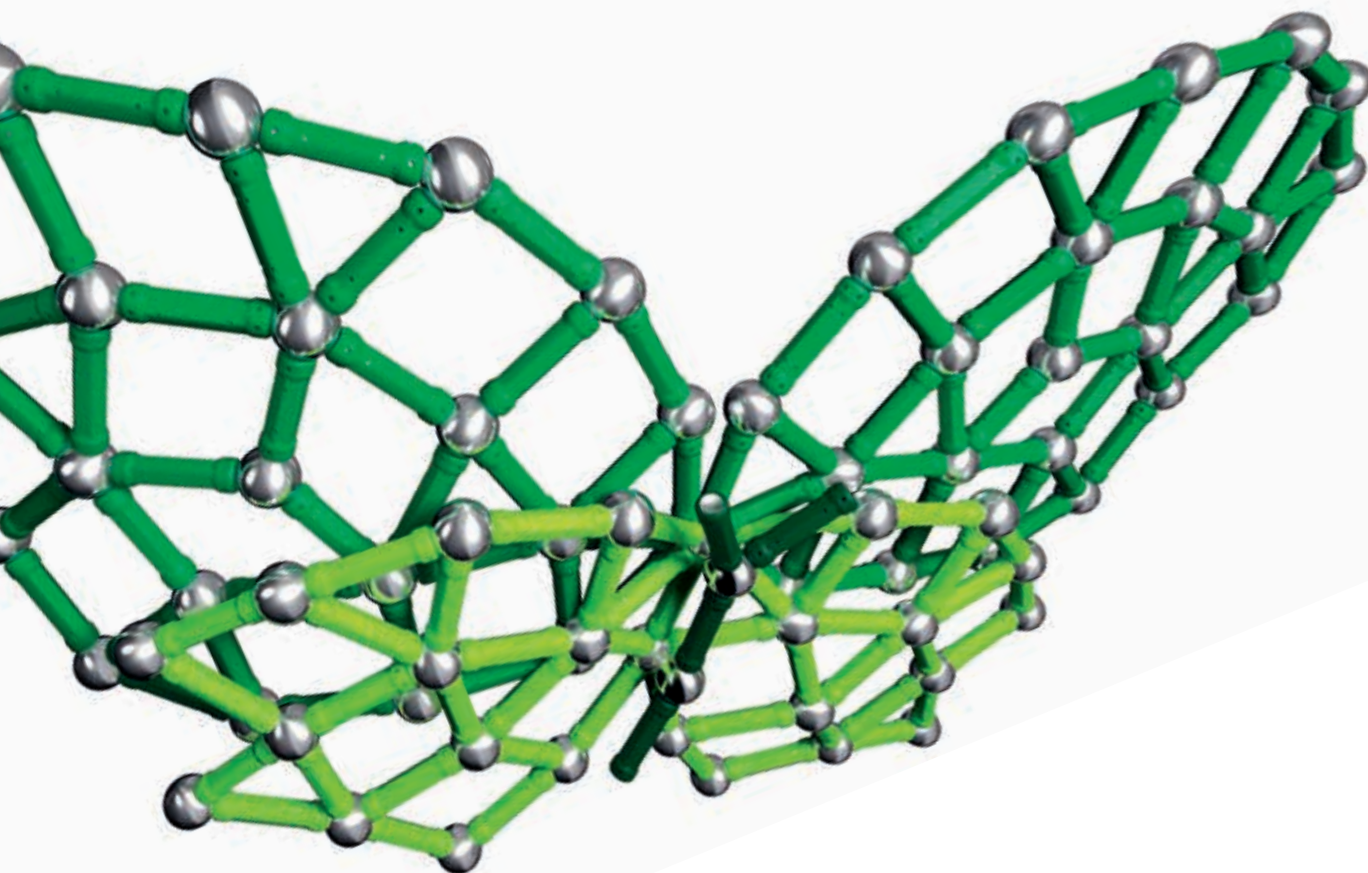


MERIAN CHRYSALIS  
**INVESTMENT COMPANY LIMITED**

**FINANCIAL REPORT AND AUDITED FINANCIAL STATEMENTS 2019**



# A DIFFERENT KIND OF MONEY

**Merian Chrysalis Investment Company Limited ("Merian Chrysalis" or "the Company") was established to offer high-growth, private companies aspiring to an eventual IPO a new type of investor to partner with.**

Our capital base is permanent, providing long-term support to ambitious entrepreneurs looking to successfully grow their businesses. In addition, the Company's Investment Advisor, Merian Global Investors (UK) Limited ("MGI" or the "Investment Advisor") has more than £6bn of assets under management in its UK Small & Mid-Cap public equity market team, which is the largest of its type in the UK, and is a significant investor in the Company. This is crucial, as it gives the Company the credibility to offer a meaningful cross-over proposition to help private companies de-risk a future IPO; aligning themselves with a natural buyer of listed equity, rather than the majority of venture capital or private equity firms that are natural sellers at IPO. This gives the Company an edge when seeking investment opportunities.

The Company also offers individual investors exposure to some of the most exciting private growth businesses in the UK and beyond, which they would typically be unable to access.



**Merian is one of the UK's leading and most relevant crossover investors**

## PERFORMANCE HIGHLIGHTS



### £100m – IPO

On 6 November 2018, the Company successfully completed an initial public offering (“IPO”) and was admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s Main Market.

### £375m TOTAL FUNDS RAISED

Subsequent to the £100m IPO the Company successfully raised additional gross proceeds of £275m during the period ended 30 September 2019.

### 113.3p NAV GROWTH OF 14.6%

As at 30 September 2019 the Net Asset Value per share (“NAV”) was 113.3p, versus an initial NAV of 98.85p.

**124P SHARE PRICE GROWTH OF 24%** – As at 30 September 2019 the Share Price was 124p, versus the IPO Share Price of 100p.

**£11.3M VALUATION UPLIFT** – The Company has achieved a pre-tax gain of £11.3m for the period ended 30 September 2019.

**£158M EQUITY INVESTED** – Total book value of Equity invested as at 30 September 2019.

**£123M POST-PERIOD INVESTMENTS** – Post period end, the Company made investments of c. £123m, including a new investment in wefox Group, acquisition of additional shares in TransferWise and The Hut Group and follow-on investments in Starling Bank and Graphcore.

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## CHAIRMAN'S STATEMENT

**"I am very pleased to be able to introduce the maiden Report and Accounts for Merian Chrysalis, after a very busy first year."**



**ANDREW HAINING CHAIRMAN**



From launch in November 2018, Merian Chrysalis has set out to provide a different sort of long-term capital proposition to both investors and high-growth companies alike. The team at MGI recognised the implications to investors of companies staying private for longer, and identified the opportunity to provide this investor base with a vehicle that gives them access to some of the most interesting, high growth and disruptive unlisted companies. These businesses are typically scalable, technology driven competitors and are looking to challenge and replace existing business models.

This approach has already proved attractive to both investors and high-growth companies seeking capital.

The Merian Chrysalis offering differs from both private equity, which typically takes majority stakes and uses financial leverage to achieve its target returns, and venture capital, in that potential investee companies need to have demonstrated "proof of concept".

Business characteristics the team typically looks for are:

- companies operating in large addressable markets with structural tailwinds;
- founder-led businesses where management has a track record of execution;
- category killers that are highly innovative and disruptive in nature;
- best-in-class technologies that enable them to compete on price, service and convenience;
- a clear roadmap to profitability and cash generation;
- potential for extraordinary growth and the ability to sustain these rates of growth; and
- superior unit and customer acquisition economics, implying value accretive growth.

These selection criteria naturally led us to the more mature end of the private market; typically, businesses that are at an advanced stage of private ownership, and are beginning to consider an IPO in two to five years' time. These businesses, often with considerable cross border expansion capacity, require and benefit from substantial rounds of funding before accessing



public capital markets. In addition, the maturity of these opportunities should substantially decrease stock specific risk, versus typical venture opportunities.

In order to differentiate itself, Merian Chrysalis was established with a “crossover” strategy between public and private markets. The investment advisory team, led by Richard Watts and Nick Williamson, has been investing successfully for many years in the UK Small and Mid-Cap markets and has been able to demonstrate considerable capital commitments during IPOs. With the long term flexibility of a permanent capital vehicle, Richard, Nick and the team at MGI are ideally placed to offer companies a stepping stone on their way to public markets, which can substantially de-risk this process.

At the point of the Company’s IPO, some doubts were raised about the speed at which the product could be scaled up, the types of investments that were possible, and the impact of cash drag in the early stages. I am pleased to say that, given the progress over the last eleven months, I believe Merian Chrysalis has quelled these reasonable concerns.

The Company has successfully come back to the market for further capital twice since IPO. It has managed to invest in a number of high-profile companies, and build out an impressive portfolio, results which have, so far, more than met the Board’s, and the Company’s, original objectives.

Also, the construction of the portfolio is obviously still at an early stage and there will be further development work in each of the underlying businesses before realisations, or liquidity events, can occur. The Board, however, believes that the Company already has an exciting and diverse portfolio of investments and is very pleased with the quality of the deal flow that the Investment Advisor is generating at this stage in the development of Merian Chrysalis.

Before I conclude, I would like to make a comment on Environmental, Social and Governance (ESG) issues, which the Board views as very important; not only as key credentials of those companies providing professional services to the Company, but crucially in how our portfolio companies themselves are enshrining sustainable practices into their growth strategies and cultures. The Investment Advisor already has an ESG framework and it is my intention that the Board works with MGI over the course of the coming year to fine-tune the current framework for Merian Chrysalis to fully reflect the changing attitudes across our investor universe, stakeholders and the world at large. I look forward to reporting back to shareholders on progress in due course. Please refer to “Responsible investment” on page 15 for further details.

Finally, I would like to take this opportunity to thank our investors for their support and our professional advisors for their hard work in the establishment of Merian Chrysalis. I look forward to reporting on the continuing development of the Company in the coming years.

**Andrew Haining**

Chairman

23 January 2020



## PORTFOLIO STATEMENT

As at 30 September 2019

	Date of acquisition	Cost (£'000)	Value (£'000)	% of net assets
<b>Company</b>				
Klarna Holding AB	09/08/2019	41,236	39,574	10
TransferWise Limited	07/11/2018	17,085	27,934	7
Starling Bank Limited	10/04/2019	19,529	27,124	7
Graphcore Limited	17/12/2018	19,729	20,190	5
Embark Group Limited	14/08/2019	14,900	14,900	4
Secret Escapes Limited	07/11/2018	13,065	13,796	4
The Hut Group Limited	20/12/2018	9,547	10,478	3
Sorted Holdings Limited	15/08/2019	10,000	10,000	3
Growth Street Holdings Limited Convertible Loan Note	07/06/2019	7,500	3,284	1
Growth Street Holdings Limited	22/01/2019	5,000	2,760	1
<b>Total investments</b>		<b>157,591</b>	<b>170,040</b>	<b>45</b>
Cash and cash equivalents			212,665	55
Other current net liabilities			(1,075)	(0)
<b>Total net assets</b>			<b>381,630</b>	<b>100</b>





## INVESTMENT ADVISOR'S REPORT

### OVERVIEW

The last 11 months have been a busy but highly productive period for Merian Chrysalis.

The Company was established to provide investors with access to some of Europe's fastest growing, most innovative and disruptive private companies, opportunities that, hitherto, have only been available to a minority of private investors.

Over a number of years, the Merian Global Investors team had been observing a trend of companies staying private for longer. Combined with often significantly faster growth rates pre-IPO, versus those in public markets, the inference was many of the most exciting IPO candidates were deferring their listing until their period of super-normal growth had passed. This meant that much of the valuation uplift generated by this growth was captured by private investors. As the largest public equities desk operating in the UK Small and Mid-Cap market, we recognised there was an opportunity to capture these potential returns for investors, hence Merian Chrysalis was established.

The ambition of the majority of late-stage, growth businesses is eventually an IPO, which provides liquidity to investors as well as successfully validating their business model. One of the obvious limitations in this regard of private equity and venture capital funds, which have been the typical backers of these firms, is that they are natural sellers of public equity, as capital is recycled into new private opportunities. This means companies looking to list often need to find buyers of secondary sell downs, as well as raise new capital.



Our response was to present a differentiated offering by adopting a "crossover" strategy between public and private markets. The Company is uniquely positioned to benefit from the Investment Advisor's ability to invest through its other funds in listed equities at, and post, IPO. This means that a key attraction to investee companies of taking investment from the Company is that it can offer a stepping stone into public ownership. We decided that a combination of a permanent capital vehicle and a strong crossover offering would prove to be attractive to entrepreneurs thinking about their future desired shareholder structure, and this has been instrumental in attracting a strong pipeline of investment opportunities.

From launch in November 2018, the Company has successfully raised a cumulative £375m of gross proceeds, and built a portfolio of nine investment companies. As we discuss below, we believe the private market continues to evolve in our favour, and the Company is well positioned to help support exciting companies to achieve their ambitions by investing growth capital. So, while we have had a good start, we hold greater ambitions for the Company, and believe the coming year will be instrumental in achieving them.

### MARKET

The stock market has been volatile over the period, with the S&P 500 – and other major indices – falling sharply in Q4 2018, as investors fretted about slower economic growth, rising interest rates, global trade and a hard Brexit. A series of profit warnings from high profile stocks such as Apple and NVIDIA also led to increased uncertainty in the technology sector and prompted a sell-off in growth stocks.



## INVESTMENT ADVISOR'S REPORT (CONTINUED)

### MARKET (CONTINUED)

Equities staged a recovery into Q1 2019 and have held onto gains, despite mixed political and economic backdrops. Indeed, UK shares have performed well since the start of 2019 and those areas of the market that are perceived to offer superior and defensible earnings growth have enjoyed an extended period of outperformance. Pleasingly, given the Company's high-growth bias, technology stocks have performed well over the period, as investors have sought returns in a low-growth environment.

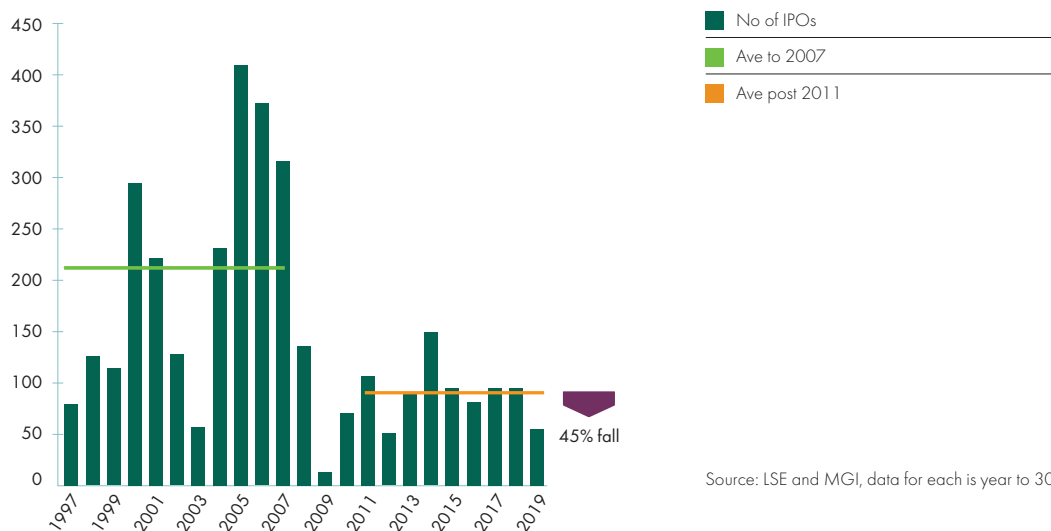
In private markets, while we saw some anecdotal signs of risk contagion from public markets – such as pre-emptive capital raises – late last year, this receded quickly in 2019.

We continue to see significant levels of activity in private markets and engagement with the Company's investment proposition.

What has been interesting has been the apparent disparity between the public and private fund raising environments.

We believe there are secular trends currently driving diminishing numbers of IPOs, as companies stay private for longer, but these appear to have been exacerbated by turbulent public market conditions. The difference in listing activity pre and post the Great Financial Crisis is stark, but in the year to 30 September 2019, the number of UK IPOs was nearly half that of the preceding eight years.

### UK IPOs: 1997 TO 2019



Source: LSE and MGI, data for each is year to 30 September.

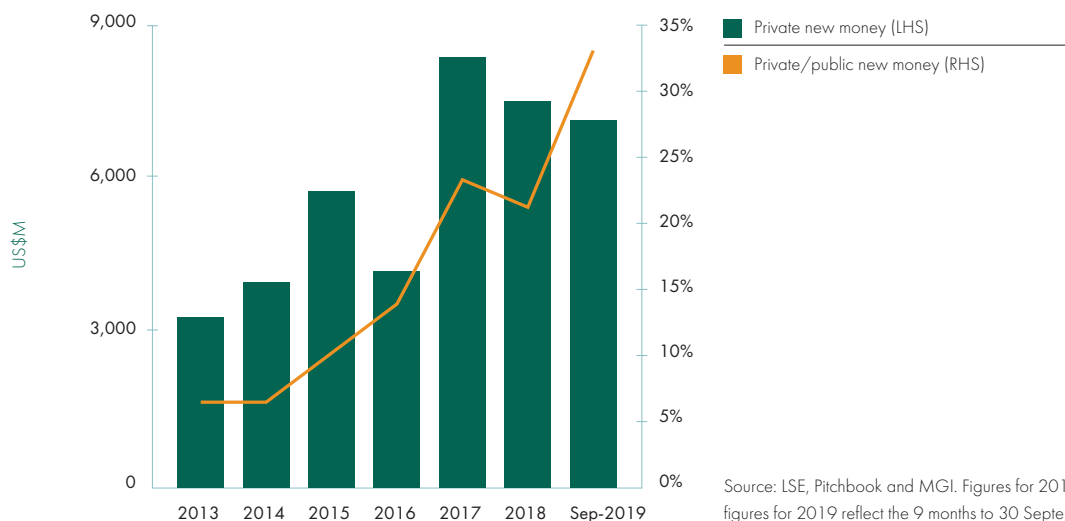
There has been little sign of similar ructions in private markets, with the total amount raised in areas relevant to the Company<sup>1</sup> in the nine months to 30 September 2019 almost equaling the total raised over 2018. When compared to public markets, this means the ratio of private money raised to public has climbed to another high.

1. Defined as >\$20m ticket size, excluding healthcare, energy and natural resource sectors





## PRIVATE MONEY RAISED: 2013 TO 2019



Source: LSE, Pitchbook and MGI. Figures for 2013 -2018 reflect calendar years, figures for 2019 reflect the 9 months to 30 September.

Our view is that private markets will continue to evolve and develop, as their attractions to many of our target companies are manifold, including:

- the ability to run losses while scaling – something stock markets find hard to stomach;
- concerns over stock markets' ability to price high/accelerating growth accurately, as typically public investors are faced with stable/fading growth rate businesses; and
- as private markets continue to mature, they have grown in significance and liquidity.

This leads us to conclude that, over time, we expect there to be a "blurring" of the traditional lines of what constitutes the characteristics of a "typical" private company and a "typical" public company. The Company is well positioned to provide capital in this more fluid scenario, with its permanent capital structure and crossover credentials.

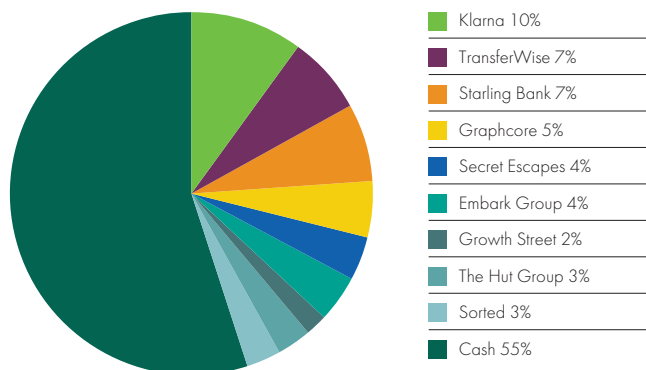
## PORTFOLIO

As at 30 September 2019, the Company had net assets of approximately £382m, with circa £170m invested in private companies and circa £213m to cash and cash equivalents, implying circa 45% of assets were invested.

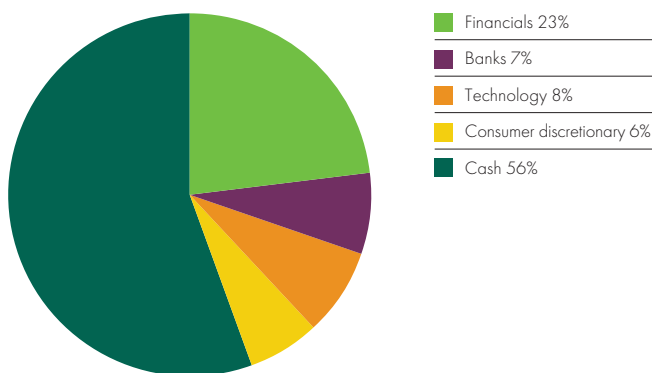
From a start of three investments, the portfolio is becoming more balanced and diversified, and as at 30 September, consists of nine portfolio companies across four sectors. The top three holdings in the Company are Klarna Holding AB (10%), TransferWise Limited (7%) and Starling Bank Limited (7%). The Company has the greatest exposure to the Financials sector (23%), followed by Technology (8%), Banks (7%) and Consumer Discretionary (6%). The Company will look to diversify sector risk going forward, with the near-term pipeline consisting of a number of opportunities across various sectors.

Given the stage of maturity of the Company, sector skews are still possible while the number of holdings is relatively low.

## INVESTMENT ADVISOR'S REPORT (CONTINUED)



Source: MGI as at 30 September 2019.

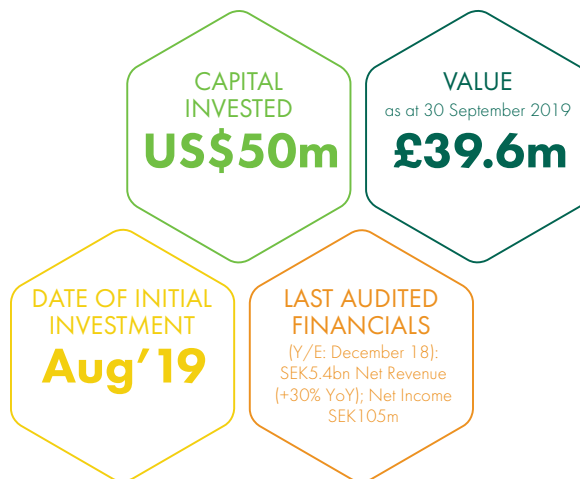


Source: MGI as at 30 September 2019.

As a measure of the investee companies' performance, the weighted average revenue growth rate of the portfolio for the nine months ended 30 September 2019 was in excess of 50% year-on-year.

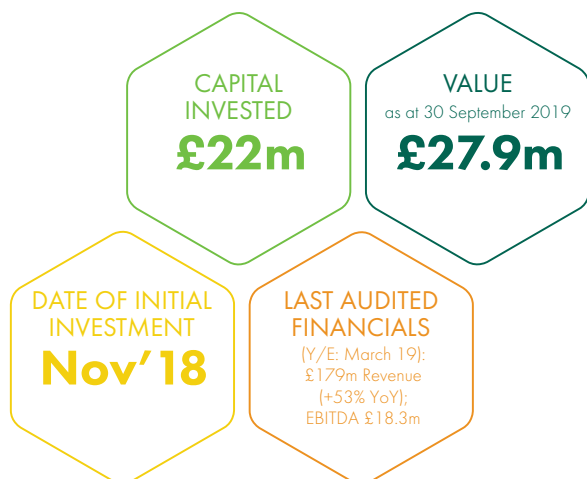
There have been no disposals of investments during the reporting period.

## Klarna:



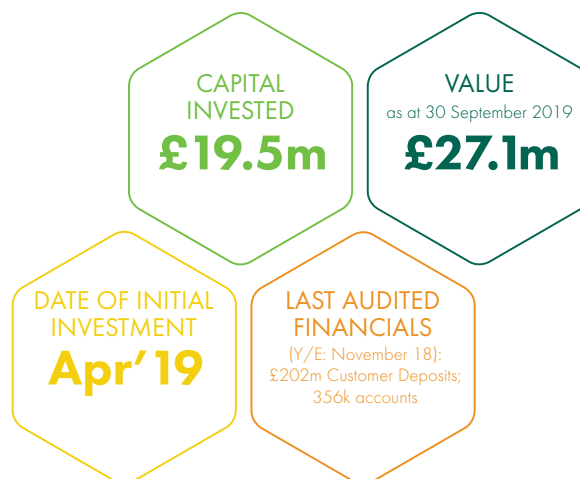
### KLARNA HOLDING AB

Klarna is a leading global payments provider that is revolutionising the online payment experience. Founded in Stockholm in 2005, Klarna is one of Europe's most innovative and disruptive technology companies. 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 pay how and when they prefer. Klarna currently operates in 14 countries and added 28m more users over 2018. The latest funding round valued Klarna at US\$5.5bn, making it Europe's most valuable FinTech company.



#### TRANSFERWISE LIMITED

TransferWise is a global technology company that was founded with the aim of reducing 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 use TransferWise to pay suppliers or employees overseas, request payments from customers and transfer funds between their own accounts in different countries. TransferWise has over six million customers, who transfer over £4bn every month, saving themselves over £4m every day.



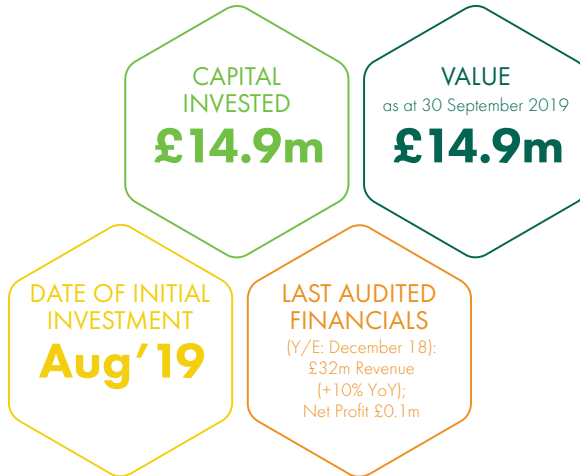
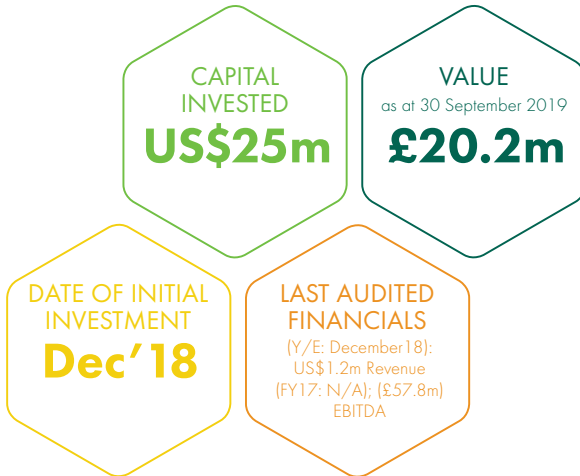
#### STARLING BANK LIMITED

Founded by banking expert Anne Boden in 2014, Starling has built a scalable platform that delivers a 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. Starling recently announced that it has over 1m customers with deposits in excess of £1bn. Shortly after our investment in Starling, the company was awarded a £100m grant from the RBS Capability and Innovation Fund.

**Accessing high profile deals**

## INVESTMENT ADVISOR'S REPORT (CONTINUED)

### GRAPHCORE



### GRAPHCORE LIMITED

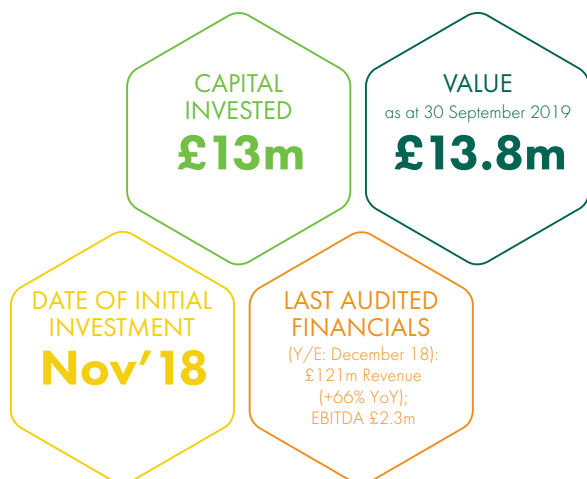
Graphcore is a leading machine intelligence semiconductor business, which has developed the Intelligence Processing Unit ('IPU'). The IPU is completely different from today's CPU and GPU processors. It is a highly flexible, easy to use, parallel processor that has been designed from the ground up to 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 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.

Post period end, Graphcore shared details of its collaboration with Microsoft, announcing a preview of its IPUs on Microsoft Azure. Microsoft and Graphcore have been collaborating closely for over two years and their developers have achieved state of the art performance and accuracy across a number of complex AI models such as BERT and ResNeXt. This announcement was a landmark moment for Graphcore and validates the maturity of the IPU hardware and Poplar software stack.

### EMBARK GROUP LIMITED

Embark Group 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. Embark Group is one of the fastest growing digital retirement and savings businesses in the UK market, growing from zero to £15.5bn assets under administration in under six years. The group is experiencing strong demand for its digital services, and additional capital will enable it to take full advantage of its disruptive position in the UK savings sector, through continued technological innovation and selective expansion opportunities.

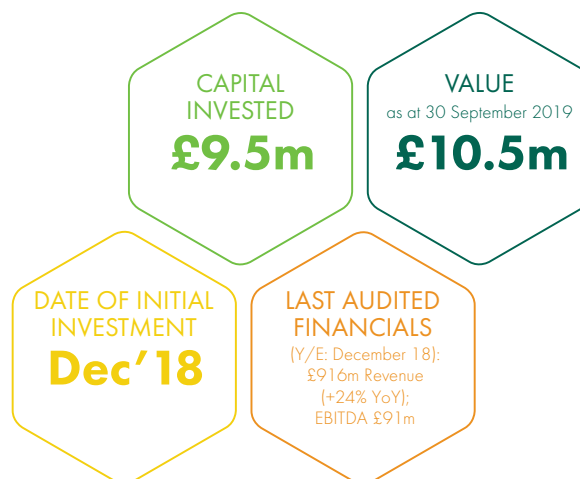
## secret Escapes



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

## THE HUT GROUP



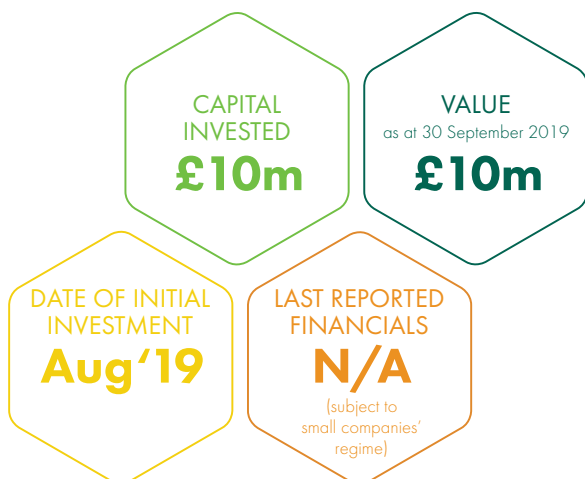
### THE HUT GROUP LIMITED

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

In online beauty it operates websites such as LookFantastic, and own brands such as ESPA and Acheson&Acheson, all acquired via acquisition. In wellbeing the key asset is MyProtein, which has global reach in sports nutrition and is increasingly moving into apparel. Acquisition of brands can be highly accretive for the company, given the synergistic opportunities afforded by the technology platform and logistics hub.

**Continuing to  
build a portfolio  
of attractive assets**

## INVESTMENT ADVISOR'S REPORT (CONTINUED)



### SORTED HOLDINGS LIMITED

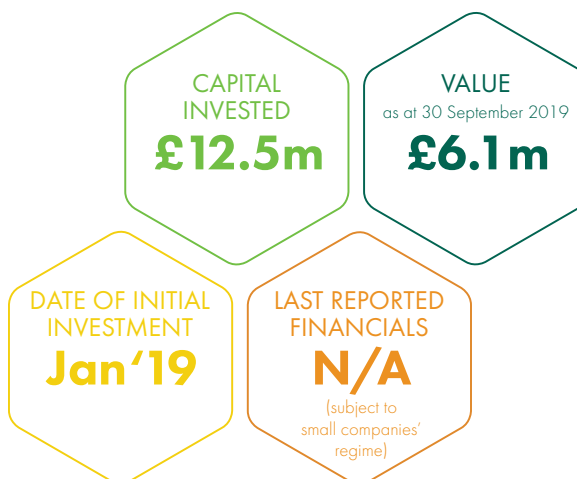
Sorted is a Manchester-based, global software as a service (SaaS) company that has developed a delivery management platform which allows retailers (both digital and physical) to effectively manage their delivery and returns proposition. This enables retailers to increase conversion rates, reduce abandoned 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 £20 million to date in its technology, and provides global retailers with a best-in-class solution. Sorted now operates in 12 countries and works with a number of leading companies, including: ASOS, Lush, N Brown, Wincanton and Clipper Logistics.



**GROWTH STREET**



### GROWTH STREET HOLDINGS LIMITED

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

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

Post period end, two loans that Growth Street had made fell into default. Given the size of these loans, we have taken a prudent view of valuation while we work with other investors and management to implement a revised business plan. In addition, post period end, the £7.5m convertible loan note was converted into Preference Shares on 17 January 2020.

## PIPELINE AND OUTLOOK

The outlook for the Company continues to be strong with the ability to engage with further opportunities following the £175m raised in September 2019.

On announcement of the September 2019 raise, the expectation was to invest approximately 50% of gross proceeds in existing investments, including via transfers from certain Merian Open Ended Investment Companies (the "Transfer"), with the remainder dedicated to new investments. As at 30 September 2019, the process of transferring existing investments was still underway, leading to an artificially high level of cash of circa 55% of the net asset value. With the Company having acquired additional shares in TransferWise, The Hut Group and Graphcore post period end as part of the Transfer, as well as a follow-on into Starling Bank, the cash position has now reduced.

In addition, with a strong pipeline of opportunities, and due to the Investment Advisor's extensive network that generates a steady stream of potential investment opportunities each week, we are confident that the residual proceeds raised will be invested in new investments and potential follow-ons in a timely manner.

Having successfully launched the Company and begun our journey, we are excited about the year ahead.

Our goals for this year are to:

- complete current pipeline deals to reach 'full' investment using the remaining proceeds from our recent raise; and
- continue to work with our portfolio holdings to help them successfully maximise their potential and thus valuation.

We continue to invest in our capability and were delighted that Mike Stewart joined us early in the year to provide further capacity to pursue and execute deal flow. The rest of the Investment Advisor Small and Mid-Cap desk continues to provide further expertise as and when needed.

The Company has access to good deal flow and significant capital resources, while increasingly establishing itself in the private capital market. Our aspirations remain to build an entity of greater scale to fully capture the opportunity in front of us. To do this, we recognise we need to demonstrate value generation. Currently, a large proportion of the portfolio is relatively new, and, with the exception of TransferWise, has thus not had the opportunity to drive meaningful NAV growth. Our hope is that there will be time across the coming year for our holdings to show their growth credentials, and thus their ability to generate strong returns for shareholders.

Finally, we would like to express our thanks to all shareholders for their continued support as we move forward into 2020 and the exciting opportunities ahead.

### **Merian Global Investors (UK) Limited**

23 January 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 companies.

### INVESTMENT POLICY

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

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 percent 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 percent 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 percent 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 percent 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.

## RESPONSIBLE INVESTMENT AND ENVIRONMENTAL SOCIAL AND GOVERNANCE POLICY

The Investment Advisor's view is that for responsible investment to be most effective, it must contribute positively to our investment processes and outcomes for our clients. For this reason, each investment desk at MGI has its own responsible investment policy (including Environmental Social and Governance ("ESG") considerations) aligned with its investment style, guided by our experienced responsible investment team. The combination of this dedicated in-house expertise with the investment performance MGI is known for is our platform for delivering our ambition of excellence in responsible investment.

In order to achieve on this, our activities focus on five key areas:

- **Engagement:** we recognise our responsibility as investors to promote and protect long-term value creation, and to hold the boards of the companies in which we invest accountable for performance. This extends beyond governance to all aspects of a company's strategy and operations, including its environmental and social performance.
- **Voting:** we exercise our voting rights at every opportunity where practicable to re-enforce our engagement with companies, protect shareholder rights and promote good corporate governance.
- **Integration:** through the development of proprietary tools and research we aim to gain value-adding information and perspectives on the material environmental, social and governance topics for companies and sectors. This will help us better assess risks and identify opportunities, and should provide us with an investment edge over the market.
- **Risk oversight:** a key pillar to our approach is developing independent oversight of the sustainability and governance characteristics of our portfolios through the investment risk function. This ensures that while the investment desks are responsible for the construction of their portfolios, we have a formal governance process in place to monitor and query exposure to environmental, social and governance risks.

- **Public policy:** where we identify systemic issues that affect the sustainability of the markets in which we invest we will, either directly or through membership associations, seek to influence policy to address those challenges.

As we continue to build our capabilities, our policies and processes will evolve, remaining consistent with our four key principles for responsible investment:

- **Add value for clients:** responsible investment must help us make better investment decisions on behalf of our clients, address particular client needs, or ideally both.
- **Quality over quantity:** we will focus on the areas where we can have the most impact and that we deem to be most material to our investments and client interests.
- **Authenticity:** we will be honest and genuine about our activities, including any successes and challenges faced whilst implementing our responsible investment strategy.
- **Practice what we preach:** in line with our responsible business principles, we will endeavour to embody the behaviours that we expect of companies where practicable.

Please see the MGI website for further details:

<https://www.merian.com/global/about-us/responsible-investment/>

Given the differences between listed and private equities, it is the Investment Advisor's aspiration to more fully develop an Environmental Social and Governance policy for Merian Chrysalis in accordance with the above framework, as far as reasonably practicable.

**A STRONG AND  
VERY WELL  
RESOURCED TEAM**

## BOARD MEMBERS

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

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



### **ANDREW HAINING** Chairperson (independent)

Andrew has had a 30-year career in banking and private equity with Bank of America, CDC (now Bridgepoint) and Botts & Company. During his career, Andrew has been responsible

for over 20 private equity investments with transactional values in excess of \$1 bn.

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



### **STEPHEN COE** Independent

Stephen is currently a director and Chairman of the Audit Committee of Leaf Clean Energy Company Limited and Weiss Korean Opportunities Fund Limited. Stephen has been

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



## BOARD MEMBERS (CONTINUED)



### SIMON HOLDEN

#### Independent

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

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



### ANNE EWING

#### Independent

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



### TIM CRUTTENDEN

#### Independent

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



## DIRECTORS' REPORT

The Directors present their Financial Report and the Audited Financial Statements of the Company for the period from 3 September 2018 (date of incorporation) to 30 September 2019.

### 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 period under review is given in the Chairman's Statement and the Investment Advisor's Report.

### BUSINESS AND TAX STATUS

The Company has been registered with the GFSC as a closed-ended investment company under RCIS Rule and 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 also that certain regular and periodic disclosures are made. This information and these disclosures may be found on page 67 of this financial report and on the Company's website <https://www.merian.com/chrysalis/>

### 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.

## DIRECTORS' REPORT (CONTINUED)

### 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. 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 Statements. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

### VIABILITY STATEMENT

The Directors have assessed the prospects of the Company over the three year period to 30 September 2022. 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 its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on page 22 (and in note 17) and, in particular, the potential impact on the Company and its activities of a disorderly Brexit, 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 2022.

### RESULTS AND DIVIDENDS

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

The Directors have not declared a dividend for the period.

### DIRECTORS

The Directors of the Company who served during the period and to date are set out on pages 17 and 18.



## DIRECTORS' INTERESTS

The Directors held the following interests in the share capital of the Company either directly or beneficially as at 30 September 2019, and as at the date of signing these Financial Statements:

	Shares	% Held
A Haining	45,000	0.0134
S Coe	45,909	0.0136
S Holden	47,500	0.0141
A Ewing	7,500	0.0022
T Cruttenden	9,090	0.0027

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.

## DIRECTORS' REPORT (CONTINUED)

### RISKS AND UNCERTAINTIES

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

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

The Board's responsibility for conducting a robust assessment of the principal risks is embedded in the Company's risk map and stress testing, which helps position the Company to ensure 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 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 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.

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

### BREXIT

While the UK's departure from the EU appears almost inevitable following the recent Conservative election victory, the shape of any final Brexit deal and the terms of the UK's future trading relationship with the EU are still currently unclear. As far as reasonably practicable, the Investment Advisor does have regard to perceived risks that Brexit poses to current and potential investee companies. It also seeks to understand what measures and planning those companies have put in place to mitigate any possible or identified risks from Brexit.



As explained on page 14, the Company will invest and manage its assets with the objective of spreading risk. Further to the investment restrictions discussed the Company also seek to manage risk by:

- not incurring debt over 20 percent of its NAV, calculated at time of drawdown. The Company will target repayment of such debt within twelve months of drawdown; and
- the Company may from time to time enter 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 period was 0.64% which reflects the initial period where the Investment Advisor did not receive their full fees on the NAV until 90% invested. The on-going charges represent on-going annual expenses of £1,050,610 divided by total average Net Asset Value for the period of £163,759,755. 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 £444,688 and performance fees of £102,860 have been excluded and represents the percentage reduction in shareholder returns as a result of recurring operational expenses.

## 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 4.

### 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.

### Depository

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

## CORPORATE GOVERNANCE STATEMENT

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

## DIRECTORS' REPORT (CONTINUED)

### STATEMENT OF COMPLIANCE

The Listing Rules require that the Company must “comply or explain” against 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 July 2016 by reference to the AIC Guide (which is available at [www.theaic.co.uk](http://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.

The Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Code throughout the period, except as set out below. The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day to day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company therefore has not reported further in respect of these provisions.

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

1. An independent Board evaluation has not been undertaken during the year given the relatively short history of the new Board; this will be addressed later in 2020. The Board has undertaken a self-assessment of its performance, the Board culture and dynamics together with an appraisal of the Chairman, ahead of the inaugural Nomination Committee of 14 January 2020. The Board has separately considered each Director's independence.
2. 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 terms 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 this includes gender and ethnicity.

3. As at the end of the reporting period, the Company had not adopted a Board tenure policy. On 27 November 2019 the Board of the Company adopted a Board tenure policy which is aligned to the AIC Code where no Director will serve more than nine years.

The Board, with the assistance of the Company Secretary, will be undertaking a full review of its governance against the 2019 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 2019, and the Board will report further in due course.

The Company is also required to comply with the Guernsey Financial Services Commission Financial Sector Code of Corporate Governance (the "Guernsey Code"). As the Company reports under the AIC Code it is deemed to meet the Guernsey Code and the Board has undertaken to evaluate its corporate governance compliance on an on-going basis.

## 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 Manager for the purposes of the AIC Code and Listing Rule 15.2.12A. Biographies of the Directors for the period from 3 September 2018 to the date of this Financial Report appear on pages 17 and 18 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 himself for election or re-election by the shareholders.

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:

### Anne Ewing

Alcentra Floating Rate Income Fund

### Andrew Haining

None to be disclosed

### Simon Holden

HICL Infrastructure Plc.  
Hypnosis Songs Fund Limited  
Trian Investors 1 Limited  
JPMorgan Global Core Real Assets Limited

### Stephen Coe

Leaf Clean Energy Company Ltd  
Weiss Korea Opportunities Fund Limited

### Tim Cruttenden

Polar Capital Technology Trust plc

## 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 effected by the Company during the reporting period.

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

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 21.

### 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 also 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 20 January 2020, 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.

### SHAREHOLDER COMMUNICATION

In line with principle 19 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 and expectation.

## DIRECTOR ATTENDANCE

During the period ended 30 September 2019, the Board and Audit Committee meetings held and attended by the Directors were as follows:

Director	Quarterly Board Meeting	Audit Committee Meeting
	Attended / Eligible	Attended / Eligible
Anne Ewing <sup>1</sup>	3 / 4	2 / 2
Andrew Haining	4 / 4	2 / 2
Simon Holden	4 / 4	2 / 2
Stephen Coe	4 / 4	2 / 2
Tim Cruttenden	4 / 4	2 / 2

<sup>1</sup> Quarterly board meeting missed due to personal reasons

<sup>2</sup> The first Management Engagement Committee meeting and Remuneration and Nomination Committee meeting were held on 14 January 2020

<sup>3</sup> Board, or Committee thereof, met on 9 additional occasions to deal with matters arising

## 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. This is in accordance with principle 19 of the AIC Code.

## ANTI-BRIBERY AND CORRUPTION POLICY

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

23 January 2020





## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they are required to prepare the 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 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 period. In preparing these 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 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 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 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 financial statements may differ from legislation in other jurisdictions.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

## 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 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 Advisory 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

23 January 2020



## AUDIT COMMITTEE REPORT

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

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 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 accounts, assessing the fairness of 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 also considers the appointment of an appropriate Auditor.

The appointment 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 period ended 30 September 2019. The period ended 30 September 2019 is the first financial period of the Company and, therefore, a tendering policy has not yet been put in place. 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 period ended 30 September 2019.

	<b>Period ended 30 September 2019</b>
Annual audit fee	66,000
Interim review	36,382
Specified procedures relating to the Performance fee	7,000
	<b>109,382</b>

## 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 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.

## FAIR VALUE ESTIMATION

The valuation of the Company's investments is considered to be a significant area of focus given that they represent a significant portion 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.
- The Audit Committee meets with the Investment Advisor at least quarterly. 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 judgements made in the preparation of the Company's Annual Financial Report and Financial Statements and recommending valuations of the Company's investments to the Board.

## AUDIT COMMITTEE REPORT (CONTINUED)

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### EXTERNAL AUDIT

The Audit Committee will hold an annual meeting to approve the Company's Financial Report before its publication. At a meeting held on 28 August 2019 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 also 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 period the Audit Committee met twice and at these meetings 100% of the Audit Committee members were in attendance (refer to Director Attendance on page 27).

### REAPPOINTMENT OF AUDITOR

The Auditor, KPMG, 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

23 January 2020





ONE OF THE  
**UK'S LEADING**  
CROSSOVER  
**INVESTORS**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERIAN CHRYSALIS INVESTMENT COMPANY LIMITED

### Our opinion is unmodified

We have audited the financial statements of Merian Chrysalis Investment Company Limited (the "Company"), which comprise the Statement of Financial Position as at 30 September 2019, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the period from 3 September 2018 (date of incorporation) to 30 September 2019, 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 2019, and of its financial performance and cash flows for the period from 3 September 2018 (date of incorporation) to 30 September 2019;
- 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:



Valuation of Investments held at fair value through profit or loss £170,040,000

Refer to page 31 of the Audit Committee Report, notes 2(i), 3, 11 and 17

#### The risk

##### **Basis:**

The Company's investments are carried at fair value in accordance with IFRS. The investments comprise of equity and equity-related instruments in unquoted companies and represent 45% of the Company's net assets as at 30 September 2019.

The Company's investments are valued by using recognized valuation methodologies and models, in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

The Company utilizes an independent third party valuation firm (the "Valuation Agent") to assist and advise on their valuation process.

##### **Risk:**

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.

The valuation risk incorporates both a risk of fraud and error given the significance of estimates and judgments that may be involved in the determination of fair value.

#### The response

Our audit procedures included but were not limited to:

##### **Internal Controls:**

We assessed the design and implementation of the control in place over the valuation of investments.

##### **Challenging managements' assumptions and inputs including use of KPMG valuation specialists:**

For all investments, with the support of our KPMG valuation specialists, we:

- assessed the scope of the Valuation Agent's review of the investments
- read the valuation reports and memoranda produced by the Valuation Agent 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 by management, 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 period end and assessed their appropriateness as being representative of fair value

##### **Assessing disclosures:**

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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERIAN CHRYSALIS INVESTMENT COMPANY 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 £11,448,000, determined with reference to a benchmark of net assets of £381,630,000, of which it represents approximately 3%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £572,000, 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

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 note 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 this respect.

### 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 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 20) that they have carried out a robust assessment of the 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 20) 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 eleven provisions of the 2016 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.

## RESPECTIVE RESPONSIBILITIES

### Directors' responsibilities

As explained more fully in their statement set out on page 28, 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](http://www.frc.org.uk/auditorsresponsibilities).

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERIAN CHRYSLIS INVESTMENT COMPANY LIMITED (CONTINUED)

### **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.

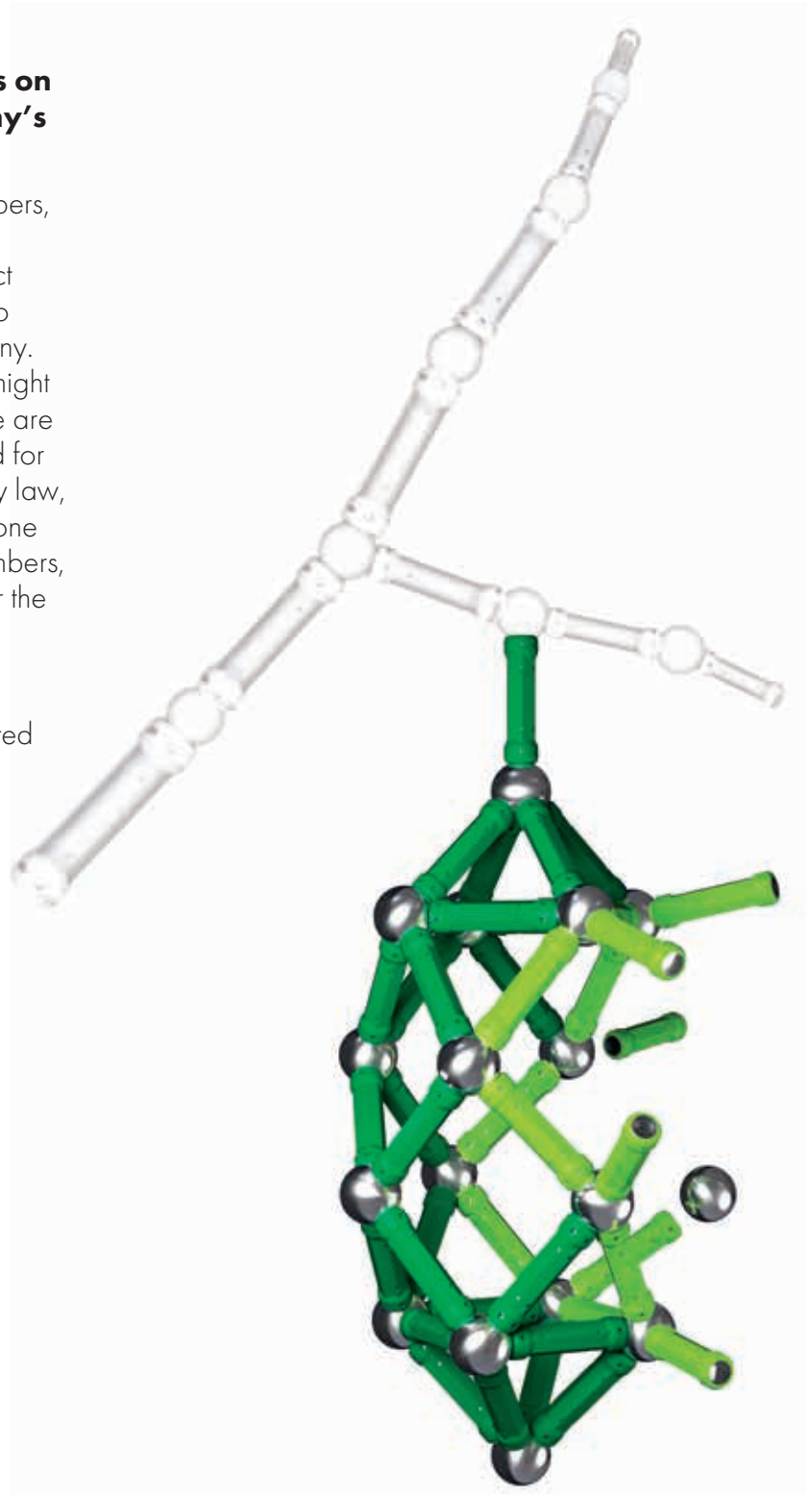
### **Barry Ryan**

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors

Guernsey

23 January 2020



THE OPPORTUNITY  
IS **HUGE** AND  
WE ARE VERY WELL  
POSITIONED TO  
**CAPITALISE** ON THIS

## STATEMENT OF COMPREHENSIVE INCOME

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

		2019		
	Notes	Revenue £'000	Capital £'000	Total £'000
<b>Investments</b>				
Net gains on investments held at fair value through profit or loss	11	–	12,449	12,449
Losses on currency movements		–	(15)	(15)
<b>Net investment gains</b>		<b>–</b>	<b>12,434</b>	<b>12,434</b>
Interest income	5	57	373	430
Total income		<b>57</b>	<b>373</b>	<b>430</b>
Investment management fees	6	(414)	(103)	(517)
Other expenses	7	(1,082)	–	(1,082)
<b>(Losses)/gains before finance costs and taxation</b>		<b>(1,439)</b>	<b>12,704</b>	<b>11,265</b>
Finance costs	8	(1)	–	(1)
<b>(Losses)/gains before taxation</b>		<b>(1,440)</b>	<b>12,704</b>	<b>11,264</b>
Withholding tax expense		–	–	–
<b>Total (losses)/gains and comprehensive income for the period</b>		<b>(1,440)</b>	<b>12,704</b>	<b>11,264</b>
<b>(Losses)/gains per Ordinary Share (pence)</b>	9	(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 44 to 64 form an integral part of these Financial Statements.

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



## STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	2019 £'000
<b>Non-current assets</b>		
Investments held at fair value through profit or loss	11	170,040
<b>Current assets</b>		
Cash and cash equivalents	12	212,665
Other receivables	13	82
		<b>212,747</b>
<b>Total assets</b>		<b>382,787</b>
<b>Current liabilities</b>		
Other payables	14	(1,157)
<b>Total liabilities</b>		<b>(1,157)</b>
Net assets		<b>381,630</b>
<b>Equity</b>		
Share Capital	15	370,366
Capital reserve		12,704
Revenue reserve		(1,440)
<b>Total equity</b>		<b>381,630</b>
<b>Net Asset Value per Ordinary Share (pence)</b>	16	113.33
Number of Ordinary Shares in issue		336,742,424

Approved by the Board of Directors and authorised for issue on 23 January 2020 and signed on their behalf:

### Stephen Coe

Director

The notes on pages 44 to 64 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

	<b>2019</b>			
	<b>Share capital 2019 £'000</b>	<b>Capital reserve 2019 £'000</b>	<b>Revenue reserve 2019 £'000</b>	<b>Total 2019 £'000</b>
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)
<b>At 30 September 2019</b>	<b>370,366</b>	<b>12,704</b>	<b>(1,440)</b>	<b>381,630</b>

The notes on pages 44 to 64 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

	Notes	2019 £'000
<b>Cash flows from operating activities</b>		
Bank interest paid	5	(1)
Other expense payments		(524)
Interest income		430
Purchases of investments	11	(157,591)
<b>Net cash outflow from operating activities</b>		<b>(157,686)</b>
<b>Cash flows from financing activities</b>		
Issue of Ordinary Shares	15	375,000
Expenses of Ordinary Share issuance	15	(4,634)
<b>Net cash inflow from financing activities</b>		<b>370,366</b>
<b>Net increase in cash and cash equivalents</b>		<b>212,680</b>
Cash and cash equivalents at beginning of period		–
Effect of foreign exchange		(15)
<b>Cash and cash equivalents at end of period</b>	12	<b>212,665</b>
Cash and cash equivalents comprise of the following:		
Cash at bank		189,670
Cash equivalents - UK treasury bills		22,995
		<b>212,665</b>

The notes on pages 44 to 64 form an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 1. REPORTING ENTITY

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 Company’s shares have a premium listing and are admitted to trading on the London Stock Exchange’s Main Market for listed securities and commenced trading on 6 November 2018. The Financial Statements of the Company are presented for the period from 3 September 2018 (date of incorporation) to 30 September 2019.

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

The Company and its Alternative Investment Fund Manager received investment advice from MGI during the period from 3 September 2018 to 30 September 2019. The administration of the Company is delegated to Maitland Administration (Guernsey) Limited (“**MAGL**”) (the “**administrator**”).

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (A) BASIS OF ACCOUNTING

The Financial Statements (the “**Financial Statements**”) have been prepared in compliance with International Financial Reporting Standards (“**IFRS**”) as adopted by the European Union. The 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 2018 is consistent with the requirements of IFRS, the directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

#### (B) GOING CONCERN

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

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

#### (C) FUNCTIONAL AND PRESENTATION CURRENCY

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 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 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.

### (G) DIVIDENDS TO SHAREHOLDERS

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

### (H) TAXATION

The Company has been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989

amended by the Director of Income Tax in Guernsey for the current period. Exemption is applied and granted annually and subject to the payment of a fee, currently £1,200.

### (I) FINANCIAL INSTRUMENTS

#### Classification

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

- those to be measured subsequently at fair value 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (I) FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial assets at fair value through profit or loss

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

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

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

The unquoted securities valuation policy and 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.

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) FINANCIAL INSTRUMENTS (CONTINUED)

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 Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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. Any gain or loss on derecognition is recognised 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

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (J) CASH AND CASH EQUIVALENTS (CONTINUED)

rather than for investment or other purposes. Included in cash and cash equivalents at the period end was cash at bank of £189.67m and cash equivalents (UK Treasury bills) of £23m. Refer to note 12 for further details of the cash balance held at 30 September 2019.

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

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

#### Revenue reserve

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

### 3. USE OF ESTIMATES AND CRITICAL JUDGEMENTS

The preparation of Financial Statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. There were no significant accounting estimates or significant judgements in the current period, except 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 period 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 Financial Statements.

- IFRS 16 Leases – effective 1 January 2019

## 4. NEW AND REVISED STANDARDS (CONTINUED)

- IFRIC 23 Uncertainty over Income Tax Treatments – effective 1 January 2019

## 5. INTEREST INCOME

Interest income totaling £373K was earned from the UK treasury bills which were held at amortised cost and £57K from the Growth Street Holdings Limited Convertible Loan Note which is held at fair value through profit or loss (FVTPL). Interest is accounted for using the effective interest method.

## 6. INVESTMENT MANAGEMENT FEES

	2019 £'000
Investment management fee	414
Investment Advisor's performance fee – charged to capital	103
<b>Total investment management fees</b>	<b>517</b>

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

If at any time the Company invests in or through any other investment fund or special purpose vehicle and a management fee or advisory fee is charged to such investment fund or special purpose vehicle by MGI 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.

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

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

As at 30 September 2019, an amount of £182,255 was outstanding and due to MGI in respect of management fees.

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 6. INVESTMENT MANAGEMENT FEES (CONTINUED)

#### 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 period will be the period commencing on the date of first admission to 30 September 2019 (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:

- (i) plus an amount equal to any accrued or paid performance fee in respect of that Calculation Period or any prior Calculation Period;
- (ii) plus an amount equal to all dividend or other income distributions paid to shareholders that have been declared and paid on or prior to the end of the relevant Calculation Period;
- (iii) minus the amount of any distribution declared in respect of the Calculation Period but which has not already reduced the audited NAV;
- (iv) minus the Net Capital Change 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
- (v) 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.

"**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:

- (i) in respect of the first Calculation Period, the Net Issue Proceeds; or
- (ii) in respect of each subsequent Calculation Period, the sum of this calculation as at the end of the immediately preceding Calculation Period: (a) excluding any changes made pursuant to paragraphs (x) and (y) below in that preceding Calculation Period; and (b) 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:
  - (x) 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

## 6. INVESTMENT MANAGEMENT FEES (CONTINUED)

### Performance fee (continued)

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

- (y) in respect of each repurchase or redemption of shares undertaken in the relevant Calculation Period being assessed, an amount equal to Net Capital Charge 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 period (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.

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:

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 6. INVESTMENT MANAGEMENT FEES (CONTINUED)

#### Performance fee (continued)

- (ii) an amount equal to each IPO investment unrealised gain where the initial public offering of the relevant investment takes place during the relevant Calculation Period; plus or minus (as applicable)
- (iii) an amount equal to the listed investment value change attributable to that calculation period; plus
- (iv) the aggregate amount of all dividends or other income received from investments of the Company in that Calculation Period (other than investments made pursuant to the cash management policy of the Company as stated in the Investment Policy).

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

As at 30 September 2019, the Company had exceeded the High Water Mark and Performance Hurdle and an accrual of £102,860 for performance fees has been reflected within these Financial Statements.

### 7. OTHER EXPENSES

	2019
	£'000
Directors' fees	208
Directors expenses	2
Administration fee	67
AIFM fee	69
Auditor's remuneration for:	
– audit fees	66
– non-audit fees	43
Secretarial fees	32
Printing fees	4
Registrars' fees	19
Listing fees	16
FCA fees	6
Legal fees	487
Depository fees	16
Directors' liability insurance	9
Secretarial fees	38
<b>Total</b>	<b>1,082</b>



## 8. FINANCE COSTS

	2019
	£'000
Bank interest payable	1
	<b>1</b>

## 9. (LOSSES)/GAINS PER ORDINARY SHARE

For the period 3 September 2018 to 30 September 2019

	Net return	Per share
	£'000	pence
Revenue return	(1,440)	(0.97)
Capital return	12,704	8.56
	<b>11,264</b>	<b>7.59</b>
<b>Weighted average number of Ordinary Shares</b>		<b>148,399,390</b>

## 10. DIVIDENDS

The Board has not declared a dividend.

## 11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019
	£'000
Opening book cost	–
Opening investment holding gains	–
Opening valuation	–
Movements in the period:	
Purchases at cost	157,591
Sales – proceeds	–
– gains on sales	–
Movement in unrealised gains/ (losses) during the period	12,449
<b>Closing valuation</b>	<b>170,040</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	<b>2019</b>
	<b>£'000</b>
Closing book cost	157,591
Closing investment holding gains	12,449
Closing valuation	<b>170,040</b>
Realised gains on sales	–
Movement in unrealised gains during the period	20,566
Movement in unrealised losses during the period	(8,117)
	<b>12,449</b>

### 12. CASH AND CASH EQUIVALENTS

	<b>2019</b>
	<b>£'000</b>
Cash and cash equivalents comprise of the following:	
Cash at bank	189,670
Cash equivalents - UK treasury bills	22,995
	<b>212,665</b>

As at 30 September 2019, the process of transferring existing investments was still underway, leading to an artificially high level of cash. With the Company having acquired additional shares in each of TransferWise Limited, The Hut Group Limited and Graphcore Limited through October, this cash position is set to normalise.

### 13. OTHER RECEIVABLES

	<b>2019</b>
	<b>£'000</b>
Prepayments and accrued income	82
	<b>82</b>

### 14. OTHER PAYABLES

	<b>2019</b>
	<b>£'000</b>
Accruals and deferred income	1,157
	<b>1,157</b>

## 15. SHARE CAPITAL

	2019	
	No of shares	£'000
<b>Ordinary shares</b>		
Issue of Management Shares	1	–
Issue of shares on 6 November 2018	100,000,000	100,000
Issue costs	–	(1,144)
Issue of shares on 18 April 2019	90,909,091	100,000
Issue costs	–	(1,152)
Issue of shares on 24 September 2019	145,833,333	175,000
Issue costs	–	(2,338)
Redemption of Management Shares	(1)	–
<b>Ordinary Shares at no par value</b>	<b>336,742,424</b>	<b>370,366</b>

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.

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

On 18 April 2019 the Company issued 90,909,091 ordinary shares at £1.10 per share in a subsequent placing raising £98.8m after expenses.

On 24 September 2019 the Company issued 145,833,333 ordinary shares at £1.20 per share in a subsequent placing raising £172.7m after expenses.

## 16. NET ASSET VALUE PER ORDINARY SHARE

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

	NAV	NAV
	per share	attributable
	pence	£'000
Ordinary Shares: basic and diluted	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 period end.

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

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 period 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.

## 17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (CONTINUED)

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 2019

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Unquoted equity	–	–	170,040	170,040
	–	–	<b>170,040</b>	<b>170,040</b>

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

Fair value as at 30 September 2019 (£'000)		Valuation technique	Significant unobservable inputs	Range	Sensitivity to changes in significant unobservable inputs
39,574	Klarna	Most recent financing			Not applicable for this valuation method
27,934	TransferWise	Most recent financing			Not applicable for this valuation method
27,124	Starling Bank	Most recent financing			Not applicable for this valuation method
20,190	Graphcore	Most recent financing			Not applicable for this valuation method
14,900	Embark	Most recent financing			Not applicable for this valuation method

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (CONTINUED)

Fair value as at 30 September 2019 (£'000)		Valuation technique	Significant unobservable inputs	Range	Sensitivity to changes in significant unobservable inputs
13,796	Secret Escapes	Market approach	<ul style="list-style-type: none"> <li>Enterprise value / last twelve months revenue multiple ("EV / LTM revenue multiple")</li> <li>Percentage change in the share price of comparable listed companies</li> <li>Discount rate to account for illiquidity</li> </ul>	<ul style="list-style-type: none"> <li>1.9x – 6.0x</li> <li>(12.85%)</li> <li>10%</li> </ul>	<ul style="list-style-type: none"> <li>If the EV / LTM revenue multiple were to increase, the value of Secret Escapes would increase</li> <li>If the share price of comparable listed companies were to increase, the value of Secret Escapes would increase</li> <li>If the discount applied were to increase, the value of Secret Escapes would decrease</li> </ul>
10,478	The Hut Group	Most recent financing	Not applicable for this valuation method		
10,000	Sorted	Most recent financing	Not applicable for this valuation method		
6,044	Growth Street	Weighted market approach and asset-based approach	<ul style="list-style-type: none"> <li>Weighting of 75% to EV / LTM revenue multiple, and 25% to liquid assets</li> <li>EV / LTM revenue multiple</li> </ul>	75 : 25 1.4x – 5.4x	<ul style="list-style-type: none"> <li>If the weighting attributable to the market approach were to increase, the value of Growth Street would increase; conversely if the weighting attributable to the asset-based approach were to increase, the value of Growth Street would decrease</li> <li>If the EV / LTM revenue multiple were to increase, the value of Growth Street would increase</li> </ul>

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

	2019 £'000
<b>Opening balance</b>	–
Purchases	157,591
Sales	–
Total gains/ (losses) included in net gains on investments in the statement of comprehensive income	
– on assets sold	–
– on assets held at period end	12,449
<b>Closing balance</b>	<b>170,040</b>

## 17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (CONTINUED)

There have been no transfers between levels during the period.

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

- (i) market risk, including:
  - other price risk, being the risk that the value of investments will fluctuate as a result of changes in market prices;
  - interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates;
  - foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates;
- (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 2019, the impact on the net asset value would have been £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 period as a whole.

### Interest rate risk

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (CONTINUED)

#### Liquidity and interest risk tables

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

	Interest rate %	Year 1	Year 1 – 2	Over 2 years	Total
<b>2019</b>					
<b>Assets</b>					
UK treasury bills	0% fixed rate	22,994,915	–	–	22,994,915
Convertible loan note (notional)	2.5% fixed rate	7,500,000	–	–	7,500,000
Cash	Daily bank rate	189,670,362	–	–	189,670,362
Other receivables	Interest free	81,863	–	–	81,863
		<b>220,247,140</b>	<b>–</b>	<b>–</b>	<b>220,247,140</b>

	Interest rate %	Year 1	Year 1 – 2	Over 2 years	Total
<b>2019</b>					
<b>Liabilities</b>					
Other payables	Interest free	1,157,458	–	–	1,157,458
		<b>1,157,458</b>	<b>–</b>	<b>–</b>	<b>1,157,458</b>

#### 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:

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

During the period the pound sterling strengthened by an average of 0.9% against all of the currencies in the investment portfolio (weighted for exposure at 30 September 2019). If the value of pound sterling had strengthened against each of the currencies in the portfolio by 10%, the impact on the Net Asset Value would have been negative £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 £9,745,000. The

## 17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (CONTINUED)

### Foreign currency exposure (continued)

calculations are based on the investment portfolio valuation and cash balances as at the period end and are not necessarily representative of the period as a whole.

### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. MGI 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:

	2019
	£'000
Convertible loan note	3,284
Cash and cash equivalents	212,665
Other receivables	57
	<b>216,006</b>

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 £212,665,277 was held with Citibank Europe plc at period end.

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

### Liquidity risk

Liquidity risk is defined as the risk that the Company 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's assets include readily realisable UK treasury bills. Short-term flexibility is achieved through the ability to liquidate these UK treasury bills. The Company also invests in a number of unquoted securities which are not readily realisable. These investments make up 45% of the net assets as at 30 September 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 17. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (CONTINUED)

#### Liquidity risk (continued)

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.

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

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Total
2019	£	£	£	£
<b>Assets</b>				
UK treasury bills	22,994,915	–	–	22,994,915
Convertible loan note (notional)	–	7,500,000	–	7,500,000
Cash	189,670,362	–	–	189,670,362
Other receivables	81,863	–	–	81,863
<b>Liabilities</b>				
Other payables	(1,157,458)	–	–	(1,157,458)
<b>Total</b>	<b>211,589,682</b>	<b>7,500,000</b>	<b>–</b>	<b>219,089,682</b>

#### Capital management objectives, policies and procedures

The structure of the Company's capital is described in note 15 on page 55 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 42.

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 has been appointed as the Investment Advisor to the Company. The relationship is governed by an agreement dated 11 October 2018.

The total management fee charged by MGI for the period ended 30 September 2019 was £414,162. The amounts outstanding at 30 September 2019 were £182,255.

The total performance fee charged by MGI for the period ended 30 September 2019 was £102,860. The amounts outstanding at 30 September 2019 were £102,860.

Directors' fees charged for the period ended 30 September 2019 was £208,000. The amounts outstanding at 30 September 2019 were £52,000.

As at 30 September 2019 the following Directors have holdings in the Company:

Director	Number of Ordinary Shares	% Ordinary Shares issue as at 30 September 2019
Andrew Haining	45,000	0.0134
Stephen Coe	45,909	0.0136
Simon Holden	47,500	0.0141
Anne Ewing	7,500	0.0022
Tim Cruttenden	9,090	0.0027

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 period	Shares purchased during the period	Share sold during the period	Value of holdings 30 September 2019 £'000
Merian UK Smaller Companies				
Focus Fund	5,520,882	5,520,882	–	6,846
Merian UK Specialist Equity Fund	8,112,820	8,112,820	–	10,060
Merian UK Mid-Cap Fund	51,451,305	51,451,305	–	63,800
Merian UK Smaller Companies Fund	14,601,552	14,601,552	–	18,106
<b>Total</b>	<b>79,686,559</b>	<b>79,686,559</b>	<b>–</b>	<b>98,812</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 3 September 2018 (date of incorporation) to 30 September 2019

### 19. POST BALANCE SHEET EVENTS

Following the end of the financial year end, the Company acquired additional shares in each of TransferWise Limited (22 October 2019 and 27 November 2019), The Hut Group Limited (24 October 2019) and Graphcore Limited (9 December 2019) at a total value of £71.9m from funds managed by the Investor Advisor or its affiliates.

On 11 December 2019, the Company announced a €14.4 million investment in wefox Group via a convertible loan note.

The Company also announced follow-on investments of (i) £20 million in Starling Bank Limited (21 October 2019); (ii) £12.2 million in Embark Group Limited (19 November 2019); and (iii) \$25 million in Graphcore Limited 15 January 2020.

The result of the above transactions means the Company is approximately 80% fully invested.

On 17 January 2020, the Company converted the £7.5m of convertible loan notes into preference shares in Growth Street Holdings Limited following approval from the FCA.

## CORPORATE INFORMATION

### Directors (all appointed 4 October 2018).

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

Solon Director Limited (appointed 3 September 2018, resigned 4 October 2018)

### 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  
 Millennium Bridge House  
 2 Lambeth Hill  
 London, EC4P 4WR

### FINANCIAL ADVISOR AND CORPORATE BROKER

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

## ADMINISTRATOR AND COMPANY SECRETARY

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

### REGISTRAR

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

### DEPOSITARY

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  
 Gategny Court  
 Gategny Esplanade  
 St Peter Port  
 Guernsey, GY11WR

\* Appointed SID on 14 January 2020

## DEFINITIONS

### 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.

### NAV PER SHARE

Net Asset Value expressed as an amount per share.



## 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 annual report available to investors and to ensure that the annual report is prepared in accordance with applicable accounting standards, the Company’s articles of incorporation and the AIFM Rules and that the annual report is audited in accordance with International Standards on Auditing;
- 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 annual 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](http://www.maitlandgroup.com).

Year ending 30th September 2019	Number of Beneficiaries	Fixed	Variable	Total
Total remuneration paid by the AIFM during the year	75	£5,162,114	£67,544	£5,229,658
Remuneration paid to employees who are material risk takers	6	£798,330	£32,694	£831,024

During the period ending 30 September 2019 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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# MEMBERSHIP AND FINANCIAL STATEMENTS 2019

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