successful for the Company, although COVID-19 introduced significant volatility into equity markets in the middle of the financial year.

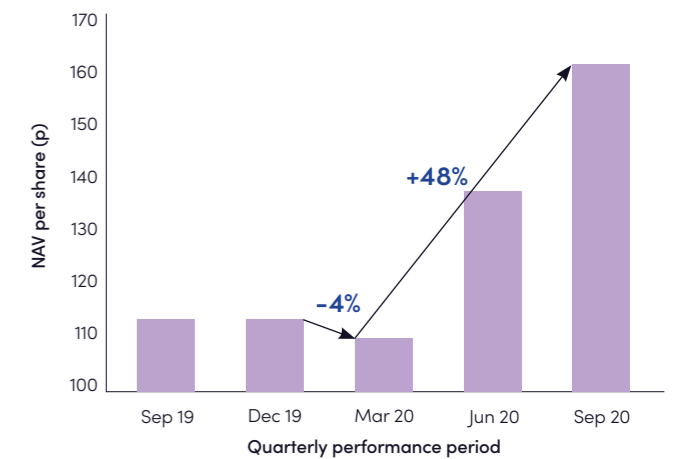
As we have previously described, it can take time for the underlying performance of portfolio companies to be fully reflected in their valuations. This meant NAV growth over the first quarter was slight, with the second quarter seeing a modest decrease due to the decline in valuations of comparable listed peers due to the impact of COVID-19. This decline was partly offset by our insertion, where possible, of downside protection mechanisms, such as convertible loan notes and preference structures. This meant NAV growth over the first half of the year was slightly negative.

However, performance was much improved in the second half year, driven primarily by:

- A significant rebound in the valuations of listed peers, as stock markets began to identify those companies
 - typically tech-enabled, like much of our portfolio
 - that could adapt more readily to a post-COVID-19 world; and
- Strong underlying trading from several our key assets.

In addition, valuation rounds, with significant participation from new investors, occurred at substantially higher levels than the prevailing carrying valuations by the Company for Klarna, TransferWise and THG, the latter via IPO.

NAV per share has grown strongly (quarterly NAV per share performance over the last twelve months)



Source: Chrysalis Investments

No capital was raised during the Company's financial year. Instead, the Company deployed the proceeds of its significant fundraising in September 2019, which had raised £175 million. Post-year end, a further £95 million was raised, taking total capital raised by Chrysalis Investments to date to £470 million.

Of the £258 million invested during the year, approximately £179 million of this was via follow-ons, which we discuss in more detail later, with approximately £79 million via opening new positions, noting that the You & Mr Jones deal settled post year end. Against this, approximately £20 million was sold from TransferWise – to control position size after further revaluations during the year.

Valuation gains, both realised and unrealised, and foreign currency movements added £189 million to total investments.

Investment Advisor's Report

(continued)

Overview (continued)

As at 30 September 2020

Company	Opening balance (£'000)	Additions (£'000)	Sales (at cost) (£'000)	Net Valuation Gains (£'000)	Closing balance (£'000)	%
THG PLC	10,478	34,542	–	49,193	94,213	15.5%
Klarna Holding AB	39,574	23,145	–	30,734	93,453	15.4%
TransferWise Limited	27,934	38,472	(11,565)	24,817	79,658	13.1%
Starling Bank Limited	27,124	33,718	–	8,799	69,641	11.5%
Graphcore Limited	20,190	30,666	–	16,538	67,394	11.1%
Embark Group Limited	14,900	12,200	–	32,969	60,069	9.9%
You & Mr Jones Inc.	–	46,440	–	–	46,440	7.7%
Featurespace Limited	–	20,000	–	16,391	36,391	6.0%
FinanceApp AG (wefox)	–	16,556	–	18,462	35,018	5.8%
Sorted Holdings Limited	10,000	–	–	1,690	11,690	1.9%
Secret Escapes Limited	13,796	2,602	–	(5,334)	11,064	1.8%
Growth Street Holdings Limited	6,044	112	–	(4,900)	1,256	0.2%
Total Investments	170,040	258,453	(11,565)	189,359	606,287	100%

“Our engagement with Merian Global Investors dates back to 2017, when we recognised the potential of its crossover proposition. During that time, we have developed a great relationship with the team and we were truly delighted when they became one of our cornerstone investors at IPO and helped ensure a smooth transition onto the public markets.”

Matt Moudling

CEO and Chairman THG PLC

Market

The primary focus of global stock markets during the year was the impact of COVID-19 on society.

The NASDAQ performed strongly from September 2019 until the pandemic's effects began to be felt in February and into March, when it experienced a drawdown of approximately 30%. From that trough it rallied approximately 63%, to end the year to September 2020 up approximately 40%.

In the UK, the FTSE 250 suffered a drawdown of approximately 42% during the pandemic and rallied only about 32%, to end the year to September 2020 still down approximately 17%.

We believe the much stronger performance of the NASDAQ towards the end of the financial year illustrates the shift that occurred in investors' minds over this period. The initial COVID-19 response saw indiscriminate selling of stocks, with little differentiation in terms of likely impact on investment cases from the pandemic. As investors began to analyse its likely effects, it became clear that COVID-19 was likely to accelerate the pre-existing structural shift of consumers and businesses towards online and digitally enabled models.

This dynamic underpinned investor confidence in tech names, and saw the NASDAQ recover strongly. As a result, the FTSE 250, with its much lower exposure to structural growth names, underperformed relatively.

This dynamic played out to a lesser degree in the private markets too, where there was initially a period of hiatus in terms of activity, as many investors drew back from fresh investment.

However, given the regular flow of information from private companies, it became clear to most private market participants that generally most tech-enabled names were coping with the seismic structural shifts in demand far better than slower-to-react, more traditional business models.

As a result, activity in private markets picked up again over the summer, with Klarna's \$650 million primary raise at a valuation more than 80% higher than a year before a prime example.

Over the year, we have continued to see strong deal flow, driven by the attractiveness of our crossover proposition.

Opportunities are originated both organically – either via companies contacting us directly, or vice versa – and via our introducer channel. The latter consists of banks, consultants and advisors who work with the underlying companies. As our activities in the private markets have grown, and our crossover credentials become better understood, so too have our origination channels and we now have an extensive network of contacts.

Over the course of the year, we had approximately 90 active leads shown to us, taking our total leads since inception to about 180. From this, we have constructed a portfolio of 12, as of year end. This low conversion ratio reflects an active choice to only invest in the best ideas that we can find. Given our increasing scale, we have great focus on identifying global leaders, or companies that can potentially attain that title. In our experience, market leaders typically have superior unit economics and command premium valuations versus peers. We believe uncovering these types of investments gives us the best opportunity of delivering optimal returns for shareholders.

Investment Advisor's Report

(continued)

Portfolio

Considerable progress was made over the course of the year in terms of the structure of the portfolio.

In December 2019, wefox became our tenth asset, followed by Featurespace in May 2020. The latter was completed during the early stages of the pandemic when most market participants decided to withdraw from actively deploying funds. At the time, Chrysalis Investments had available excess capital, post a conservative assessment of any likely funding requirements that might reasonably arise from the uncertainty thrown up by the virus. As a result, we believed it was a sensible time to be investing in an asset and sector that benefitted from structural tailwinds and had high levels of recurring revenue and enterprise level customers.

At year end, we made our twelfth investment into You & Mr Jones, a digital marketing company.

This activity has increased the diversification of the portfolio, an aim that we have had since IPO, when we set a near-term target of a 7-15 stock portfolio. Given the strength of the portfolio we believe we have constructed, there is a balance between increasing diversification and not diluting the potency of the investment theses. We have chosen to focus on the latter, as we believe this is the route to superior returns for shareholders.

“2020 was a transformative year for Embark Group, driven by the high impact follow-on capital investment from Merian Chrysalis, which allowed us to continue to pursue our M&A goals. Since investing in 2019, Chrysalis’s capital has contributed to Embark Group more than doubling AuA and the team has proved an excellent sounding board for our growth strategy.”

Paul Smith
CEO Embark Group

As a result of this decision, we have deployed significant amounts of capital into follow-on opportunities over the year. We see several benefits to follow-ons, including:

- An ability to gain experience of how an investment is performing, before increasing the position size; and
- Using follow-ons to grow our investments and thus contribute towards their success, which in turn drives NAV growth for shareholders. An example would be Embark, where our follow-on enabled it to buy the Zurich platform and considerably expand its assets under administration (“AuA”).

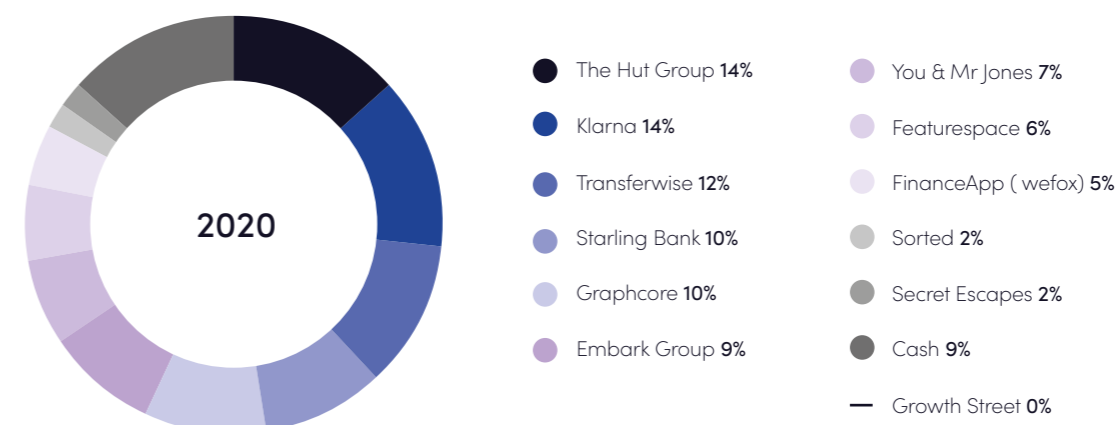
In many cases our ability to follow-on and support investee companies with their growth plans all the way through to IPO is a key attraction for entrepreneurs.

Portfolio Dynamics

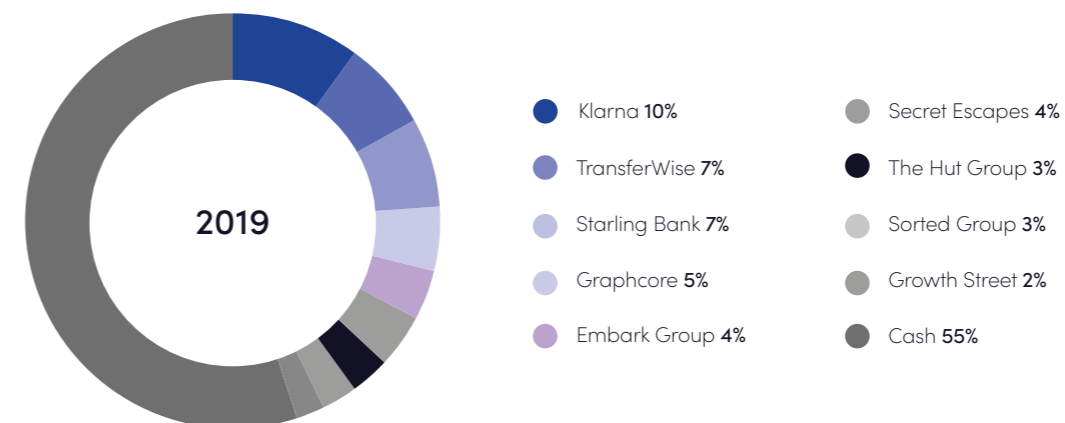
Following the raise of £175 million in September 2019, the year to September 2020 saw no further money raised from investors and instead focused on investing. Deployment of this capital has substantially altered the balance of the portfolio, as cash has fallen from over 50% of investible assets in September 2019 to about 9% at year end¹.

At the start of the year, we had four major positions²: Klarna, TransferWise, Starling Bank and Graphcore. Over the course of the year, THG has joined this group, due to follow-on investment and strong valuation performance. As of year end, these top five positions accounted for approximately 61% of gross investible assets¹.

Portfolio composition as of September 2019 and September 2020 (% of investible assets)¹



Source: Chrysalis Investments



Source: Chrysalis Investments

¹ As You & Mr Jones completed on 30 September 2020 and was funded by the proceeds of the raise received in early October 2020, this is calculated assuming the net raise proceeds were received on 30 September 2020.

² Defined in this instance as being over 10% of investible assets, prior to the £175,000,000 equity raise.

Investment Advisor's Report

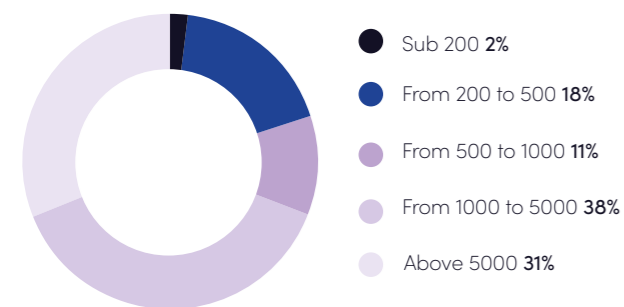
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Portfolio Dynamics (continued)

The types of business we invest in are typically late-stage and well-established.

As can be seen, once the portfolio is split into groupings by the investee companies' underlying valuations, nearly 70% of the portfolio is invested in unicorns (expressed here as valuations of more than \$1 billion). Klarna, recently valued at \$10.65 billion post its \$650 million primary raise, would currently qualify for inclusion in the FTSE 100 if it were listed in the UK.

Split of portfolio by market capitalisation banding (£ millions)



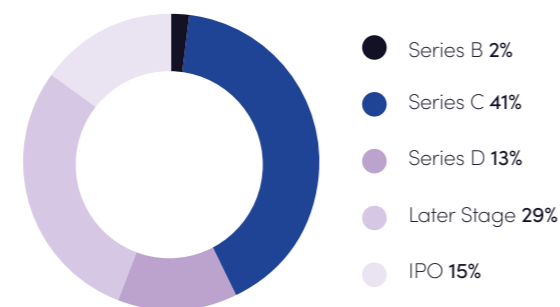
Source: Chrysalis Investments

This can also be demonstrated in the maturity of portfolio companies, both in terms of funding round and in terms of age since formation.

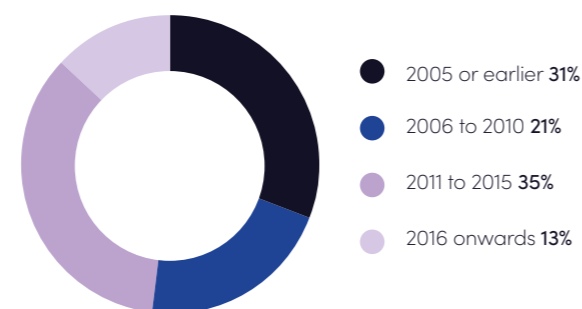
The charts below show 97% of the portfolio is Series C (funding round, with Series A typically being the initial round) or later, and half of the portfolio is in companies that were formed more than ten years ago.

The portfolio is late-stage in nature split of portfolio by Series funding round and maturity¹

By Funding Round



By Maturity



Source: Chrysalis Investments

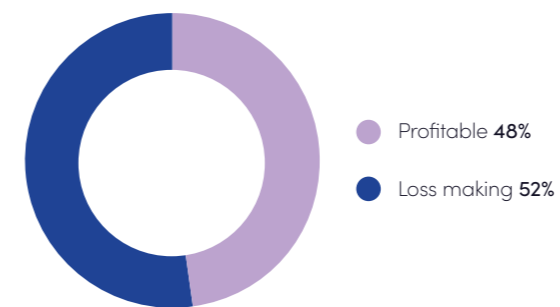
¹ Defined as the age of company since inception.

The portfolio is roughly equally split between EBITDA-profitable companies and those that are currently loss-making. While typically it is the younger businesses that are loss-making, some of the more established companies, such as Klarna with its proven unit economics, are choosing to delay delivering profitability so as to invest aggressively to continue their rapid expansion.

As we have discussed before, this is entirely economically rational to us, and one of the reasons that these late-stage private companies look to raise further funding.

About half the portfolio is already EBITDA-profitable.

Profitability



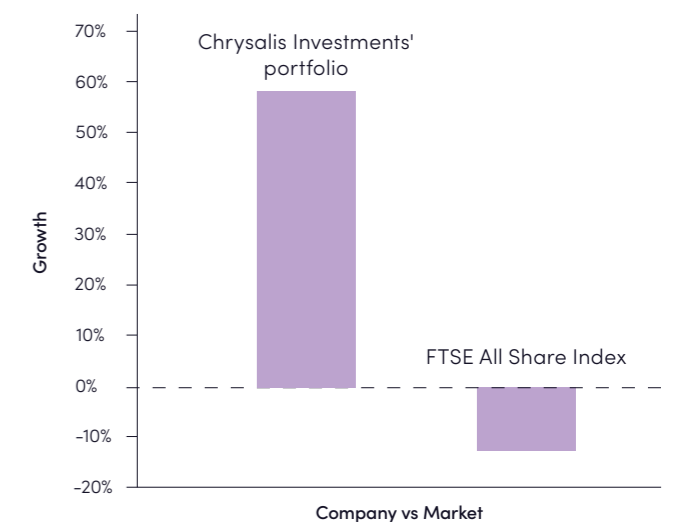
Source: Chrysalis Investments

Investment like this supports on-going rapid sales growth in the portfolio. Over the year to September 2020, year-on-year sales growth was approximately 60% on an asset-weighted basis. This is substantially faster than that available in the UK market, where the comparable figure for the UK All Share index was -13.7%, having seen a significant impact from COVID-19.

In a nutshell, this is what Chrysalis Investments was designed to do for investors: give them access to previously unobtainable investments that are growing substantially faster than those in public markets.

Growing substantially faster than companies in the public market (year-on-year to September 2020).

Revenue Growth



Source: Chrysalis investments and Peel Hunt² (for All Share)

¹ Portfolio blended revenue growth based on year end weightings and trailing twelve months sales growth year-on-year to September 2020.

² Peel Hunt is a specialist for UK investment banking with a focus on UK mid and small-cap companies.

Investment Advisor's Report

(continued)

Working with our investee companies

Chrysalis Investments typically operates as a minority investor in a world where most people's idea of "private equity" is of a control or majority investor.

There are advantages and disadvantages of being a minority investor, but importantly for us, it is a situation that we are entirely comfortable with. The Investment Advisor has a 20-year track record of activity in public markets, which by its nature, is a minority investment activity. We do, however, have to ensure that appropriate levels of governance are in place, that the board composition is correct and that we are working with a management team that we explicitly trust and have a strong relationship with.













We actively engage with management teams and other investors in helping to grow our investments. The degree of influence and engagement we have depends on the type of company we have invested in and our shareholding. For example, we are unlikely to be able to help the team at Graphcore with IPU chip design, but on the other hand, we do have strong views on banking – an area in which we have invested heavily in public markets over the years – so we can assist Starling Bank, for instance.

In addition, we have been working hard to try and find synergistic opportunities for growth between our portfolio companies, and we have been active introducers.

“Chrysalis Investments has been more than just a source of funds to Starling. Richard and Nick recognised the potential of Starling from the outset and have been passionate about helping us to deliver the business we have today. Their contributions have been crucial in helping to shape our growth strategy, particularly their recent recognition that accelerated investment during the pandemic was the right response to allow us to extend critical support to as many new customers as possible. They are collaborative and insightful partners and an integral part of the Starling story. It is a pleasure to work with them.”

Anne Boden
CEO Starling Bank

Our portfolio and commentary

	
THG PLC 18	Klarna Holding AB 20
	
TransferWise Limited 22	Starling Bank Limited 24
	
Graphcore Limited 26	Embark Group Limited 28
	
You & Mr Jones Inc. 30	Featurespace Limited 32
	
FinanceApp AG (wefox) 34	Sorted Holdings Group 36
	
Secret Escapes Limited 38	Growth Street Holdings Limited 40

Investment Advisor's Report

(continued)

£44.1m

Total Investment

£94.2m

Carrying Value

17th December 2018

Date of initial investment

Last Reported Financials

Y/E December 2019: £1.1bn Revenue
(+24% YoY); £111m EBITDA

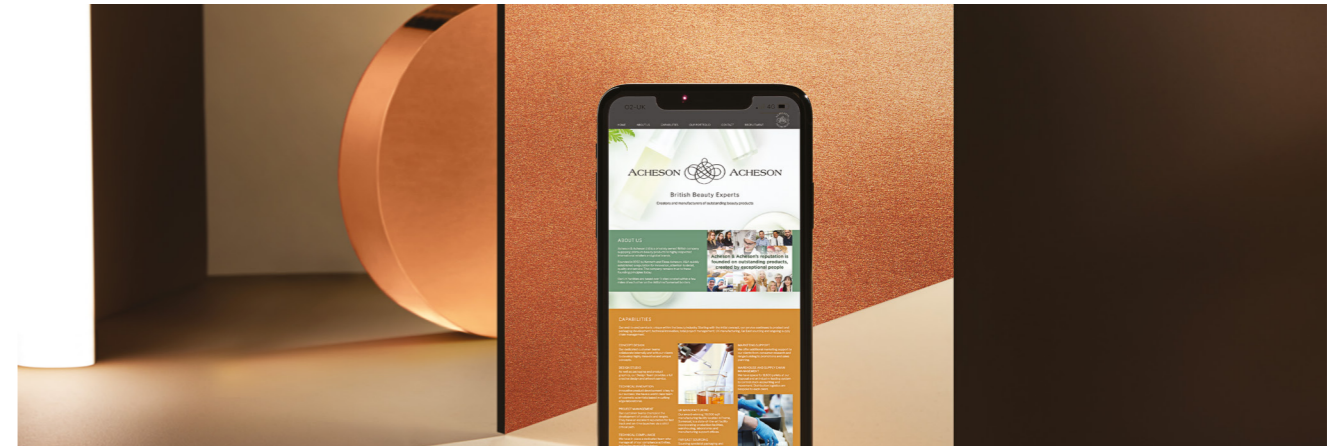
thg.com

THG

THG PLC

E-commerce has been a feature of modern life for many years now, albeit it is still capturing a growing proportion of customers' wallets versus the offline equivalent. However, the complexities of integrating a full e-commerce proposition can be daunting, even for multinationals. Considerations include warehouse management; parcel sortation optimisation; global logistics capability; website creation, translation and near-customer hosting; returns capability; and data capture.

The Hut Group is an e-commerce business that operates a highly scalable, end-to-end proprietary technology platform (Ingenuity) powering the sale of both its own brands and third-party brands. Accessing Ingenuity provides a cost-effective solution for companies to begin distributing their products online. The firm has invested significantly in its infrastructure, technology platform and brands and is one of the world's largest online beauty and well-being businesses.



In March 2020, THG reported a surge in demand for its health, beauty, and nutrition products across its world-leading brands, including MyProtein.com and Lookfantastic.com. This led the group to bring forward its recruitment plans from later this year, with the creation of 500 permanent positions across manufacturing, fulfilment, and logistics. Most roles (c350) will be created at THG's 1m sq. ft. manufacturing and fulfilment centre in Warrington, Cheshire.

Ingenuity is also gaining significant traction. In April 2020, the company announced the signing of a £100 million, 10-year contract with Nestle Health Science under which THG will deliver a fully serviced, global e-commerce platform, to internationally scale several of Nestle's brands. THG has now partnered with several international retailers, including Procter & Gamble, Walgreens Boots Alliance, Johnson & Johnson, Groupe L'Occitane and Nintendo, and this enables the group to dispatch over 68m items to customers globally.

The most notable achievement during the year was THG's successful IPO. THG listed on the main market of the London Stock Exchange in September, raising gross new money of £920 million and achieving a market capitalisation of approximately £5.4 billion. THG's flotation is a significant and exciting moment in the development of the Company. It represents the portfolio's first IPO and clearly demonstrates the strength of our crossover proposition, with Merian Global Investors named as one of only five global cornerstone investors.

The financial performance of the business has been impressive over 2020. Group revenue increased to £559 million in 4Q 2020, which represented a +51% rate of growth year-on-year and acceleration versus the reported first half 2020 revenue growth rate of +36%. Direct-to-Consumer (D2C) online revenues increased to £469 million (+54% year-on-year) and high margin Ingenuity revenues grew +144% year-on-year, albeit from a small base. Following the IPO, the company had a positive net cash position of approximately £420 million with over £900 million of liquidity.

Investment Advisor's Report

(continued)

£64.4m

Total Investment

£93.5m

Carrying Value

5th August 2019

Date of initial investment

Last Reported Financials

Y/E December 2019: SEK7bn Net Revenue (+31% YoY); (SEK1bn) Net Income

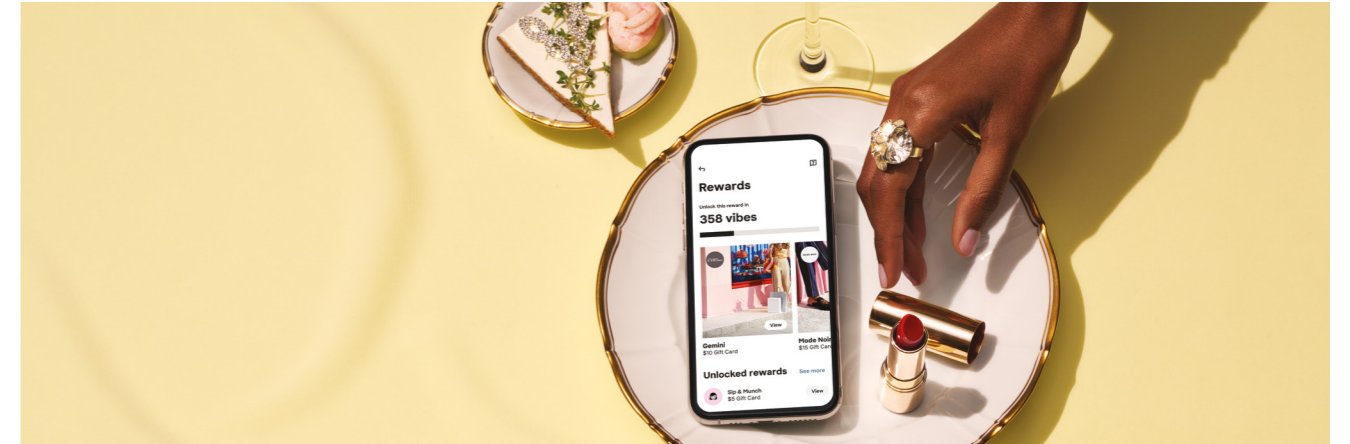
[klarna.com](https://www.klarna.com)

Klarna.

Klarna Holding AB

Online shopping is not always frictionless for consumers. Examples range from having to fill in multiple personal detail fields, particularly when using a new website, and also around returns. Having paid immediately, consumers can often wait several weeks for returned goods to be checked and the cost credited back to their account, leaving them out of pocket. This friction results in abandoned baskets and slower purchase velocity, which lowers retailers' revenues.

Founded in Stockholm in 2005, Klarna is a leading global payments provider that is revolutionising the online payment experience by removing friction from customers' website journeys and allowing them to control how they pay for goods. To that end, Klarna offers direct payment, payment after delivery options and instalment plans in a smooth one-click purchase experience that allows users across Europe and North America to phase their spending. Its technology also allows returned goods to be credited back to customers' accounts as soon as it is accepted by the logistics company.



The company announced in March 2020 that Ant Financial Services Group, owner and operator of the world's leading payments and lifestyle platform Alipay, has taken a minority stake. This investment supports the further developments of its strategic cooperation, bringing more of Klarna's innovative solutions to consumers and merchants within the broader Alibaba ecosystem. The Alipay investment highlights the company's desire to enter new territories, and immediate traction was made in Australia, Belgium, Canada and Spain during the year.

Klarna has typically generated a 30%+ rate of sales growth per annum in recent years but this accelerated over the nine months to September 2020 with gross merchandise volume and total net operating income (sales) increasing by +43% and +37% respectively. More than 57,000 retailers were added to the already strong global retailer base of more than 200,000 and 21 million consumers were acquired. Achieving market leadership in the US and UK is a key part of our investment thesis and we were particularly encouraged by growth in those territories as evidenced by customer number growth of 230% over the year in the US. In September, Klarna had 1.7 million monthly active users in the US and was the most downloaded shopping app in the month, ahead of giants such as Amazon and Walmart.

The business is currently loss making but has demonstrated in the past that it can operate a profitable model through the cycle. The company has currently chosen to run at a loss in order to maximise customer and merchant growth in new territories overseas; this ultimately leads to higher customer acquisition and impairment charges in the near term but increases long-term potential. We are confident this is the correct decision and strategy for the business, given the value that could be created if market leadership is established in geographies such as the US, Canada and Asia.

Klarna continues to innovate and develop new payment solutions and the Klarna card, app and in-store solution in combination with the core offering enables consumers to shop and pay with Klarna where, when and how they prefer; in many markets the consumer can now use the app at any online retailer. The Klarna app powers the whole shopping and post purchase experience with features such as overview of all purchases with pictures, price drop notifications, delivery tracking, connecting to other bank accounts, upcoming payment alerts and 24/7 chat functions recently launched. New features get instant traction with consumers, create a smoother end to end shopping experience, improve brand loyalty and drive repeat usage.

Klarna completed a \$650 million primary funding round over the summer, with significant interest from several new investors. The round valued Klarna at \$10 billion pre new money, which represents a material increase compared with the valuation of \$5.5 billion achieved in 2019 when we first invested. Given the very strong on-going performance of the business, we participated in this funding round, and the proceeds will enable the company to continue investing in product development and accelerate growth internationally.

Klarna is a major position for the Company. As we look forward, we see considerable potential for its recent strong growth to continue, and believe its current valuation looks favourable versus a range of listed peers.

Investment Advisor's Report

(continued)

£44.0m

Total Investment

£79.7m

Carrying Value

7th November 2018

Date of initial investment

Last Reported Financials

Y/E March 2020: £303m Revenue
(+70% YoY); £42m EBITDA

[transferwise.com](https://www.transferwise.com)



TransferWise Limited

Every year, more than \$10 trillion is transferred internationally. However, traditional bank networks are local, making international money transfers slow, expensive and inconvenient. The cost of transfers to both individuals and businesses continues to be far too high across the industry and transactions are typically advertised with zero or low fees despite hidden charges in the exchange rate mark-up. As of March 2020, the World Bank estimated the global average total cost of remittance to be 6.8% of the transfer value.

TransferWise is a global technology company that was founded with the aim of reducing the fees associated with sending money across borders. With a simple money transfer platform and borderless accounts, TransferWise makes it quick and easy for individuals who travel, live and work internationally to manage their money. Businesses can also use TransferWise to pay suppliers or employees overseas, request payments from customers and transfer funds between their own accounts in different countries.

TransferWise's pricing is always transparent, with the full cost of the transaction shown upfront. On average it costs 0.68% of the transfer value to move money across borders and for some established currency routes like GBP-EUR, the fee is less than 0.4%.



(left to right) Taavet Hinrikus, Co-Founder & CEO;
Kristo Käärmann, Co-Founder & CEO



In the year ended March 2020, £67 billion in customer payments were processed by TransferWise – an uplift of c86% from the previous year – and it was the fourth consecutive year that the company has been profitable whilst continuing to scale rapidly. Revenues during the year increased approximately 70% to £302.6 million and EBITDA increased from approximately £18 million to approximately £42 million with the implied EBITDA margin increasing by about 3.7 percentage points to 14.0%. Over 100,000 new business customers were acquired in the financial year and total customer numbers increased from five million to seven million.

In the year, TransferWise continued to expand globally and services were launched in the UAE, Malaysia and Japan. TransferWise is now live in over 85 countries and customers can hold money in more than 50 different currencies, with local account numbers in five currencies – for the UK, Eurozone, Australia, New Zealand and US. Customers are increasingly using their accounts for a growing range of needs, rather than simply sending money and receiving funds from abroad.

New products include direct debits, Send Money to Friends, and Apple Pay. TransferWise for Business continues to gain traction with SMEs and larger companies. Several API partnerships were signed during the year which expands the use of the company's payment rails to solve a range of problems.

Partnerships with accounting software provider Xero and payment collection company GoCardless have been formed which will enable business customers to pay suppliers and other providers via the platform and collect overseas payments at the real exchange rate.

There has also been increased demand for TransferWise for Banks. In Q1 2020, TransferWise announced a partnership with ActivoBank, its first Portuguese banking customer. TransferWise now works with partners across three continents, including Monzo in the UK, Bunq in the Netherlands, N26 in Germany, LVH in Estonia, Novo and Stanford Federal Credit Union in the US and EQ in Canada. Partnerships with BPCE, France's second largest bank, and Up! in Australia have also been announced.

During the year, TransferWise did not raise any primary capital but it did complete a \$319 million secondary share sale in July that valued the business at \$5 billion, which resulted in a material mark-up to our carrying value. We participated in this round and sold approximately £20 million of stock, which represented our first realisation, and was undertaken for position size control purposes.

TransferWise has been a consistent performer for the Company over our period of ownership. Despite its strong valuation progression over recent years, we continue to be optimistic regarding the outlook for this position. With a small share in a massive market and a compelling offering, the outlook for ongoing growth looks favourable, as does its valuation against listed peers.

Investment Advisor's Report

(continued)

£53.2m

Total Investment

£69.6m

Carrying Value



Starling Bank Limited

Banking has traditionally been dominated by the branch model, with technology added on an ad-hoc basis. Branches add cost, particularly as consumers' demands shift more towards online access, which is an issue for banks facing ever growing regulatory and shareholder pressure. In addition, the application of technology piecemeal typically results in lower functionality, a poor customer experience, and an inability to scale the bank's architecture.

Founded by banking expert Anne Boden in 2014, Starling has built a cloud-native, mobile first, scalable platform that delivers a wide range of financial services to customers. 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. Starling has also been successful in providing its technology to other financial services businesses and users via its "Banking-as-a-Service" offering, which allows customers to access its state-of-the-art payments systems and infrastructure.



12th February 2019

Date of initial investment

Last Reported Financials

Y/E November 2019: £24m Total Income (+69% YoY); (£49m) Loss after Taxation

starlingbank.com



2020 has been a transformational year for the company with COVID-19 driving an accelerating take up by new customers, as many branch-based models stumbled. Starling ended its financial year to November 2019 with 926,000 retail accounts, 82,000 business accounts and just over £1 billion held on deposit.

As at July 2020, Starling had 1.25 million retail accounts, 200,000 business accounts and more than £3 billion on deposit. Starling is now the fastest growing SME bank in Europe and holds a more than 3% share of the UK's SME banking market¹. The employee base has increased by 352 over this year, with a net increase of 147 people since the start of lockdown, bringing the total number of employees to 958.

Starling is beginning to demonstrate that it has built a sustainable, and likely highly profitable, business model. Annualised revenue run rate has increased to £80 million¹ and the business remains on track to hit break even by the end of the year; few Neobanks have been able to achieve this milestone. The biggest development over the course of the year has been the extraordinary growth of the loan book from less than £100 million to more than £1 billion. Starling participated in both the Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLs) through the pandemic and supported over 25,000 SMEs.

During the year Starling continued to innovate and launch new functionality, such as:

- A business toolkit aimed at SMEs was released that assists with invoice and cash flow tracking and helps submit VAT returns to HMRC;
- A new 'Connected Card', a second, secure debit card attached to the customer's account for use by trusted friends, family or carers;
- Cheque imaging, so that customers can pay in cheques from home; and
- An online eligibility checker so businesses and individuals can find out what support and services they are entitled to.

High levels of customer service and account functionality led to Starling winning Best British Bank for a third year in a row at the British Bank Awards.

The company raised a further £100 million of primary capital from existing investors, including the Company, in February and May 2020 to continue its rapid growth, with European expansion expected to commence in 2021.

Starling's performance in 2020 to date has been phenomenal. Growth has materially exceeded our expectations and we believe there is an excellent opportunity for the bank to substantially disrupt the established banking market in the UK and beyond.

¹ Source: Starling Bank CEO letter August 2020

Investment Advisor's Report

(continued)

£50.4m

Total Investment

£67.4m

Carrying Value

GRAPHCORE

Graphcore Limited

The application of machine learning ("ML") and artificial intelligence ("AI") continues to gain traction across society, from seemingly mundane tasks like directing call centre chat bots, to understanding voice commands and autonomous driving. Work we commissioned about a year ago predicted the ML/AI chip market would grow to nearly \$9 billion by 2023, from approximately \$2.6 billion in 2019, illustrating the market's substantial growth potential.

ML/AI programmes have traditionally been run on graphics processing units ("GPUs") being the best architecture available to accelerate the huge workloads these models require. However, GPUs require algorithms to be optimised to suit their modus operandi to gain maximum efficiency.

This means data scientists can be restricted in their model choice: the model is chosen to fit the hardware, rather than the problem it is trying to address.



17th December 2018

Date of initial investment

Last Reported Financials

December 2019: \$10m Revenue
(+767% YoY); (\$82m) Loss after Taxation

graphcore.ai



Graphcore is a leading machine intelligence semiconductor business, which has developed the Intelligence Processing Unit ("IPU"). The IPU is completely different from today's Central Processing Unit ("CPU") and GPU processors. It is a highly flexible, easy to use, parallel processor that has been designed from the ground up to deliver state of the art performance on today's machine intelligence models for both training and inference. The IPU has been designed to allow new and emerging machine intelligence workloads to be realised. As well as designing one of the world's most sophisticated silicon processor, Graphcore has also built the world's very first graph tool chain specifically designed for machine intelligence – the Poplar software stack.

Graphcore achieved a significant milestone during the year when it introduced its second-generation IPU platform ("MK2") in July 2020. This has greater processing power, more memory and built-in scalability for handling extremely large MI workloads. The initial performance benchmarks that Graphcore has publicly released are impressive and demonstrate state of the art performance and accuracy across several complex AI models such as BERT and ResNeXt.

Graphcore secured an additional \$222 million of primary capital in December 2020 as part of a Series E funding round. This funding round was completed at a pre-money valuation of \$2.5 billion and saw participation from new and existing investors. The business is now extremely well capitalised, with cash of \$440 million, which will support its continuing, major R&D investment and global expansion.

Customer engagement is growing rapidly across a range of corporations, organisations and research institutions, with users of Graphcore systems including Microsoft, Oxford Nanopore, Citadel and Qwant. The past twelve months have been transformational for Graphcore as the business has transitioned from development to prepare for volume production. Demand for IPU products is increasing among new and existing customers, and we believe the outlook for the business is extremely positive.

Investment Advisor's Report

(continued)

£27.1m

Total Investment

£60.1m

Carrying Value



embark
group

Embark Group Limited

In recent years, the Wrap Platform Market has continued to invest in Technology while the traditional Self-Invested Personal Pension ("SIPP") and Small Self Administrated Schemes ("SSAS") players have relied on product knowledge. Embark was formed to combine the technology strengths of the Wrap Platforms with the extensive pensions expertise of the typical SIPP and SSAS providers in order to deliver specialist and tech-enabled solutions to both retail and corporate customers.

Embark is a full-scale retirement solutions provider, with platform, investment wrap, e-SIPP, SIPP, SSAS, fund research and employee benefits consulting capabilities. The Group trades under the subsidiary brands Embark, Vested, Rowanmoor, EBS, The Adviser Centre, DISCUS and Hornbuckle. It also operates a wide portfolio of white-label technology solutions for businesses such as RBS Coutts, Standard Life, Nutmeg, BestInvest, Charles Stanley, Moneyfarm and Wealthsimple.



3rd July 2019

Date of initial investment

Last Reported Financials

Y/E December 2019: £34m Revenue
(+5% YoY); £1m Profit after Tax

embarkgroup.co.uk



Embark is one of the fastest growing digital retirement and savings businesses in the UK market. The Group is experiencing strong demand for its digital services and the capital it has raised recently will enable it to take full advantage of its disruptive position in the UK savings sector, through continued technological innovation and selective expansion opportunities.

Embark completed its acquisition of Zurich's Investment and Retail Platform during the year. This transferred circa £11 billion of assets under administration, and circa £0.6 billion of multi-asset assets under management to Embark, along with an advised client book of more than 130,000, largely dominated by SIPP clients.

This takes Embark's AuA to over £34 billion, serving more than 365,000 consumer clients across all its channels and brands, up from approximately £16 billion at the time of the Company's initial investment. These transactions position Embark as the seventh largest player in the advised platform market in the UK.

Embark has been recognised in the WealthTech 100 as one of the most innovative Wealth Tech companies in 2019 and 2020.

The company raised primary capital during the year (November 2019) to fund the acquisition of the Zurich's Investment and Retail Platform, with Chrysalis Investments contributing £12.2 million of this funding.

Investment Advisor's Report

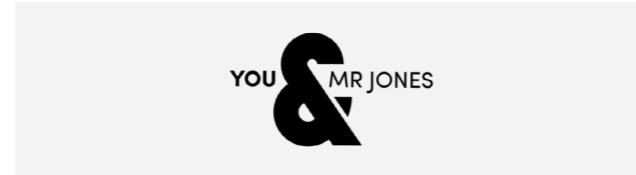
(continued)

£46.4m

Total Investment

£46.4m

Carrying Value



You & Mr Jones Inc.

Along with other industries, the world of marketing is adjusting to the impact of technology on its consumers. In particular, the rise of the mobile phone has meant digital marketing now accounts for nearly half of the \$640 billion total annual media spend¹.

While marketers have perfected the television marketing playbook, the ones for digital marketing are immature. Consumers create their own content and discuss brands online, requiring companies to have a much more responsive marketing product. In addition to this speed, they need to create, curate and disseminate product across multiple platforms and deal with the resulting huge quantities of data. All of this causes efficiency problems.



6th October 2020

Date of initial investment

Last Reported Financials

Not publicly disclosed

youandmrjones.com



(left to right) David Jones, Founder & CEO; Simon Martin, Founder & Chief Executive of Oliver; Emma Cookson, Partner; Sharon Whale, Chief Executive Officer, Global Markets & Operations of Oliver

You & Mr Jones is at the forefront of digital marketing or "Brandtech". Its offering is based around the OMG technology platform, which allows marketers to plan, create and distribute digital campaigns seamlessly. This operating system offers a significant productivity boost to clients and has enabled some to make material cost savings.

The company is headquartered in New York (US), employs approximately 3,000 people across 40 countries and has made seven acquisitions and 20 strategic investments to date to build out its product offering. Clients include Unilever, Adidas, Microsoft, Danone, Diageo, Reebok, Reckitt Benckiser, PayPal and Google.

Despite the pandemic, 3Q 2020 was another strong quarter for the group with net revenue organic growth for the nine months to September 2020 of 27%.

¹ Source: Zenith Optimedia 2019

Investment Advisor's Report

(continued)

£20.0m

Total Investment

£36.4m

Carrying Value

13th May 2019

Date of initial investment

Last Reported Financials

Y/E December 2019: £17.7m revenue
(+78% YoY); (£10.2m) Loss after Taxation

featurespace.com

FEATURE SPACE

Featurespace Limited

Fraud is an occupational hazard for banks and other financial institutions. In areas such as card fraud, models are deployed that look for suspicious activity and block it before illegal transactions can occur.

Fraudulent behaviour can change very quickly, particularly in an online world, and rules-based models are non-adaptive. This means that the rulebook goes out of date rapidly, resulting in rising fraud unless more rules are written. If the rules are too tight, then the financial institution receives too many false positives, resulting in lost revenue through lower lending or transaction volumes. Typically, this also increases the number of in-bound calls to customer service agents in the form of complaints, requiring higher levels of staffing. If too many rules are written, the rulebook becomes unwieldy and time consuming to manage.



Martina King, CEO

Featurespace has invented Adaptive Behavioural Analytics and created the ARIC Risk Hub, which utilises real-time machine learning software to risk score events in more than 180 countries to prevent fraud and financial crime. By analysing anomalies in individuals' transactions, ARIC Risk Hub can automatically identify emerging fraud attacks and suspicious activity in real-time, without requiring constant retraining.

Over 30 major global financial institutions use ARIC Risk Hub to protect their businesses and customers, including four of the five largest banks in the UK. Included in the 30 are white labelled payment sector partnerships where Featurespace's technology is distributed to an extensive additional customer base.

Given its partial exposure to transactional revenues, the initial impact of lockdown did see a reduction in revenue versus forecast; as our investment occurred in May 2020, we had already factored in this likely effect. As economies have normalised, so this element of revenues has begun to recover and is an increasing contributor to Featurespace's recurring revenues.

Pleasingly, Featurespace's risk models adapted automatically to the pandemic related shift in spending patterns – most notably a move from "card present" transactions to "card not present" – as publicly endorsed by their largest customer. We believe COVID-19 has clearly demonstrated the power of the company's adaptive technology.

Customer traction continues to be strong. The major news since investment is the record-breaking volume of new business, including the consummation of a partnership with global payments giant, Fiserv, and continued recurring revenue growth.

Investment Advisor's Report

(continued)

£16.6m

Total Investment

£35.0m

Carrying Value

5th December 2019

Date of initial investment

Last Reported Financials

Not publicly disclosed

wefox.de

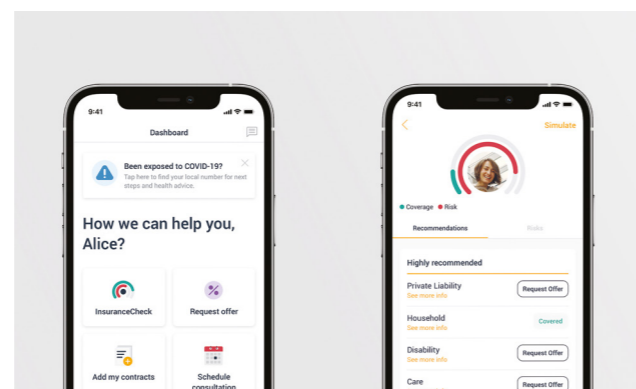


FinanceApp AG (wefox)

The vast majority of insurance policies across Europe are still sold via brokers. These brokers typically operate from a high-street store and do not enjoy the benefits of scale or technology. Customers are also often dissatisfied with their current insurance experience as customer service is poor and insurance products are not tailored to fit their particular needs or behaviour.

wefox is looking to solve these problems by aggregating insurance brokers onto a digital platform and then enabling them to distribute fully digital and customised insurance products to their customers, resulting in market leading prices and service.

wefox was founded in Berlin in 2015 and has already established itself as one of Europe's largest and fastest growing InsureTech assets. The wefox Group consists of two subsidiaries: wefox and ONE.



wefox is Europe's largest digital insurance platform with significant existing scale in Germany, Austria and Switzerland. The wefox platform enables over 350,000 customers, 1,500 insurance broker agents and 300 insurance providers to transact and manage insurance products digitally. The wefox app and website acts as a digital wallet, where consumers can store details of their insurance policies, and allows third-party insurance companies and brokers to achieve efficiencies through a high degree of automation.

ONE was launched in February 2018 and is a fully digital insurance company distributing private liability and household policies in Germany. ONE is fully integrated with wefox and leverages the platform's distribution capability and data sets to deliver best-in-class loss ratios and customer acquisition cost. The company has performed well over the year and now generates more than €100 million in sales.

The company raised over €200 million in 2019 and additional primary capital in 2020, more than any other European InsureTech asset, and the proceeds will be used to expand across Europe and into Asia.

Investment Advisor's Report

(continued)

£10.0m

Total Investment

£11.7m

Carrying Value



Sorted Holdings Limited ("Sorted")

Integration with a logistics carrier and its services is one of the most complex and difficult connections for an e-commerce site to develop, especially on a global basis. Providing an easy-to-use API connection requires specialist knowledge to build and continual maintenance. This can be time consuming and expensive. Retail is also becoming increasingly global and building APIs to carriers worldwide and managing different commercial terms and pricing models is an increasingly complex problem.



15th August 2019

Date of initial investment

Last Reported Financials

Not publicly disclosed

sorted.com



Sorted is a Manchester-based, global Software as a Service (SaaS) company that has developed a delivery management platform that allows retailers (both digital and physical) to effectively manage their delivery and returns proposition. This enables retailers to increase conversion rates, reduce abandoned baskets and maintain customer loyalty. Sorted has developed three highly innovative products:

- SortedHERO, an application programming interface solution, allowing retailers to display real-time delivery options at checkout;
- SortedPRO, a ground-breaking delivery management platform for carrier and shipping management; and
- SortedREACT, a powerful AI driven tracking platform that aggregates carrier and delivery communications post purchase.

Sorted is one of the UK's fastest growing and most disruptive SaaS companies. It has invested over £30 million to date in its technology and provides global retailers with a best-in-class solution. Sorted now operates in 14 countries across Europe and the US and works with several leading companies, including: ASOS, Farfetch, JD Sports, N Brown, Wincanton and Clipper Logistics.

Sorted had a very strong start to the year, winning several material new clients. During the year, Sorted signed JD Sports with two distinct projects covering UK and Europe; Insight, a Fortune 500 business IT reseller with US\$7 billion turnover; George at ASDA; and a global contract with a British multi-brand enterprise retailer. The company also went live in Australia, Japan and South Korea.

Sorted's carrier library, which represents a material barrier to entry for new entrants to the market, continues to expand with new carriers in Europe, US and Australia recently added.

Generally, the impact of COVID-19 has seen retailers increasingly relying on their digital capabilities and this has led to increased focus and spending on their online propositions, including with Sorted.

Investment Advisor's Report

(continued)

£15.7m

Total Investment

£11.1m

Carrying Value



Secret Escapes Limited

Every year hotels struggle to manage their capacity and are often left with unoccupied rooms that impact yield. They are often unwilling to market these rooms at discounted prices in case that effects their brand and ability to price in the future.

Secret Escapes Limited ("Secret Escapes") 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.



7th November 2018

Date of initial investment

Last Reported Financials

Y/E December 18: £121m Revenue
(+66% YoY); £2m EBITDA

secretescapes.com



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.

As an online travel business, the company has seen a significant impact from the pandemic and related restrictions to travel. As previously announced, the Company made a £2.6 million follow-on investment, as part of a wider funding round in May 2020, in order to support Secret Escapes navigate through a variety of COVID-19 stressed trading scenarios, as well as allowing it to benefit from expectations of accelerated channel shift and less competition post-lockdown.

Recent trading has been correlated with local lockdown laws, and typically has seen a rebound when restrictions have been lifted. The business continues to trade better than its COVID-19 downside scenario budget.

Investment Advisor's Report

(continued)

£12.6m

Total Investment

£1.3m

Carrying Value

24th January 2019

Date of initial investment

Last Reported Financials

Not publicly disclosed

growthstreet.co.uk



Growth Street Holdings Limited

Growth Street was set up to provide innovative and flexible revolving credit lines to SMEs. As previously reported, two large loans defaulted early in the financial year. In combination with changes to the peer-to-peer funding market and accentuated by the pandemic, a decision was taken to wind down the company during the year. The Investment Advisor worked with other shareholders to support the business through this difficult time and, post period end, a decision was taken to accelerate returns to investors that funded the Growth Street platform, such that they received full recoveries. While this decision modestly increases the risk of a lower wind-down value for Chrysalis Investments, the Investment Advisor believes ensuring no losses for retail customers was the responsible course of action.

Given it was relatively early stage at the time of investment, compared with other portfolio companies, Growth Street was a small position in the portfolio. It is currently held at a nominal amount, reflecting a reasonable estimation of its wind-down value.



Outlook

Following our post year end fund raising, and subsequent use of funds – mainly into the You & Mr Jones investment – the Company has cash of approximately £38 million¹.

In addition, the position in THG provides significant liquidity, given its listed nature, giving total liquidity² of over £150 million. The Company is also looking to put in place an RCF in order to provide funding flexibility around further investments; any leverage taken on is not expected to be structural.

As a result, the Company is in a strong position from which to continue to pursue its pipeline of new investments and follow-on opportunities.

At the time of writing, while the UK is under a third national lockdown, there is optimism surrounding the rollout of approved vaccines to COVID-19 and stock markets are reacting positively to this news, helped by a consensual view that interest rates are likely to remain suppressed for the foreseeable period. While in aggregate the portfolio saw a benefit from accelerating channel shift as a result of COVID-19, we believe a significant number of the new users gained by our businesses over this time will prove to be permanent, as COVID-19 has just amplified already well-established trends. So, while growth comparators for certain portfolio companies might be more challenging over the coming year, our expectation is that our key units will still demonstrate robust growth.

Thematically, therefore, we are comfortable with the positioning of the portfolio and are optimistic over prospects for further NAV growth in the year ahead.

We recognise the benefits of increased scale, and believe it is right to continue to try and grow the Company such that it can compete in terms of ticket size with many of the global growth investors. Our target investments are often large, late-stage private businesses, with commensurately significant funding requirements. The ability to credibly provide that funding, over a sometimes prolonged period, is an important consideration when these targets look to select which investors to partner with.

While our crossover proposition has opened many doors for us, as indeed have our contacts from over 20 years of public market investing, we believe combining these attributes with true scale will really cement our offering in the market.

As our Chairman has highlighted, we have a number of ways in which we can look to achieve this increased scale. Our focus remains on trying to affect this in the most efficient way for shareholders, while considering the investment opportunities in front of us.

With on-going robust trading performance from our key assets, significant liquidity, a strong origination capability, and a growing recognition of our offering, we look forward to the coming year with optimism.

ESG

Following the acquisition of MGI by Jupiter we are implementing Jupiter's ESG framework to tie in with the Company's ESG Policy set out on page 44. The integration of material environmental, social and governance factors under this framework will be applied throughout the investment process, with assistance provided by Jupiter's Governance and Sustainability team. We will report in detail against the Company's ESG policy in due course.

¹ As of 31 December 2020

² Defined as cash plus liquid assets £150m is as of 31 December 2020

Investment Objective and Policy

Investment objective

The investment objective of the Company is to generate long term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted and listed companies.

Investment policy

Investments will be primarily in equity and equity-related instruments (which shall include, without limitation, preference shares, convertible debt instruments, equity-related and equity-linked notes and warrants) issued by portfolio companies. The Company will also be permitted to invest in partnerships, limited liability partnerships and other legal forms of entity where the investment has equity like return characteristics.

For the purposes of this investment policy, unquoted companies shall include companies with a technical listing on a stock exchange but where there is no liquid trading market in the relevant securities on that market (for example, companies with listings on The International Stock Exchange and the Cayman Stock Exchange). Further, the Company shall be permitted to invest in unquoted subsidiaries of companies whose parent or group entities have listed equity or debt securities.

The Company may invest in publicly traded companies (including participating in the IPO of an existing unquoted company investment), subject to the investment restrictions below. In particular, unquoted portfolio companies may seek IPOs from time to time following an investment by the Company, in which case the Company may continue to hold its investment without restriction.

The Company is not expected to take majority shareholder positions in portfolio companies but shall not be restricted from doing so. Further, there may be circumstances where the ownership of a portfolio company exceeds 50% of voting and/or economic interests in that portfolio company notwithstanding an initial investment in a minority position. While the Company does not intend to focus its investments on a particular sector, there is no limit on the Company's ability to make investments in portfolio companies within the same sector if it chooses to do so.

The Company will seek to ensure that it has suitable investor protection rights through its investment in portfolio companies where appropriate.

The Company may acquire investments directly or by way of holdings in special purpose vehicles, intermediate holding vehicles or other fund or similar structures.

Investment restrictions

The Company will invest and manage its assets with the objective of spreading risk, as far as reasonably practicable.

No single investment (including related investments in group entities) will represent more than 20% of Gross Assets, calculated as at the time of that investment.

The Company's aggregate equity investments in publicly traded companies that it has not previously held an investment in prior to that Company's IPO will represent no more than 20% of the Gross Assets, calculated as at the time of investment.

Subject in all cases to the Company's cash management policy, the Company's aggregate investment in notes, bonds, debentures and other debt instruments (which shall exclude for the avoidance of doubt convertible debt, equity-related and equity-linked notes, warrants or equivalent instruments) will represent no more than 20% of the Gross Assets, calculated as at the time of investment.

The Company will not be required to dispose of any investment or rebalance its portfolio as a result of a change in the respective value of any of its investments.

¹ As of 30 September 2020

Responsible Investment and Environmental, Social and Governance Policy

Overview

Chrysalis Investments provides shareholders with exposure to some of the most innovative, entrepreneurial, and creative private companies in its target markets. The Investment Advisor already operates under an ESG framework in its capacity as a manager of listed equities, but recognises that a framework for Chrysalis Investments needs to reflect not only the different characteristics of the private market, but also the Company's positioning within that market.

While Chrysalis Investments is active in private markets, unlike many private market participants that operate as control or majority investors, the Company's investments will typically constitute a minority holding, and its ESG framework needs to reflect that. Minority positions are normal in public markets where the Investment Advisor works with management teams to achieve desired outcomes.

The approach to exiting positions, which the Investment Advisor typically expects to be via IPO, also distinguishes the Company from private equity peers and needs to be considered. A key feature of the Company is its dual capability as a 'crossover investor' which means it can provide funding in both private and public arenas. Therefore, on occasions, it may continue to hold companies once they are listed and this shapes the manner in which the Investment Advisor considers ESG risks and imparts expectations to businesses at this stage of their development. The Investment Advisor's long track record of activity in public markets is extremely useful in this regard, and means it can help companies establish best practice.

Prospective portfolio holdings are identified based on their customer offering and growth and financial potential. Typically, the Investment Advisor is not focused on achievement of short-term financial metrics, rather companies are partnered because of the strength and sustainability of their business model. Therefore, understanding corporate culture and the factors that uphold long-term success has always been a core part of the Investment Advisor's analysis.

The adoption of the new framework will help to formalise this approach, and tie in other material environmental, social and governance factors into the investment process to assess both the risks and the opportunities that drive long-term value. The Investment Advisor believes this will contribute to astute investment decision making, by partnering companies that are aligned to shareholder and stakeholder interests, and enable it to continue to actively engage with portfolio holdings, providing challenge and support to management.

In constructing its ESG framework for Chrysalis Investments, the Investment Advisor is being assisted by Jupiter's Governance & Sustainability team and anticipates continued support from it with respect to research and monitoring of companies. The overall approach is also underpinned by the internal governance and oversight provided by Jupiter's Chief Investment Officer ("CIO") Office. We will report more fully on our ESG policies and procedures in 2021.

Governance

Corporate Governance Statement

Chrysalis Investments Limited has a Premium Listing on the London Stock Exchange Main Market and became a member of the Association of Investment Companies (AIC) on 21 January 2019. The Board has considered the Principles and Provisions of the 2019 AIC Code of Corporate Governance (AIC Code), and a full scope review of the Company's corporate governance processes and procedures has been conducted with reference to the AIC Code by the Board and the Company Secretary.

The AIC Code addresses the relevant Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission, provides more relevant information to shareholders. The company has complied with the Principles and Provisions of the AIC Code and in doing so has met its associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

Key Governance Disclosures

Section 172(1) Statement

Through adopting the AIC Code, the Board acknowledges its duty to apply and demonstrate compliance with section 172 of the UK Companies Act 2006¹ and to act in a way that promotes the success of the Company for the benefit of its Shareholders as a whole, having regard to (amongst other things):

- i. consequences of any decision in the long-term;
- ii. the need to foster business relationships with suppliers, customers and others;
- iii. impact on community and environment;
- iv. maintaining reputation; and
- v. acting fairly as between members of the Company.

The Board considers its duties under S.172 to be integrated within the Company's culture and values. The Company's culture is one of respect for the opinions of stakeholders, with an aim of carrying out its operations in a fair and sustainable manner that is both instrumental to the Company's long term success and upholds the Company's ethical values. The Board encourages diversity of thought and opinion in accordance with its Diversity Policy and would like to encourage stakeholders to engage freely with the Board of Directors on matters that are of concern to them. Stakeholders may contact the Company via the Company's dedicated e-mail address chrysalis@maitlandgroup.com or by post via the Company Secretary on any matters that they wish to discuss with the Board of Directors.

The table overleaf outlines decisions made by the Board during the year under review that have contributed to the Company's long term sustainable success and are considered to be of importance both to the Company and its stakeholder groups. In making these decisions and as is the case for all future decisions of this nature, the Board consider the factors outlined within S.172 together with the wider interests of its stakeholders as a whole, acting with honesty and integrity at all times.

The Company is an externally managed investment company, has no employees, and as such is operationally quite simple. The Board does not believe that the Company has any material stakeholders other than those set out in the following table.

¹ Section 172 of the UK's Companies Act 2006, imposes on a director the duty to 'act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole' and, in so doing, to have regard to a series of factors listed in the section which refer to the promotion of social, environmental and governance objectives.

Key Governance Disclosures

(continued)

Section 172(1) Statement (continued)

Investors	Service providers	Community and environment
Issues that matter to them		
Performance of the shares	Reputation of the Company	Compliance with Law and Regulation Impact of the Company and its activities on third parties
Growth of the Company	Compliance with Law and Regulation	
Liquidity of the shares	Remuneration	
Corporate Governance		
Engagement process		
Annual General Meeting	The main service providers engage with the Board in formal quarterly meetings, giving them direct input to Board discussions.	Adherence to principles of appropriate ESG policies exists at both Company and investment level. Principles of socially responsible investing form a key part of the Company's investment strategy.
Frequent meetings with investors by brokers and the Investment Manager and subsequent reports to the Board	Communication between Board and service providers also occurs informally on an ongoing basis during the year.	
Quarterly factsheets		
Key Information Document		
Rationale and example outcomes		
The Board have engaged with shareholders in relation to the Company business over the course of the year.	The Company relies on service providers as it has no systems or employees of its own. The Board seeks to act fairly and transparently with all service providers, and this includes such aspects as prompt payment of invoices.	The Investment Advisor works to ensure that sustainability and ESG factors are carefully considered and reflected in the Company's investment decisions. The Board of Directors travel as infrequently as possible and instead communicate, where they are able to, by video and conference call.

Going Concern Statement

The Going Concern Statement is made on page 61.

Viability Statement

The viability statement is made on page 61.

Fair, Balanced and Understandable Statement

The financial report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. Further information on how this conclusion was reached can be found within the Audit Committee Report on page 69.

Continuing Appointment of the Investment Advisor

Further details relating to the continuing appointment of the Investment Advisor and how this is in the interests of members as a whole can be found within the Report of the Management Engagement Committee on page 58.

Assessment of Principal Risks

The Board has undertaken a robust assessment of the Company's principal and emerging risks, together with the procedures that are in place to identify emerging risks. Further information on this assessment and an explanation on how these risks are being mitigated and managed can be found on page 63.

Review of Risk Management and Internal Control

The Board confirms that it has reviewed the Company's system of risk management and internal controls for the year ended 30 September 2020, and to the date of the approval of this financial report and audited financial statements. For further details of the key risks and uncertainties the Directors believe the Company is exposed to together with the policies and procedures in place to monitor and mitigate these risks, please refer to pages 63 and 69 and note 17 of the financial report and audited financial statements.

The Board of Directors

The Board comprises five independent non-executive Directors who meet on an at least quarterly basis, in addition to ad hoc meetings convened in accordance with the needs of the business, to consider the Company's affairs in a prescribed and structured manner.

Further details concerning the meetings attended during the year by the Board and its Committees can be found on page 54. All Directors are considered independent of the Investment Advisor for the purposes of the AIC Code and Listing Rule 15.2.12A.

The Boards are responsible for the Company's long term sustainable success and the generation of value for shareholders and in doing so manage the business affairs of the Company in accordance with the Articles of Incorporation, the investment policy and with due regard to the wider interests of stakeholders as a whole. For further information on how the Board considers the interests of stakeholders in its decision making please see the S.172(1) statement on page 47. Additionally, the Board have overall responsibility for the Company's activities including its investment activities and reviewing the performance of the Company's portfolio. The Board are confident that the combination of its members is appropriate and is such that no one individual or small group of individuals dominates the Board's decision making.

The Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense, which is in accordance with provision 19 of the AIC Code. The Directors also have access to the advice and services of the Company Secretary through its appointed representatives who are responsible to the Board for ensuring that the Board's procedures are followed, and that applicable rules and regulations are complied with.

To enable the Board to function effectively and allow the Directors to discharge their responsibilities, full and timely access is given to all relevant information.

Comprehensive board papers are circulated to the Board in advance of meetings by the Company Secretary, allowing time for full review and comment by the attending parties. In the event that Directors are unable to attend a particular meeting, they are invited to express their views on the matters being discussed to the Chairman in advance of the meeting for these to be raised accordingly on their behalf. Full and thorough minutes of all meetings are kept by the Company Secretary.

The Directors are requested to confirm their continuing professional development is up to date and any necessary training is identified during the annual performance reviews carried out and recorded by the Remuneration and Nomination Committee.

The current Board have served since the Company's inception in October 2018 and have been carefully selected against a set of objective criteria. The Board considers that the combination of its members bring a wealth of skills, experience and knowledge to the Company as illustrated in their biographies on the following pages.

The Board of Directors

(continued)



Andrew Haining
Chairman (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.



Stephen Coe
Senior Independent

Stephen serves as Chairman of the Audit Committee. He is currently a Director and Chairman of the Audit Committee of Weiss Korean Opportunities Fund Limited, and a Non-Executive Director of River and Mercantile UK Micro Cap Investment Company 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 operations roles at Candover Investments and then Terra Firma Capital Partners. Since 2015, Simon has become an independent director to listed alternative investment companies (the Company, HICL Infrastructure plc., Trian Investors 1 Limited and Chrysalis Investments Limited), private equity funds and trading company boards including pro-bono roles to the States of Guernsey overseeing infrastructure critical to the Island including the airport, harbours and two maritime fuel supply vessels.

Simon is a Chartered Director (CDir) accredited by the UK Institute of Directors, graduated from the University of Cambridge with an MEng and MA in Manufacturing Engineering and is an active member of UK and Guernsey fund management interest groups.



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 ICOSA. 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 two fiduciary licensees.

Anne is self-employed and has several non-executive Directorships and chairman roles in investment companies and a banking and trust company group in the Channel Islands and in London.



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.

The Board of Directors

(continued)

Public Company Directorships

The following details are of all other public Company Directorships and employment held by each Director and shared Directorships of any commercial company held by two or more Directors:

<p>Andrew Haining</p> <p>None to be disclosed</p>	<p>Stephen Coe</p> <p>River and Mercantile UK Micro Cap Investment Company Limited</p> <p>Weiss Korea Opportunities Fund Limited</p>	<p>Simon Holden</p> <p>HICL Infrastructure Plc.</p> <p>Hipgnosis Songs Fund Limited</p> <p>Triam Investors 1 Limited</p> <p>JPMorgan Global Core Real Assets Limited</p>
<p>Anne Ewing</p> <p>None to be disclosed</p>	<p>Tim Cruttenden</p> <p>Polar Capital Technology Trust plc</p>	

Director Attendance

During the year ended 30 September 2020, the Board and Audit Committee meetings held and attended by the Directors were as follows:

	Quarterly Board Meetings	Audit Committee Meetings	Remuneration and Nomination Meetings	Management Engagement Meetings ¹	Ad-hoc Meetings
Director	Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible
Anne Ewing	4/4	2/2	2/2	3/3	10/10
Andrew Haining	4/4	1/2	2/2	3/3	9/10
Simon Holden	4/4	2/2	2/2	3/3	9/10
Stephen Coe	4/4	2/2	2/2	3/3	9/10
Tim Cruttenden	4/4	2/2	2/2	3/3	8/10

¹ The first Management Engagement Committee meeting and Remuneration and Nomination Committee meeting were held on 14 January 2020

Division of Responsibilities

A schedule of matters reserved for the Board is maintained by the Company and can be summarized as follows:

- Strategic Issues
- Financial Items such as approval of the annual and half-yearly reports, any quarterly financial statement and any preliminary announcement of the final results and the annual report and accounts including the corporate governance statement
- Treasury items
- Legal, Administration and Other Benefits
- Communications with Shareholders
- Board appointments and Arrangements
- Miscellaneous such as to approve the appointments of professional advisers for any Group company in addition to the Company's Auditors
- Monetary Limits

The Directors have also delegated certain functions to other parties such as the Alternative Investment Fund Manager ("AIFM"), the Investment Manager, the Administrator, the Company Secretary, the Depositary and the Registrar. In particular, the Investment Manager has been granted discretion over the management of the investments comprising the Company's portfolio. The Investment Manager reports to the Board on a regular basis both outside of and during quarterly board and Committee meetings, where the operating and financial performance of the portfolio, together with valuations, are discussed at length between the Board and the Investment Manager. The Directors have responsibility for exercising supervision of the AIFM and the Investment Manager.

Board Committees

The Company has established an Audit Committee, Remuneration and Nomination Committee, and Management Engagement Committee (together the "Committees"). The Committees comprise the whole Board with the exception of the Audit Committee, which excludes the Chairman. The Terms of Reference for each committee is available on the Company's website.

The Board believes that its established Committees are adequately composed, and that each member has the necessary skills and experience to discharge their duties effectively. All new Committee members will be provided with an induction on joining the relevant Committee and the actions carried out by each Committee since the previous quarterly board meeting are reported at each meeting to the board of Directors by the respective Committee chair. Each Committee meeting is attended by the Company Secretary and comprehensive minutes are kept, as well as a schedule of the action points arising from each meeting.

Stephen Coe is the Chairman of the Audit Committee. A full report regarding the Audit Committee's activities during the year can be found in the Audit Committee Report on page 69.

In accordance with the AIC Code, a Remuneration and Nomination Committee has been established. Anne Ewing has been appointed as Chairman. The Remuneration and Nomination Committee meets at least once a year in accordance with the terms of reference and reviews, inter alia, the structure, size and composition of the Board. A full report regarding the Remuneration and Nomination Committee's activities during the year can be found on page 56.

Simon Holden has been appointed Chairman of the Management Engagement Committee. The Management Engagement Committee will meet formally at least once a year for the purpose, amongst other things, of reviewing the actions and judgments of the Investment Manager and the terms of the Portfolio Management Agreement. A full report regarding the Management Engagement Committee's activities during the year can be found on page 58.

Report of the Remuneration & Nomination Committee

Composition, Succession & Evaluation

The Board of Directors and its Committees is currently considered to be adequately composed in order to discharge their duties effectively, however when considering new appointments in the future, the Board will ensure that a diverse group of candidates is considered in accordance with its Diversity Policy and that appointments are made against a set objective criteria. The Board have been briefed by their legal advisers about their on-going responsibilities as Directors and newly appointed Directors will be invited to participate in a formal induction process.

On 27 November 2019 the Board adopted a policy on tenure which is aligned to the AIC Code where no director will serve for more than nine years. The Board confirms that no member has served for longer than nine years, due to the Company being incorporated in October 2018 therefore there are currently no issues to consider with regards to long tenure. Composition and succession planning is considered on an ongoing basis by the Remuneration and Nomination Committee.

2020 Independent Review of Board Performance and Remuneration

The Remuneration & Nomination Committee (the Committee) brought forward its triennial independent review of Board remuneration in the second half of 2020 which was one year earlier than had been envisaged at inception of the Company. At the same time an independent external evaluation of board performance was brought forward to provide some insight and assurance that the Directors were being sufficiently remunerated and were performing to the requisite standard as the Company's growth and results accelerated at a pace.

To assist both reviews the Committee commissioned Board Alpha, an independent professional remuneration and performance consultant with deep experience of investment companies and their fee structures. Fees of £24,500 were paid to Board Alpha for their work. The Board confirms that Board Alpha do not have any connection with either the Board itself, the Company or individual Directors.

The report from Board Alpha which contained remuneration recommendations as at the financial year end 30 September 2020 was considered by the Committee in December 2020.

An increase in remuneration for all Board roles was supported by Board Alpha recognising the size and relative performance of the Company and benchmarking current remuneration against similar investment companies based on asset class and size. The recommendations recognise a premium over the Directors' base fee for the additional responsibility of the Chairman, and the Audit and Management Engagement Committee Chair roles.

Board Alpha's independent review also recognised the time commitments of the Directors during the reporting year over and above that normally contemplated of an independent non-executive director. Under their Letters of Appointment, Directors are entitled to additional ad-hoc remuneration for additional work outside of the scope of their ordinary duties.

Review of Remuneration

During the second half of 2020, the Board commissioned Board Alpha, an independent remuneration and performance consultant with deep experience of investment companies and their fee structures, to provide some insight and assurance that the Board were both performing to the requisite standard and being sufficiently remunerated. This was considered especially pertinent given the Company's rapid growth and strong results.

The report from Board Alpha containing remuneration recommendations as at the financial year end 30 September 2020 was considered by the Committee in December 2020.

An increase in remuneration for all Board roles was recommended by Board Alpha in line with the market rates recognising the size and relative performance of the Company and benchmarking current remuneration against similar investment companies based on asset class, size and the hard-to-value, illiquid nature of the private equity holdings. The recommendation recognises a premium over the Directors' base fee for the additional responsibility of the Chairman, and the Audit and Management Engagement Committee Chair roles.

Board Alpha's independent review also recognised the time commitments of the Directors during the reporting year over and above that normally contemplated of an independent non-executive director. Under their Letters of Appointment, Directors are entitled to additional ad-hoc remuneration for additional work outside of the scope of their ordinary duties. The Remuneration & Nomination Committee resolved that payment of the ad-hoc fee should be made, and the fees were paid, following the year end.

Y/E 2020	Specific work	General work	Total ad-hoc fee
Chairman	£33,000	£7,500	£40,500
Audit Committee Chair		£7,500	£7,500
Management Engagement Committee Chair	£15,000	£7,500	£22,500
Director		£7,500	£7,500

These additional time commitments arose from the increased size, breadth and complexity of the Company and the pace of development of its operating environment since launch. In particular, much time has been devoted to the integration of Jupiter as Investment Advisor and the rebranding of the Company and the launch of its new website. This work continues.

The table below is shown to enable shareholders to assess the relative importance of spend on remuneration. It compares Board remuneration against management and performance fees payable to the Investment Advisor relative to the Company's NAV.

Total Director Remuneration	£208,000
Investment Management Fees	£2,084,030
Investment Advisor Performance Fees	£32,607,513
NAV at year end	£542,043,335

The Remuneration & Nomination Committee resolved that, with effect from 1 October 2020 and as a result of the Board Alpha review and recommendation, the annual remuneration for each Director would be increased as per the table below.

	Fees proposed Y/E 2021	Fees paid Y/E 2020
Chairman	£70,000	£45,000
Audit Committee Chair	£55,000	£43,000
Management Engagement Committee Chair	£50,000	£40,000
Director	£45,000	£40,000

In order to further enhance and diversify the Board, and as a matter of good governance and succession planning, the Board has commissioned the Nomination Committee to initiate a search for an additional independent non-executive director during 2021.



Anne Ewing
Chairman of the Management
Engagement Committee

Report of the Management Engagement Committee

The Management Engagement Committee (hereafter referred to in this report as the “Committee” or the “MEC”) is chaired by Mr Simon Holden and comprises the whole Board. Only non-executive Directors who are independent of the Investment Advisor may serve on the Committee, which meets at least once per year. The MEC’s terms of reference are available to view on the Company’s website, with the Committee’s primary purpose being to review, annually, the compliance of the Investment Advisor with the Company’s investment policy and Portfolio Management Agreement as well as to keep under review the performance of all other key service providers involved in supporting the Company and its operations.

During the year ended 30 September 2020, the MEC convened three times, marking three distinct phases to the evolution of your Company which happened during the year.

Firstly, during its inaugural meeting in January 2020 the MEC undertook its annual review of the performance of all critical service providers appointed to support the ongoing operation of the Company during the year ended 30 September 2019. This focused on the Investment Advisor and included the Company’s administrator and company secretary, Alternative Investment Fund Manager, lawyers, broker, auditor, depository, and other services.

A combination of self-assessments, the oversight experience of the Board during the year and constructive feedback from members of the MEC are used to identify positive capabilities and performance improvements which are then shared with service providers as required.

Secondly, following the announcement of the proposed acquisition of MGI by JAM on 15 February 2020, the Company had the right to give notice under the Portfolio Management Agreement as the acquisition constituted a “change of control” event as defined in the agreement. Together with the Company Chairman, the Chairman of the MEC led the Company’s interaction with the key executives of JAM to examine if and how the change of control would ultimately benefit the interests of our shareholders. This proved to be an opportune moment to reflect upon:

- the successes and achievements of the Company in its initial growth phase post-IPO;
- those areas where the Board believed further support and resource should be brought to bear and to seek a commitment from JAM to achieve this; and finally,
- the Board’s desire to see the Company rebranded independently of either MGI or JAM. This was deemed appropriate and consistent with the Company’s growing profile as a direct channel for investors seeking private equity exposure to some of the most exciting high growth, high potential technology-enabled enterprises shaping the economy of tomorrow.

The MEC Chairman led these negotiations with JAM over the course of several weeks during the Summer of 2020, updating the Company Chairman and Committee members regularly on progress. This workstream involved extensive interaction with members of JAM’s executive committee, key personnel of the Company’s Investment Advisor, Travers Smith and the Board.

Thirdly, and subsequent to the year-end, the MEC Chairman led the strategy and rationale for workstream three above, culminating in a proposed new graphic identity and promotional collateral to enhance the Company’s brand and industry profile. Best&Co LLP, a communications agency specialised in brand development, were duly engaged to deliver this project supported by key personnel of the Investment Advisor.

To achieve this outcome, shareholders were recommended to vote in support of the Company’s change of name to Chrysalis Investments Company Ltd, (ticker: CHRY) which was duly carried at the EGM of 18 December 2020.

I would like to thank shareholders for supporting that resolution as well as all those who contributed to the new brand strategy which marks the beginning of the second chapter in the Company’s evolution. The Company starts 2021 with a fresh new corporate identity befitting its specialised private equity proposition for investors and its role as source of valuable cross-over capital for investee companies alike.

In summary, it has been an especially busy year for the Company; its investment proposition has started to mature, whilst the MEC had a significant role to play adapting to the proposed change in Investment Advisor. The performance of all service providers remains under the Committee’s continuing scrutiny, with the aim of identifying areas for performance improvement and ensuring continued value for money for shareholders. The Committee’s inaugural review of JAM as Investment Advisor is intended to be scheduled for later in 2021, by which time a period of one year’s service will have elapsed.

In accordance with Listing Rule 15.6.2(2)R and following the review of the Portfolio Management Agreement as previously outlined, it is the opinion of both the MEC and the Board of Directors that the continuing appointment of MGI as Investment Advisor on the terms agreed is in the best interests of the Company and its shareholders as a whole.



Simon Holden
Chairman of the Management
Engagement Committee

Directors' Report

The Directors present their Financial Report and the Audited Financial Statements of the Company for the year ended 30 September 2020.

Principal Activities and Business Review

The investment objective of the Company is to generate long term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted companies.

The Directors do not envisage any change in these activities for the foreseeable future. A description of the activities of the Company in the year under review is given in the Chairman's Statement and the Investment Advisor's Report.

Business and Tax Status

RCIS Rule and Protection of Investors ("POI") Law and was incorporated in Guernsey on 3 September 2018. The Company operates under The Companies (Guernsey) Law, 2008 (the "Law").

The Company's shares have a premium listing and are admitted to trading on the London Stock Exchange's Main Market for listed securities.

The Company's management and administration takes place in Guernsey and the Company has been granted exemption from income tax within Guernsey by the Administrator of Income Tax. It is the intention of the Directors to continue to operate the Company so that each year this tax-exempt status is maintained.

In respect of the Criminal Finances Act 2017, which has introduced a new corporate criminal offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that they are committed to zero tolerance towards the criminal facilitation of tax evasion.

Alternative Investment Fund Managers Directive

The Company is an 'Alternative Investment Fund' ("AIF"), as defined by the Alternative Investment Fund Managers Directive ("AIFMD") and has appointed Maitland Institutional Services Limited as its Alternative Investment Fund Manager ("AIFM"). The Company operates as an externally managed non-EEA domiciled AIF with an EEA domiciled AIFM for the purposes of AIFMD.

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in AIFs (such as the Company) and that certain regular and periodic disclosures are made. This information and these disclosures may be found on page 106 of this financial report and on the Company's website <http://chrysalisinvestments.co.uk>.

Foreign Account Tax Compliance Act ("FATCA")

FATCA requires certain financial institutions outside the United States ("US") to pass information about their US customers to the US tax authorities, the Internal Revenue Service (the "IRS"). A 30% withholding tax is imposed on the US source income and disposal of assets of any financial institution within the scope of the legislation that fails to comply with this requirement.

The Board of the Company has taken all necessary steps to ensure that the Company is FATCA compliant and confirms that the Company is registered and has been issued a Global Intermediary Identification Number ("GIIN") by the IRS. The Company will use its GIIN to identify that it is FATCA compliant to all financial counterparties.

Common Reporting Standard

The Common Reporting Standard is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted in Guernsey and which came into effect in January 2016.

The Company is subject to Guernsey regulations and guidance on the automatic exchange of tax information and the Board will therefore take the necessary actions to ensure that the Company is compliant in this regard.

Going Concern

In assessing the going concern basis of accounting, the Directors have assessed the guidance issued by the Financial Reporting Council and considered recent market volatility and the impact of COVID-19 on the Company's investments. After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the Financial Report and Audited Financial Statements.

At year end, the Company has a current cash position of £15,559,000 and net current liability amounting to £64,244,000. Taking into account the October 2020 fund raising, together with its listed investments, the Company has sufficient liquidity to meet its obligations. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Report and Audited Financial Statements.

Viability Statement

The Directors have assessed the prospects of the Company over the three-year period to 30 September 2023. The Directors consider that three years is an appropriate period to assess viability given the Company's style of investment.

In determining the appropriate period of assessment, the Directors consider that three years is a sufficient investment time horizon to be relevant to shareholders and that choosing a longer time period can present difficulties given the lack of longer-term economic visibility and the need for adaptation that will inevitably create for its Portfolio Companies.

In their assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on page 63 (and in note 17) and, in particular, the impact on the Company and its activities of COVID-19, and the impact of a significant fall in equity markets on the value of the Company's investment portfolio.

The continuation of the Company in its present form is dependent on a portfolio management agreement remaining in place with the Investment Advisor. The AIFM has delegated portfolio management services to the Investment Advisor. The current portfolio management agreement is terminable on six months' notice by either party. The Directors currently know of no reason why either the AIFM or the Investment Advisor might serve notice of the portfolio management agreement over the period of the viability statement.

The Directors have carried out a robust assessment of the risks and based on the Company's processes for monitoring operating costs, share price discount, the Investment Advisor's compliance with the investment objective and policy, asset allocation, the portfolio risk profile, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 September 2023.

Results and Dividends

The results attributable to shareholders for the year are shown in the Statement of Comprehensive Income.

The Directors have not declared a dividend for the year (2019: £nil).

Directors

The Directors of the Company who served during the year and to date are set out on pages 52 and 53.

Directors' Report

(continued)

Directors' Interests

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 30 September 2020, and as at the date of signing these Audited Financial Statements:

	Shares	% Held
A Haining	45,000	0.0134
S Coe	45,909	0.0136
S Holden	67,500	0.0200
A Ewing	7,500	0.0022
T Cruttenden	9,090	0.0027

Subsequent to the year end, A Ewing purchased an additional 20,000 shares.

The Directors' fees are as disclosed below:

	£
A Haining	45,000
S Coe	43,000
S Holden	40,000
A Ewing	40,000
T Cruttenden	40,000

Under their terms of appointment, each Director is paid a basic fee of £40,000 per annum by the Company. In addition to this, the Chairman receives an extra £5,000 per annum and the Audit Committee Chairman receives an extra £3,000 per annum. Refer to page 57 for more information regarding Directors' remuneration.

Risks and Uncertainties

There are several 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 compliance with the Association of Investment Companies Code of Corporate Governance (the "AIC Code").

The principal risks to which the Company will be exposed are given in note 17 to the Financial Report and Audited Financial Statements.

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

- i. market risk, including:
 - Price risk, being the risk that the value of investments will fluctuate because 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; and
 - foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates.
- 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 with the Company.
- 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.
- iv. company failure, being the risk that companies invested in may fail and result in loss of capital invested.

To manage such risks the Company shall comply with the investment restrictions and diversification limits provided for in the Prospectus.

The Company will invest and manage its assets with the objective of spreading risk. Further to the investment restrictions discussed, the Company also seeks to manage risk by:

- not incurring debt over 20% of its NAV, calculated at time of drawdown. The Company will target repayment of such debt within twelve months of drawdown; and
- entering from time to time into hedging or other derivative arrangements for the purposes of efficient portfolio management, managing where appropriate, any exposure through its investments to currencies other than Sterling.

On-going Charges

The on-going charges figure for the year was 0.71%. The on-going charges represent on-going annual expenses of £3,111,095 divided by total average Net Asset Value for the year of £438,172,787. The on-going charges has also been prepared in accordance with the recommended methodology provided by the Association of Investment Companies where investment purchase costs of £866,968 and performance fees of £32,608,000 have been excluded and represents the percentage reduction in shareholder returns as a result of recurring operational expenses.

Directors' Report

(continued)

Emerging Risks

COVID-19

In considering this risk, the Board's thought process has been as follows:

The Directors have carried out a robust assessment of the Company's processes for monitoring operating costs, share price discount, the Investment Advisor's compliance with the investment objective and policy, asset allocation, the portfolio risk profile, counterparty exposure, liquidity risk and financial controls. At the year end, the Company had cash and cash equivalents of £15,559,000 and net current liabilities of (£64,244,000). Based on the funding raised post year end (note 19), the Company is able to settle its debts and continue its business with no interruptions.

Among the aims of the Company, as set out at IPO, are to invest in companies that have both the ability to deliver growth rates substantially higher than the average UK plc and that can protect the duration of those rates via competitive advantage, e.g., via scale or technology. This led the Investment Advisor towards a group of businesses it labelled "tech-enabled disruptors".

Given the shutdown of many "traditional" areas of the economy, businesses and consumers have had to rely much more heavily on technology and online channels. These were sectors already growing faster than the wider economy but have now been given added impetus. Not only can this lead to higher growth rates in the short term, but it can also drive new user adoption at significantly lower cost than previously experienced.

The Directors monitor the performance of our assets on a quarterly basis and receive monthly data in some instances which enables them to track the development of the Investment Advisor's investment theses.

The Board have considered the operations of the services providers as they relate to the Company. With this in mind, the Board believe the Company is well-positioned at this particular time from a thematic perspective and the strategy of the Company therefore remains unchanged.

The Board will of course continue to assess the position as more information about the impact of the virus becomes available.

Investment Management and Administration

Management Agreement and Fees

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 have, however, appointed the AIFM to perform portfolio and risk management functions.

The AIFM has delegated responsibility for day-to-day management of the investments comprising the Company's portfolio to the Investment Advisor.

The Investment Advisor is entitled to a management fee together with reimbursement of all reasonable costs and expenses incurred by it in the performance of its duties. The Investment Advisor is also entitled to a performance fee in certain circumstances. Details of the management fee and performance fee are set out in note 6. The portfolio management agreement may be terminated by either party on six months' notice and may be immediately terminated by either party in certain circumstances such as a material breach which is not remedied.

For the Company's full holdings information please refer to the Portfolio Statement on page 7.

Administrator

Maitland Administration (Guernsey) Limited has been appointed as Administrator to the Company pursuant to a master services agreement. The Administrator is responsible for the maintenance of the books and financial accounts of the Company and the calculation, in conjunction with the Investment Advisor, of the Net Asset Value of the Company and the shares.

Depositary

The Depositary of the Company is Citibank Europe plc, UK Branch.

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report.

Statement of Compliance

The Listing Rules require that the Company must "comply or explain" in terms of the UK Corporate Governance Code. In addition, the Disclosure Guidance and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

In applying the main principles set out in the UK Corporate Governance Code (the "UK Code"), the Directors have considered the principles and recommendations of the AIC Code published in February 2019 by reference to the AIC Guide (which is available at www.theaic.co.uk). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders.

Other areas of non-compliance with the AIC Code by the Company, and the reasons, therefore, are as follows:

- The Company does not comply with principle 9 of the AIC Code as it does not have a formal policy on diversity, however the Company has established a Remuneration and Nomination Committee that adheres to a formal term of reference and which is responsible for identifying any gaps on the Company's board that need to be filled. When considering candidates, the Board has due regard to the benefits of diversity on the Board and amongst other considerations which includes gender and ethnicity.

The Board, with the assistance of the Company Secretary, will be undertaking a full review of its governance against the 2020 version of the AIC Code, published in February 2019, to reflect revision to the UK Corporate Governance Code made in July 2018, which applies to the Company's financial year commencing 1 October 2020, and the Board will report further in due course.

Board Responsibilities

The Board comprises five non-executive Directors, who meet at least quarterly to consider the affairs of the Company in a prescribed and structured manner. All Directors are considered independent of the Investment Advisor for the purposes of the AIC Code and Listing Rule 15.2.12A. Biographies of the Directors for the year ended 30 September 2020 appear on pages 52 and 53 which demonstrate the wide range of skills and experience they bring to the Board.

The Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense, which is in accordance with principle 13 of the AIC Code.

The Directors also have access to the advice and services of the Company Secretary through its appointed representatives who are responsible to the Board for ensuring that the Board's procedures are followed, and that applicable rules and regulations are complied with.

To enable the Board to function effectively and allow the Directors to discharge their responsibilities, full and timely access is given to all relevant information.

The Directors are requested to confirm their continuing professional development is up to date and any necessary training is identified during the annual performance reviews carried out and recorded by the Remuneration and Nomination Committee.

At each annual general meeting of the Company, each director shall retire from office and each director may offer themselves for election or re-election by the shareholders.

Directors' Report

(continued)

Conflicts of Interest

None of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements at the date of this report and none of the Directors has or had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company, and which was affected by the Company during the reporting year.

At the date of this Financial Report, there are no outstanding loans or guarantees between the Company and any Director.

Committees

The Company has established: the Audit Committee, the Remuneration and Nomination Committee, and the Management Engagement Committee (together the "Committees"). The Committees comprise the whole Board. The Terms of Reference for each committee is available on request from the Administrator.

The Audit Committee

Stephen Coe is the Chairman of the Audit Committee. A full report regarding the Audit Committee can be found in the Audit Committee Report.

Remuneration and Nomination Committee

In accordance with the AIC Code, a Remuneration and Nomination Committee has been established. Anne Ewing has been appointed as Chairman. The Remuneration and Nomination Committee meets at least once a year in accordance with the terms of reference and reviews, inter alia, the structure, size and composition of the Board.

Details of the Directors' remuneration can be found in note 18 and page 57 and 62.

Management Engagement Committee

Simon Holden has been appointed Chairman of the Management Engagement Committee. The Management Engagement Committee will meet formally at least once a year for the purpose, amongst other things, of reviewing the actions and judgments of the Investment Advisor and the terms of the Portfolio Management Agreement. Details of the Investment Advisor and performance fees can be found in note 6.

Substantial Shareholdings

As at 13 January 2021, the latest practicable date for disclosure in this Financial Report, the Company's only shareholder with a holding greater than 10% was Merian UK Mid-Cap Fund (15.8%).

Shareholder Communication

The Company's main method of communication with Shareholders is through its published Half Yearly and Annual Reports which aim to provide Shareholders with a fair, balanced and understandable view of the Company's results and objectives. This is supplemented by the publication of the Company's quarterly net asset values on its ordinary shares on the London Stock Exchange.

In line with principle 16 of the AIC Code, the Investment Advisor communicates with both the Chairman and shareholders and is available to communicate and meet with major shareholders. The Company has also appointed Liberum Capital Limited to liaise with all major shareholders together with the Investment Advisor, all of whom report back to the Board at quarterly board meetings ensuring that the Board is fully aware of shareholder sentiment, expectations and analyst views. The Company's website, which is maintained by the Investment Advisor, is regularly updated with news and announcements. Information published online is accessible in many countries each with differing legal requirements relating to the preparation and dissemination of financial information. Users of the Company's website are responsible for informing themselves of how the requirements in their own countries may differ from those of Guernsey.

Relations with Shareholders

All holders of Ordinary Shares in the Company have the right to receive notice of, attend and vote at the general meetings of the Company.

At each general meeting of the Company, the Board and the Investment Advisor are available to discuss issues affecting the Company.

Shareholders are additionally able to contact the Board directly outside of meetings via the Company's dedicated e-mail address (chrysalis@maitlandgroup.com) or by post via the Company Secretary. Alternatively, Shareholders are able to contact the Investment Advisor Directly on chrysalis@maitlandgroup.com or the Senior Independent Director on (chrysalis@maitlandgroup.com) for issues they feel may feel unable to raise directly with the Company itself.

The Company has adopted a zero-tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly.

Voting and Stewardship Code

The Investment Advisor is committed to the principles of the Financial Reporting Council's UK Stewardship Code and this also constitutes the disclosure of that commitment required under the rules of the FCA (Conduct of Business Rule 2.2.3).

Signed on behalf of the Board by:



Andrew Haining
Chairman
29 January 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Financial Report and Audited Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Audited Financial Statements for each financial year. Under that law they are required to prepare the Audited Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under company law the Directors must not approve the Audited Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing these Audited Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Audited Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Audited Financial Statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Audited Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and that each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Responsibility Statement of the Directors in respect of the Financial Report

We confirm that to the best of our knowledge:

- the Audited Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report (comprising the Chairman's Statement, the Investment Advisors' Report, and Directors' Report) includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the Financial Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by:



Andrew Haining
Chairman
29 January 2021

Audit Committee Report

For the year ended 30 September 2020

In accordance with the AIC Code, an Audit Committee has been established consisting of Andrew Haining, Anne Ewing, Simon Holden, Tim Cruttenden and Stephen Coe, who is the Chairman of the Audit Committee.

Membership and Role of the Committee

The Audit Committee meets at least twice a year and, when requested, provides advice to the Board on whether the Financial Report and Audited Financial Statements, taken as a whole, is fair, balanced and understandable and provides information necessary for the shareholders to assess the Company's performance, business model and strategy. The Audit Committee also reviews, inter alia, the financial reporting process and the system of internal control and management of financial risks, including understanding the current areas of greatest financial risk and how these are managed by the Investment Advisor, reviewing the Financial Report and Audited Financial Statements, assessing the fairness of Audited Financial Statements and disclosures and reviewing the external audit process. The Audit Committee is responsible for overseeing the Company's relationship with the external auditor (the "Auditor"), including making recommendations to the Board on the appointment of the Auditor and their remuneration.

The Audit Committee considers the nature, scope and results of the Auditor's work and reviews, and develops and implements a policy on the supply of any non-audit services that are to be provided by the Auditor. The Audit Committee annually reviews the independence and objectivity of the Auditor and considers the appointment of an appropriate Auditor.

The continuation of the Auditor was considered and the Board subsequently decided that the Auditor was sufficiently independent and was appropriately appointed in order to carry out the audit of the Company for the year ended 30 September 2020. Appointment of the Auditor will be reviewed each year before the AGM.

The level of non-audit versus audit services is monitored. The table below summarises the remuneration paid by the Company to KPMG Channel Islands Limited ("KPMG") for audit and non-audit services during the year ended 30 September 2020.

Internal Control

The Company itself has no internal systems to control. Internal control lies within the services provided by MGI and other service providers. These controls are monitored by the Board reviewing and challenging reports from these service providers and through segregation of duties between them. The Audit Committee monitors the financial reporting process and tasks undertaken in the production of the Financial Report and Audited Financial Statements.

Investment advice is provided by MGI under a portfolio management agreement dated 11 October 2018 (revised 28 August 2019). The Investment Advisor provides the Board with updates at each quarterly board meeting and at any other time that the Board requests.

The administration and company secretarial duties of the Company are performed by Maitland Administration (Guernsey) Limited.

Registrar duties are performed by Computershare Investor Services (Guernsey) Limited.

The custody of financial assets is undertaken by Citibank Europe plc, UK Branch.

The Company does not have an internal audit department. All the Company's management and administration functions are delegated to independent third parties and it is therefore felt there is no need for the Company to have an internal function. The Audit Committee have assessed the Company's internal controls and found them to be satisfactory.

	Year ended 30 September 2020	Period ended 30 September 2019
Annual audit fee	69,000	66,000
Interim review	33,000	36,382
Specified procedures relating to the Performance fee	–	7,000
	102,000	109,382

Audit Committee Report

For the year ended 30 September 2020

(continued)

Fair Value Estimation

The valuation of the Company's investments is considered to be a significant area of focus given that they represent the majority of the net assets of the Company and in view of the significance of the estimates and judgments that may be involved in the determination of their fair value. In discharging its responsibilities, the Audit Committee has specifically considered the valuation of investments as follows:

- Independent third-party valuation firms are engaged to provide assistance, advice, assurance, and documentation in relation to the portfolio valuations. Valuations are then submitted to the portfolio managers and the Investment Advisor's Fair Value Pricing Committee for review. The Board reviews these portfolio valuations on a regular basis throughout the year.
- The Audit Committee receives and reviews reports from the Investment Advisor and the Auditor relating to the Company's Financial Report. The Audit Committee focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensures that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the Financial Report remains with the Board.
- Representatives of The Audit Committee meet with the Investment Advisor at least quarterly and are involved with the review of the quarterly valuations. It also seeks assurance that the pricing basis is appropriate and in line with relevant accounting standards as adopted by the Company and that the carrying values are correct.
- Reporting to the Board on the significant judgment made in the preparation of the Company's Annual Financial Report and Audited Financial Statements and recommending valuations of the Company's investments to the Board.

External Audit

The Audit Committee will hold an annual meeting to approve the Company's Financial Report and Audited Financial Statements before its publication. At a meeting held on 12 October 2020 the Audit Committee met with the Auditor to discuss the audit plan and approach. During this meeting it was agreed with the Auditor that the area of significant audit focus related to the valuation of investments given that they represent the majority of net assets of the Company and their valuation involves significant judgement. The scope of the audit work in relation to this asset class was discussed.

At the conclusion of the audit, the Audit Committee met with the Auditor and discussed the scope of their annual audit work and their audit findings.

The Audit Committee reviews the scope and results of the audit, its cost effectiveness, and the independence and objectivity of the Auditor. The Audit Committee has particular regard to any non-audit work that the Auditor may undertake and the terms under which the Auditor may be appointed to perform non-audit services. In order to safeguard the Auditor's independence and objectivity, the Audit Committee ensures that any other advisory and/or consulting services provided by the Auditor does not conflict with their statutory audit responsibilities.

To fulfil its responsibilities regarding the independence of the Auditor, the Audit Committee considered:

- a report from the Auditor describing their arrangements to identify, report and manage any conflicts of interest; and
- the extent of the non-audit services provided by the Auditor.

To assess the effectiveness of the Auditor, the committee reviewed:

- the Auditor's fulfilment of the agreed audit plan and variations from it;
- the audit findings report highlighting any major issues that arose during the course of the audit; and
- the effectiveness and independence of the Auditor having considered the degree of diligence and professional scepticism demonstrated by them.

The Audit Committee is satisfied with KPMG's effectiveness and independence as Auditor.

During the year the Audit Committee met twice where one meeting had 80% attendance (refer to Director Attendance on page 54).

Reappointment of Auditor

The Auditor, KPMG Channel Islands Limited, has expressed its willingness to continue in office as Auditor. A resolution proposing their reappointment will be submitted at the forthcoming general meeting to be held pursuant to section 199 of the Law.



Stephen Coe
Chairman of the Audit Committee
29 January 2021

Independent Auditor's Report

Independent Auditor's Report to the Members of Chrysalis Investments Limited

Our opinion is unmodified

We have audited the financial statements of Chrysalis Investments Limited (formerly Merian Chrysalis Investment Company Limited) (the "Company"), which comprise the Statement of Financial Position as at 30 September 2020, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 30 September 2020, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"); and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key Audit Matters: our assessment of the risks of material misstatement

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

In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2019):

Valuation of investments held at fair value through profit or loss

£606,287,000

(2019: £170,040,000)

Refer to Audit Committee Report on page 70, notes 2(i), 3, 11 and 17

The risk	Our response
<p>Basis:</p> <p>The Company's investments are carried at fair value in accordance with IFRS. The investments comprise of equity and equity-related instruments in quoted and unquoted companies and represent 112% (2019: 45%) of the Company's net assets as at 30 September 2020.</p> <p>The Company's unlisted investments, with a value of £512,074,000, are valued by using recognised valuation methodologies and models, in accordance with the International Private Equity and Venture Capital Valuation Guidelines.</p> <p>The Company utilises independent third party valuation firms (the "Valuation Agents") to assist and advise on their valuation process.</p> <p>The Company's listed investment, with a value of £94,213,000, is valued by the Company based on the quoted market bid price in an active market for that instrument.</p> <p>Risk:</p> <p>The valuation of the Company's investments is a significant area of our audit, given that it represents a significant portion of the net assets of the Company.</p> <p>The valuation risk of the unlisted investments incorporates both a risk of fraud and error given the significance of estimates and judgments that may be involved in the determination of their fair value.</p>	<p>Our audit procedures included but were not limited to:</p> <p>Internal Control:</p> <p>We assessed the design and implementation of the control in place over the valuation of investments.</p> <p>Challenging managements' assumptions and inputs including use of KPMG valuation specialists:</p> <p>Our valuation specialist independently priced the listed investment to a third party pricing source.</p> <p>For the unlisted investments, with the support of our valuation specialists, we:</p> <ul style="list-style-type: none"> • assessed the objectivity, capabilities and competence of the Valuation Agents • assessed the scope of the Valuation Agents' review of the investments and read the valuation reports and memoranda produced by them and the Investment Advisor • assessed the appropriateness of the valuation approach and methodology applied to each investment • compared the assumptions used in the valuation models employed to observable market data (where possible) • corroborated significant investee company inputs used in the valuation models, and recent investment transactions to supporting documentation • considered market transactions in close proximity to the year end and assessed their appropriateness as being representative of fair value • considered the impact of COVID-19 on their valuation. <p>Assessing disclosures:</p> <p>We also considered the Company's disclosures (see notes 3 and 17) in relation to the use of estimates and judgments regarding the valuation of investments and the Company's investment valuation policies adopted in note 2(i) and fair value disclosures in note 17 for compliance with IFRS.</p>

Independent Auditor's Report to the Members of Chrysalis Investments Limited

(continued)

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £10,840,000, determined with reference to a benchmark of net assets of £542,043,000, of which it represents approximately 2%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £542,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's activities including where relevant the impact of the COVID-19 pandemic and the requirements of the applicable financial reporting framework. We analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in 2(b) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Disclosures of emerging and principal risks and longer term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement (page 61) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks and uncertainties disclosures describing these risks and explaining how they are being managed or mitigated;
- the Directors' explanation in the viability statement (page 61) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the financial report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the financial report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

We have nothing to report on other matters on which we are required to report by exception

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

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Independent Auditor's Report to the Members of Chrysalis Investments Limited

(continued)

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 68, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Barry Ryan
For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors
Guernsey
29 January 2021

Audited Financial Statements

Statement of Comprehensive Income

For the year ended 30 September 2020

	Year ended 30 September 2020			Period from 3 Sept 2018 to 30 Sept 2019			
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investments							
Net gains on investments held at fair value through profit or loss	11	–	197,426	197,426	–	12,449	12,449
Net losses on currency movements		–	(985)	(985)	–	(15)	(15)
Net investment gains		–	196,441	196,441	–	12,434	12,434
Interest income	5	287	273	560	57	373	430
Total income		287	273	560	57	373	430
Investment management fees	6	(2,084)	(32,608)	(34,692)	(414)	(103)	(517)
Other expenses	7	(1,897)	–	(1,897)	(1,082)	–	(1,082)
(Loss) / gain before finance costs and taxation		(3,694)	164,106	160,412	(1,439)	12,704	11,265
Finance costs	8	–	–	–	(1)	–	(1)
(Loss) / gain before taxation		(3,694)	164,106	160,412	(1,440)	12,704	11,264
Withholding tax expense		–	–	–	–	–	–
Total gains and comprehensive income for the year / period		(3,694)	164,106	160,412	(1,440)	12,704	11,264
Gains per Ordinary Share (pence)	9	(1.10)	48.73	47.64	(0.97)	8.56	7.59

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 82 to 103 form an integral part of these Audited Financial Statements.

Statement of Financial Position

As at 30 September 2020

		2020	2019
	Notes	£'000	£'000
Non-current assets			
Investments held at fair value through profit or loss	11	606,287	170,040
Current assets			
Cash and cash equivalents	12	15,559	212,665
Other receivables	13	267	82
		15,826	212,747
Total assets		622,113	382,787
Current liabilities			
Performance fee payable	6	(32,710)	(103)
Management fee payable	6	(631)	(182)
Unsettled trades	14	(46,440)	–
Other payables		(289)	(872)
Total liabilities		(80,070)	(1,157)
Net assets		542,043	381,630
Equity			
Share Capital	15	370,367	370,366
Capital reserve		176,810	12,704
Revenue reserve		(5,134)	(1,440)
Total equity		542,043	381,630
Net Asset Value per Ordinary Share (pence)	16	160.97	113.33
Number of Ordinary Shares in issue	15	336,742,424	336,742,424

Approved by the Board of Directors and authorised for issue on 29 January 2021 and signed on their behalf:



Stephen Coe
Director

The notes on pages 82 to 103 form an integral part of these Audited Financial Statements.

Statement of Changes in Equity

For the year ended 30 September 2020

	Share Capital 2020 £'000	Capital Reserve 2020 £'000	Revenue Reserve 2020 £'000	Total 2020 £'000
At 3 September 2018	-	-	-	-
Total gains/(losses) and comprehensive income for the period	-	12,704	(1,440)	11,264
Issue of Management Share	-	-	-	-
Redemption of Management Share	-	-	-	-
Issue of Ordinary Shares	375,000	-	-	375,000
Expenses of share issue	(4,634)	-	-	(4,634)
At 30 September 2019	370,366	12,704	(1,440)	381,630
Total gains / (losses) and comprehensive income for the year	-	164,106	(3,694)	160,412
Expenses of share issue	1	-	-	1
At 30 September 2020	370,367	176,810	(5,134)	542,043

The notes on pages 82 to 103 form an integral part of these Audited Financial Statements.

Statement of Cash Flows

For the year ended 30 September 2020

	Notes	For the year ended 30 September 2020 £'000	Period from 3 Sept 2018 to 30 Sept 2019 £'000
Cash flows from operating activities			
Bank interest paid	8	-	(1)
Other expense payments	7	(4,300)	(524)
Interest income		560	430
Purchase of investments	11	(212,013)	(157,591)
Sale of investments	11	19,632	-
Effect of foreign exchange		(985)	(15)
Net cash outflow from operating activities		(197,106)	(157,701)
Cash flows from financing activities			
Issue of Ordinary Shares	15	-	375,000
Expenses of Ordinary Share issuance	15	-	(4,634)
Net cash inflow from financing activities		-	370,366
Net (decrease) / increase in cash and cash equivalents		(197,106)	212,665
Cash and cash equivalents at beginning of year/period		212,665	-
Cash and cash equivalents at end of year/period	12	15,559	212,665
Cash and cash equivalents comprise of the following:			
- Cash at bank		15,559	189,670
- Cash equivalents - UK treasury bills		-	22,995
		15,559	212,665

The notes on pages 82 to 103 form an integral part of these Audited Financial Statements.

Notes to the Audited Financial Statements

For the year ended 30 September 2020

1. Reporting Entity

Chrysalis Investments Limited (formerly Merian Chrysalis Investment Company Limited) (the "Company") is a closed-ended investment company, registered in Guernsey on 3 September 2018, with registered number 65432. The Company's registered office is 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey GY1 1WD.

The Company is a Registered Closed-ended Collective Investment Scheme regulated by the Guernsey Financial Services Commission ("GFSC"), with reference number 2404263, pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and the Registered Closed-ended Investment Scheme Rules 2015.

The Company's 336,742,424 shares in issue under ticker MERI, SEDOL BGJYPP4 and ISIN GG00BGJYPP46 have a premium listing and are admitted to trading on the London Stock Exchange's Main Market for listed securities. The Audited Financial Statements of the Company are presented for the year ended 30 September 2020.

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 Merian Global Investors (UK) Limited ("MGI") during the year ended 30 September 2020. The administration of the Company is delegated to Maitland Administration (Guernsey) Limited ("MAGL") (the "administrator").

2. Significant Accounting Policies

(a) Basis of Accounting

The Audited Financial Statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Audited Financial Statements give a true and fair view and comply with the Companies (Guernsey) Law, 2008.

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 2019 is consistent with the requirements of IFRS, the Directors have sought to prepare the Audited 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 annual Audited Financial Statements.

In assessing the going concern basis of accounting, the Directors have assessed the guidance issued by the Financial Reporting Council and considered recent market volatility and the impact of COVID-19 on the Company's investments. After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the Financial Report and Audited Financial Statements.

At year end, the Company has a current cash position of £15,559,000 and net current liability amounting to £64,244,000. Taking into account the October 2020 fund raising, together with its listed investments, the Company has sufficient liquidity to meet its obligations. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Report and Audited Financial Statements.

(c) Functional and Presentation currency

The Audited 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 Audited Financial Statements, the results and financial position of the Company are expressed in pound sterling ("GBP").

(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 as adopted by the European Union). Therefore, no reconciliation is required between the measure of profit or loss used by the Board and that contained in these Audited Financial Statements.

(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 convertible loan notes, cash held at bank on call, on deposit and cash held as cash equivalents including UK treasury bills.

(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. Performance fee is charged to the capital column in the Statement of Comprehensive Income.

(g) Dividends to Shareholders

Dividends are recognised in the year 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 year. 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 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 rate 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.

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 the associated valuation procedures are subject to review on a regular basis, and updated as appropriate, in line with industry best practice. In addition, the Company works with independent third-party valuation firms, to obtain assistance, advice, assurance, and documentation in relation to the ongoing valuation process.

The Company 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 determines that a Triggering Event has occurred.

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

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 significant or material milestone achieved 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 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).

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 Audited 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 of financial assets

The Company recognises 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.

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. The derecognised investments are measured at the weighted average method. Any gain or loss on derecognition is recognised in the Net gains on investments held at fair value through profit or loss in the 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 rate 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 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. Included in cash and cash equivalents at the year end was cash at bank of £15,559,000. Refer to note 12 for further details of the cash balance held at 30 September 2020.

(k) Other Receivables

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

(l) Foreign Currency

Transactions and balances

At each Statement of Financial Position 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 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 year 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 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 for the year is transferred to the Company's revenue reserve.

3. Use of Estimates and Critical Judgements

The preparation of Audited 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 Audited Financial Statements and the reported amounts of income and expenses during the year. 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 year, except for the use of estimates in the valuation of the unquoted investments detailed in note 17.

4. New and Revised Standards

The following accounting standards and their amendments were in issue at the year end but will not be in effect until after this financial year end. The Directors have considered their impact and have concluded that they will not have a significant impact on the Audited Financial Statements.

- Amendments to IFRS 7, IFRS 9, IAS 1 and IAS 8 - effective 1 January 2020
- Amendments to IFRS 9, IAS 1 and IAS 37 - effective 1 January 2022

5. Interest Income

Interest income totalling £273,588 was earned from the UK treasury bills which were held at amortised cost, £54,966 from the Growth Street Convertible Loan Note which has been converted and £232,188 from the FinanceApp (wefox) Loan note which is held at fair value through profit or loss (FVTPL). Interest is accounted for using the effective interest method.

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

6. Investment Management Fees

	2020	2019
	£'000	£'000
Investment management fee	2,084	414
Investment Advisor's performance fee – charged to capital	32,608	103
Total investment management fees	34,692	517

Under the terms of the portfolio management agreement, Merian Global Investors ("MGI") is entitled to a management fee and a performance fee together with reimbursement of reasonable expenses incurred in the performance of its duties.

Management Fee

The monthly management fee is equal to 1/12 of 0.5% of the Net Asset Value (the "management fee"). The management fee is calculated and paid monthly in arrears¹.

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 or any of its Associates and is not waived, the value of such investment will be excluded from the calculation of NAV for the purposes of determining the management fee.

As at 30 September 2020, an amount of £631,000 (2019: £182,000) was outstanding and due to MGI in respect of management fees.

Performance Fee

MGI 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 year will be the year commencing on 1 October 2019 and ending on 30 September 2020 (the "Calculation Period").

Adjusted Net Asset Value at the end of a Calculation Period shall be the audited NAV in Sterling at the end of the relevant Calculation Period:

- plus an amount equal to any accrued or paid performance fee in respect of that Calculation Period or any prior Calculation Period;
- 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;
- minus the amount of any distribution declared in respect of the Calculation Period but which has not already reduced the audited NAV;
- minus the Net Capital Change where the Net Capital Change is positive or, correspondingly, plus the Net Capital Change where such net Capital Change is negative (which for this purpose includes the Net Capital Change in the relevant Calculation Period and each preceding Calculation Period; and
- minus any increase in the NAV during the Calculation Period attributable to investments attributable to C shares prior to the conversion of those C shares.

¹ For the period from first admission until the date on which 90% of the net proceeds were 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) was excluded from the calculation of Net Asset Value ("NAV") for the purposes of determining the management fee. This period expired on 1 October 2020.

"Performance Hurdle" means, in relation to the Calculation Period, ("A" multiplied by "B") + C 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).

"B" is:

- in respect of the first Calculation Period, the Net Issue Proceeds; or
- in respect of each subsequent Calculation Period, the sum of this calculation as at the end of the immediately preceding Calculation Period: plus (where sum is positive) or minus (where such sum is negative) the Net Capital Change attributable to shares issues and repurchases in all preceding Calculation Period (the amount in this paragraph (b) being the "Aggregate NCC"), in each case, plus (where such sum is positive) or minus (where such sum is negative) the sum of:
 - in respect of each share issue undertaken in the relevant Calculation Period being assessed, an amount equal to the Net Capital Change attributable to that share issue multiplied by the sum of the number of days between admission to trading of the relevant shares and the end of the relevant Calculation Period divided by 365 (such amount being the "issue adjustment"), minus
 - in respect of each repurchase or redemption of shares undertaken in the relevant Calculation Period being assessed, an amount equal to Net Capital Change attributable to that share purchase or redemption multiplied by the number of days between the relevant disbursement of monies to fund such repurchase or redemption and the end of the relevant Calculation Period divided by 365 (such amount being the "reduction adjustment"),

"C" is the sum of:

- the issue adjustment for the Calculation Period;
- the reduction adjustment for the Calculation Period; and
- the Aggregate NCC multiplied by -1.

"Net Capital Change" equals I minus R where:

- "I" is the aggregate of the net proceeds of any share issue over the relevant year (other than the first issue of ordinary shares);
- "R" is the aggregate of amounts disbursed by the Company in respect of the share redemptions or repurchases over the relevant period.

"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 (as such term is defined in the prospectus); and

"Calculation period" means each twelve-month period ending on 30 September, except that the first Calculation Period shall be the period commencing on Admission and ending on 30 September 2019

Under the terms of the portfolio management agreement, any accrued and unpaid performance fees will crystallise and become payable to MGI 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 sum of the performance fee (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 sum of the performance fee for that Calculation Period, an amount equal to the difference shall be carried forward and included in the performance fee 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 the sum of:

- aggregate net realised profits on investments since the start of the relevant Calculation Period; plus
- 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)

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

6. Investment Management Fees (continued)

Performance Fee (continued)

- 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).

No performance fee is payable out of the assets attributable to any C Shares in issue from time to time.

As at 30 September 2020, the Company had exceeded the High Water Mark and Performance Hurdle and an accrual of £32,608,000 (2019: £103,000) for performance fees has been reflected within these Audited Financial Statements.

An amount of £32,710,000 (2019: £103,000) was outstanding and due to MGI in respect of performance fee due as at 30 September 2020.

7. Other Expenses

	2020	2019
	£'000	£'000
Directors' fees	208	208
Directors' expenses	1	2
Administration fee	125	67
AIFM fee	147	69
Auditor's remuneration for:		
- audit fees	74	66
- non-audit fees	53	43
Secretarial fees	36	32
Printing fees	36	4
Registrars' fees	20	19
Listing fees	18	16
FCA fees	11	6
Legal fee and professional fees:		
- ongoing operations	147	42
- purchases	869	445
Depositary fees	36	16
Directors' liability insurance	33	9
Sundry	83	38
	1,897	1,082

8. Finance Costs

	2020	2019
	£'000	£'000
Bank interest	-	1
	-	1

9. (Losses) / Gains per Ordinary Share

	30 September 2020		30 September 2019	
	Net return £'000	Per share pence	Net return £'000	Per share pence
Revenue return	(3,694)	(1.10)	(1,440)	(0.97)
Capital return	164,106	48.73	12,704	8.56
At 30 September	160,412	47.63	11,264	7.59
Weighted average number of Ordinary Shares		336,742,424		148,399,390

10. Dividends

The Board has not declared a dividend (2019: £nil).

11. Investments Held at Fair Value through Profit or Loss

	2020	2019
	£'000	£'000
Opening book cost	157,591	-
Opening investment holding gains	12,449	-
Opening valuation	170,040	-
Movements in the year / period:		
Purchases at cost	258,453	157,591
Sales – proceeds (cost of disposal £11,565,000) ¹	(19,632)	-
Net gains on investments held at fair value through profit or loss	197,426	12,449
Closing valuation	606,287	170,040

¹ Sale of shares in Transferwise

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

11. Investments Held at Fair Value through Profit or Loss (continued)

	2020	2019
	£'000	£'000
Closing book cost	404,480	157,591
Closing investment holding gains	201,807	12,449
Closing valuation	606,287	170,040
Movement in unrealised gains during the year / period	197,199	20,566
Movement in unrealised losses during the year / period	(7,841)	(8,117)
Realised gain on sale of investments	8,068	–
	197,426	12,449

12. Cash and Cash Equivalents

	2020	2019
	£'000	£'000
Cash and cash equivalents comprise of the following:		
Cash at bank	15,559	189,670
Cash equivalents - UK treasury bills	–	22,995
	15,559	212,665

13. Other Receivables

	2020	2019
	£'000	£'000
Prepayments and accrued income	267	82
	267	82

14. Unsettled Trades

The payable in respect of unsettled trades relates to the amount due for the purchase of You & Mr Jones on 30 September 2020.

15. Share Capital

	No of shares	£'000
Ordinary Shares at no par value		
At 3 September 2018	–	–
Issue of Management Shares	1	–
Issue of shares	100,000,000	100,000
Issue costs	–	(1,144)
Issue of shares	90,909,091	100,000
Issue costs	–	(1,152)
Issue of shares	145,833,333	175,000
Issue costs	–	(2,338)
Redemption of Management Shares	(1)	–
At 30 September 2019	336,742,424	370,366
Issue costs	–	1
At 30 September 2020	336,742,424	370,367

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 with a nominal value of £1. The Management Share was redeemed immediately following admission of the Ordinary Shares on 6 November 2018.

16. Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary Share and the Net Asset Value at the year end calculated in accordance with the Articles of Incorporation were as follows:

	30 September 2020		30 September 2019	
	NAV per share pence	NAV attributable £'000	NAV per share pence	NAV attributable £'000
Ordinary Shares: basic and diluted	160.97	542,043	113.33	381,630

The Net Asset Value per Ordinary Share is based on 336,742,424 Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

17. Financial Instruments and Capital Disclosures

The Company's activities expose it to a variety of financial risks; market risk (including other price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk.

Certain financial assets and financial liabilities of the Company are carried in the 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 year end date, without adjustment for transaction costs necessary to realise the asset. Other financial instruments not carried at fair value are typically short-term in nature and reprice to the current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and cash equivalents, other receivables and other payables.

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 30 September 2020

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equity	94,213	–	–	94,213
Unquoted equity / Convertible debt	–	–	512,074	512,074
	94,213	–	512,074	606,287

At 30 September 2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted equity / Convertible debt	–	–	170,040	170,040
	–	–	170,040	170,040

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:

Unlisted Investments 2020

Fair Value as at 30 September 2020 (£000s)	Holdings	Significant Unobservable Inputs	Range	Sensitivity %	Sensitivity £
115,474	Comparable Company performance	Selection of comparable companies	15-30%	10%	If input comparable company performance changed by +/- 10%, the fair value would change by +/- 1,975,506
185,809	Market approach using comparable traded multiples	EV/LTM revenue multiple EV/EBITDA Multiple	1.8-13.5x 13.8-15.4x	10% 10%	If EV/LTM multiples changed by +/- 10%, the fair value would change by +/- 9,548,694 If EV/ EBITDA multiple changed by +/- 10%, the fair value would change by +/- 5,069,250
69,640	Discounted Cash Flow	Discount Factor	12%	1%	If discount factor increased by 1%, the fair value would reduce by 8,190,000, if the discount factor decreased by 1%, the fair value would increase by 14,691,000
139,892	Recent transaction price	N/A	N/A	N/A	N/A
1,256	Wind Down	N/A	N/A	N/A	N/A

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

17. 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:

Unlisted Investments 2019				
Fair Value as at 30 September 2019 (£'000s)	Valuation Technique	Significant Unobservable Inputs	Range	Sensitivity to changes in significant unobservable inputs
19,840	Market approach using comparable traded multiples	EV/LTM revenue multiple	1.4-6.0x	If the EV/LTM revenue multiple were to increase, the value would increase.
		Percentage change in share price of comparable listed companies	(12.85%)	If the share price of comparable listed companies were to increase, the value would increase.
	Weighted market based approach and asset based approach	Discount rate to account for liquidity	10%	If the discount applied were to increase, the value would decrease.
		Weighting of EV/LTM revenue multiple and liquid assets	75:25	If the weighting attributable to the market-based approach were to increase, the value would increase; conversely if the weighting attributable to the asset-based approach were to increase, the value would decrease.
150,200	Recent transaction price	N/A	N/A	N/A

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurement, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the standards, including to the level in the fair value hierarchy in which the valuation should be classified.

The following table shows a reconciliation of the opening balance to the closing balance for Level 1 and 3 fair values:

	2020	2019	2020	2019
	Level 1 £'000	Level 1 £'000	Level 3 £'000	Level 3 £'000
Opening balance	–	–	170,040	–
Transferred to Level 1	64,306	–	(64,306)	–
Purchases	14,442	–	244,011	157,591
Sales	–	–	(19,632)	–
Total gains included in net gains on investments in the statement of comprehensive income				
– on assets sold	–	–	8,068	–
– on assets held at year/period end	15,465	–	173,893	12,449
	94,213	–	512,074	170,040

The change in unrealised gains or losses (net gain) for the period included in the Statement of Comprehensive Income relating to those assets and liabilities held at the reporting date amount to £140,163,879 (2019: £12,499,000).

The transfer of £64,306,000 relates to THG Plc, which has moved from being a level 3 asset to a level 1 asset as a result of its listing in September 2020.

Investments are moved between levels at the point of the trigger event.

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;
- 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 to assets denominated in currencies other than pound sterling.

If the investment portfolio valuation rose or fell by 10% at 30 September 2020, the impact on the net asset value would have been £60,628,682 (2019: £17,004,041). The calculations are based on the investment portfolio valuation as at the Statement of Financial Position date and are not necessarily representative of the year as a whole.

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

17. Financial Instruments and Capital Disclosures (continued)

Interest Rate Risk

As at 30 September 2020 the financial assets and financial liabilities are exposed to interest rate risk as shown below:

2020			
	In one year or less £'000	Greater than one year £'000	Total £'000
Convertible Loan note (fixed interest rates)	17,600	–	17,600 ¹
Cash and cash equivalents (daily interest rate)	15,559	–	15,559
Total	33,159	–	33,159

As at 30 September 2019 the financial assets and financial liabilities are not exposed to interest rate risk as shown below:

2019			
	In one year or less £'000	Greater than one year £'000	Total £'000
Convertible loan note (notional) (fixed interest rates)	7,500	–	7,500
Cash and cash equivalents (fixed interest rates)	212,665	–	212,665
Total	220,165	–	220,165

Liquidity and Interest Risk Tables

The following tables detail the Company's remaining contractual maturity for its financial assets and liabilities.

2020					
	Interest rate %	Year 1 £'000	Year 1 – 2 £'000	Over 2 years £'000	Total £'000
Assets					
Convertible loan note (notional)	2% fixed rate	17,600	–	–	17,600
Cash	Daily bank rate	15,559	–	–	15,559
Other receivables	Interest free	267	–	–	267
		33,426	–	–	33,426

¹Notional and accrued interest

2019					
	Interest rate %	Year 1	Year 1 – 2	Over 2 years	Total
Assets					
UK treasury bills	0% fixed rate	22,995	–	–	22,995
Convertible loan note (notional)	2.5% fixed rate	7,500	–	–	7,500
Cash	Daily bank rate	189,670	–	–	189,670
Other receivables	Interest free	82	–	–	82
		220,247	–	–	220,247

2020					
	Interest rate %	Year 1	Year 1 – 2	Over 2 years	Total
Liabilities					
Current liabilities	Interest free	80,070	–	–	80,070
		80,070	–	–	80,070

2019					
	Interest rate %	Year 1	Year 1 – 2	Over 2 years	Total
Liabilities					
Current liabilities	Interest free	1,157	–	–	1,157
		1,157	–	–	1,157

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

17. Financial Instruments and Capital Disclosures (continued)

Foreign Currency Risk

The Investment Advisor does not normally hedge against foreign currency movements affecting the value of the investment portfolio but takes account of this risk when making investment decisions. The Company invests in securities denominated in foreign currencies which give rise to currency risks.

Foreign currency exposure:

	2020			
	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000
US dollar	193,493	47	–	–
Euro	35,018	13,617	232	–
Swedish krona	93,453	–	–	–
Total	321,964	13,664	232	–

	2019			
	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000
US dollar	48,124	6	–	–
Swedish krona	39,574	–	–	–
Total	87,698	6	–	–

During the year the pound sterling weakened by an average of 2% against all of the currencies in the investment portfolio (weighted for exposure at 30 September 2020). 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 £29,269,000 (2019: £7,973,000). 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 £35,774,000 (2019: £9,745,000). The calculations are based on the investment portfolio valuation and cash balances as at the year end and are not necessarily representative of the year 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 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 cash balances.

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

	2020	2019
	£'000	£'000
Convertible loan note (fair value)	35,018	3,284
Cash and cash equivalents	15,559	212,665
Other receivables	232	57
	50,809	216,006

All the assets of the Company which are traded on a recognised exchange are held on its behalf by the UK Branch of the Citibank Europe plc, 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.

Cash of £1,894,628, \$60,986 and €15,010,011 was held with Citibank Europe plc at year end.

The credit rating of Citibank Europe plc, UK Branch was A-1 at the year end¹.

Liquidity Risk

Liquidity risk is defined as the risk that the Company does 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 invests in a number of unquoted securities which are not readily realisable. These investments make up 80% (2019: 45%) of the net assets as at 30 September 2020.

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

¹ Credit rating obtained from Standard & Poor's (S&P). S&P is a leading index provider and data source of independent credit ratings.

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

17. Financial Instruments and Capital Disclosures (continued)

Liquidity Risk (continued)

The maturity profile of the Company's current assets and liabilities is presented in the following table.

	2020			
	Up to 3 months £	Between 3 and 12 months £	Between 1 and 5 years £	Total £
Assets				
Convertible loan note (notional)	–	17,600	–	17,600
Cash	15,559	–	–	15,559
Other receivables	267	–	–	267
Liabilities				
Current liabilities	(80,070)	–	–	(80,070)
Total	(64,244)	17,600	–	(46,644)

The maturity profile of the Company's current assets and liabilities is presented in the following table.

	2019			
	Up to 3 months £	Between 3 and 12 months £	Between 1 and 5 years £	Total £
Assets				
UK treasury bills	22,995	–	–	22,995
Convertible loan note (notional)	–	7,500	–	7,500
Cash	189,670	–	–	189,670
Other receivables	82	–	–	82
Liabilities				
Current liabilities	(1,157)	–	–	(1,157)
Total	211,590	7,500	–	219,090

Capital Management Objectives, Policies and Procedures

The structure of the Company's capital is described in note 15 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 80.

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 Investment Advisor, 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 Investment Advisor 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.

18. Related Parties

MGI continues to be the Investment Advisor to the Company. The relationship is governed by an agreement dated 11 October 2018.

	30 September 2020	30 September 2019
	£'000	£'000
Management fee charged by MGI:		
Total management fee charged	2,084	414
Management fee outstanding	631	182
Performance fee charged by MGI:		
Total performance fee charged	32,608	103
Performance fee outstanding	32,710	103
Directors' fees		
Total Directors' fees charged	208	208
Directors' fees outstanding	–	52

Notes to the Audited Financial Statements

For the year ended 30 September 2020

(continued)

18. Related Parties (continued)

As at 30 September 2020 the following Directors have holdings in the Company:

Director	Number of Ordinary Shares	% Ordinary Shares issue as at 30 September 2020
Andrew Haining	45,000	0.0134
Stephen Coe	45,909	0.0136
Simon Holden	67,500	0.0200
Anne Ewing	7,500	0.0022
Tim Cruttenden	9,090	0.0027

Anne Ewing purchased 20,000 ordinary shares after the year end.

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

Related party	Number of holdings during the year	Shares purchased during the year	Shares sold during the year	Value of holdings 30 September 2020 £'000
Merian UK Smaller Companies Focus Fund	5,520,882	–	–	8,005
Merian UK Specialist Equity Fund	8,112,820	–	–	11,764
Merian UK Mid-Cap Fund	51,451,305	–	–	74,604
Merian UK Smaller Companies Fund	14,601,552	–	–	21,172
Total	79,686,559	–	–	115,545

As announced at the time of the placing of 26 September 2019, our intention was to use approximately 50% of the proceeds of the capital raise to scale up exposure to a number of existing portfolio holdings. This was achieved via the acquisition of additional interests in those investments from the open-ended UK small and mid-cap equity funds managed by Merian Global Investors, as set out below:

- i. £38.3m of additional shares in TransferWise Limited (£35m in October 2019 and £3.3m in November 2019);
- ii. £20.2m in additional shares in The Hut Group in October 2019; and
- iii. £11.6m in additional shares in Graphcore Limited in December 2019.

19. Post Balance Sheet Events

The Company announced on 6 October 2020 that it has successfully raised gross proceeds of £95,000,000 pursuant to the Placing and the Primary Bid Offer.

On 19 October 2020, the Company completed a £5,000,000 follow on investment in Sorted Holdings Limited.

On 4 November 2020, the Company acquired additional convertible loan notes in FinanceApp AG (wefox) at a total cost of €15,000,000.

On 13 November 2020 and 1 December 2020, the Company made additional follow-on investments in Secret Escapes of £4,000,000 and £1,800,000 respectively.

On 25 November 2020, the Board of the Company announced a proposed change of its registered name to Chrysalis Investments Limited following the recent acquisition of Merian Global Investors Limited by Jupiter Fund Management plc.

On 16 December 2020, the Company acquired additional convertible loan notes in FinanceApp AG (wefox) at a total cost of €10,000,000.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial year.

Corporate Information

Directors

Andrew Haining, Chairman
Anne Ewing
Simon Holden
Stephen Coe (Senior Independent Director) *
Tim Cruttenden

Registered office

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

Alternative Investment Fund Manager

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

Investment Advisor

Merian Global Investors (UK) Limited
The Zig Zag Building
70 Victoria Street
London, SW1E 6SQ

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

Depository

Citibank Europe plc, UK Branch
Citigroup Centre
Canada Square
Canary Wharf
London, E14 5LB

English Legal Advisor to the Company

Travers Smith LLP
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
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey, GY11WR

* Appointed SID on 14 January 2020

Definitions

Benchmark Performance	With reference to investment valuation, application of the performance of a benchmark or pool of comparable companies to an unlisted company to determine a valuation.
NAV per Share	Net Asset Value expressed as an amount per share.
NAV per Share Growth	With reference to fund performance, NAV at end of stated year / NAV at beginning of stated year as a percentage.
IRR	Internal Rate of Return – with reference to investment performance, calculated using excel XIRR formula.
Trading Multiple	With reference to investment valuation, enterprise value / annual revenue of company.
Drawdown	With reference to index performance, the maximum percentage loss in value over a given time period.
Discount / Premium	The amount by which the market price per share of an investment company is lower or higher than its net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.
Net Asset Value (NAV)	The Net Asset Value (NAV) is the amount by which total assets exceed total liabilities, i.e., the difference between what the Company owns and what it owes.

Alternative Investment Fund Managers Directive Disclosure (Unaudited)

Maitland Institutional Services Ltd (MISL) acts as AIFM of the Company, providing risk management services to the Company.

The AIFM is required by the Alternative Investment Fund Managers Directive and all applicable rules and regulations implementing the AIFM Directive in the UK (the "AIFM" Rules):

- to make the financial report available to investors and to ensure that the financial report is prepared in accordance with applicable accounting standards, the Company's articles of incorporation and the AIFM Rules and that the financial report is audited in accordance with International Standards on Auditing (UK);
- be responsible for the proper valuation of the Company's assets, the calculation of the Company's net asset value and the publication of the Company's net asset value; and
- to make available to the Company's shareholders, a description of all fees, charges and expenses and the amounts thereof, which have been directly or indirectly borne by them.

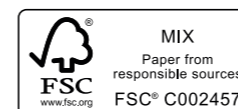
The AIFM is required to ensure that the financial report contains a report that shall include a fair and balanced review of the activities and performance of the Company, containing also a description of the principal risks and investment or economic uncertainties that the Company might face.

Under the AIFM Directive, the AIFM is required to stipulate how much it pays to its staff, in relation to fixed and variable remuneration and how much, in relation to the Company, is firstly attributed to all staff and those that are deemed, under the directive, to have an impact on the risk profile of the Company.

The table provided below has been calculated in accordance with the Maitland remuneration policy taking into account fees charged during the year for the Company as Alternative Investment Manager. Our most recent remuneration policy which contains further information on the fees charged for all funds for which we act as Alternative Investment Manager, are available from our website www.maitlandgroup.com.

	Year ending 30th September 2020			
	Number of Beneficiaries	Fixed	Variable	Total
Total remuneration paid by the AIFM during the year	85	£5,516,000	£42,920	£5,558,920
Remuneration paid to employees who are material risk takers	4	£909,000	£2,500	£911,500

During the year ending 30 September 2020 there was zero leverage used in the Portfolio. The AIFM confirms there are no other material changes listed in Articles 23 Disclosure Schedule, which are required to be disclosed under AIFMD Article 22.



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