chrysalis investments

Chrysalis Investments Limited

Interim Report and Unaudited Condensed Interim Financial Statements

For the period ended 31 March 2024

Contents

Next era potential: Transformative tech that changes our world.

Performance Headlines

147.46p

– NAV increase of 12.81p or 9.5%

Driven by higher values of the tech-enabled companies used as comparable to the portfolio and revenue growth in the portfolio.

83.0p

– Share price increase of 20.8p or 33.4%

The share price closed at 83.0p, with the discount to NAV reducing from 53.8% to 43.7% over the period.

>40%

– Revenue growth

Weighted average rate of sales growth over the last twelve months remains strong.

~170%

– Improvement in profitability

The weighted average PBT of the portfolio has improved from £(15.3)million to £10.8million over the last twelve months.

Chairman's Statement

> "We continue to believe the portfolio as a whole can develop successfully over the coming months and years."

The six-month period to 31 March 2024 has seen a modest recovery in our portfolio of investments and improved visibility on potential liquidity options within the portfolio.

The Net Asset Value ("NAV") for the period increased from 134.65p per share (as at 30 September 2023) to 147.46p per share (as at 31 March 2024). The Investment Adviser's Report goes into more detail on the individual investments, but at the portfolio level it is encouraging to see momentum building from improving underlying operating performance, increased corporate activity and the early signs of primary capital markets reopening.

The Board is acutely aware that, notwithstanding this improved backdrop, our shares continue to trade in a 40% to 50% discount range to our NAV per share. The focus of our attention at the Board is ensuring that we, in conjunction with the Investment Adviser, continue to explore all ways in which we can possibly reduce this level of discount, which we believe significantly undervalues your Company. I have referenced some of the action steps below and the Investment Adviser also addresses this issue in its report in greater detail.

AGM Result

On 15 March 2024, we held our AGM which sought to agree the following:

1. A continuation of the Company's operating basis through until March 2027, with rationale for,
2. A revised agreement with the investment team that has worked on the portfolio from inception, but which has now formed its own investment advisory company to provide investment advice for the Company; and
3. A Capital Allocation Policy which would cover the next phase in the Company's development through to March 2027.

The Board was delighted that its proposals met with such strong support. We are grateful to all shareholders who supported us on these issues, and particularly those who had provided input during the consultation phase.

Ongoing Discount Management

The Shareholders of the Company, in support of continuation, agreed at the AGM to adopt the following Capital Allocation Policy where available capital to the Company would be applied in the following way:

1. To support existing portfolio companies;
2. To fund working capital (operating costs, fees etc.);
3. To invest in late-stage growth opportunities in accordance with the Company's investment policy; and
4. To return available capital to Shareholders through share buybacks (or equivalent programmes) where it is economically attractive to do so.

In order to support the first two points above, the Board has indicated that we intend to maintain a cash buffer of up to £50 million.

We have previously announced a "potential disposal", which is currently still navigating its way through, what will hopefully be, the final stages of approval; we have also indicated the Investment Adviser has been exploring securing a debt facility, where we are undertaking final analysis over the next few weeks. If either of these two liquidity events come to fruition, they will enable us to at least cover the requirement for the £50 million buffer; collectively, they would provide a significant surplus at over £100 million (including our current liquidity position).

We have already been considering various options for how available liquidity beyond the £50 million buffer could be applied to returning capital to shareholders. We will be working with our brokers – Liberum and Deutsche Numis – on which option makes most sense based on a variety of factors, including comparable approaches being adopted by others in the market.

Assuming completion of the potential disposal and the debt facility, coupled with any other liquidity events that may occur within the portfolio, the Company should be in a position to begin to make progress towards its goal of returning £100 million of capital.

Wefox Holding AG ("wefox")

While the Investment Adviser covers wefox in its report, I felt it appropriate to also comment here.

The Board is aware of the recent media reports concerning wefox and believes it is unfortunate that selective details of the restructuring of this important investment have been made public. Negotiations continue and the Investment Adviser is directly involved in that process.

However, I do think it is worth clarifying the following issues for shareholders:

- The Company provided the market with a March quarter end valuation of its assets on 2 May 2024, which is consistent with the valuation included in these interim financial statements. The Company's carrying value of wefox of £126.5 million (or approximately 21 pence per share) at that date was based on information available to the Company at that time in accordance with accounting and market practice. The information included results to 31 March 2024 together with business projections going forward. Those projections noted the need for additional cash in the business to support wefox's future plans and made provision for how such funds would likely be raised. The Company made a further announcement on 17 May 2024 following a Sky News article on wefox, which referred to a Memo to wefox shareholders. The Investment Adviser reviewed the information contained in that Memo to the information we had available for the 31 March valuation and concluded that there was no material new information.
- In the normal course of business, a valuation of the portfolio, including wefox, will be performed as at 30 June 2024 during July and published at the end of July. That valuation will take account of the proposals for how wefox may go forward, which we expect to be at a more advanced stage by then.
- If negotiations conclude prior to our 30 June NAV being published in July, we will consider whether it is appropriate to update shareholders on any impact on the carrying value of wefox.
- I do not believe it is appropriate to comment on media speculation, but it is fair to say there are a range of possible options being discussed that lead to a variety of outcomes for our investment. These options include recapitalisation of wefox, as well as potential disposals. The exact structure and option chosen will determine the precise ramifications for our holding, but the balance of probabilities suggest the most viable ones are likely to involve a further decrease in the carrying value of this asset, possibly by a material degree.
- The Investment Adviser has proffered a solution to recapitalise wefox, which, with selective disposals, would see the company funded to likely profitability. It believes this proposal has met with the approval of a number of other shareholders.
- Chrysalis has expressed clearly to the board of wefox that it expects the directors to implement a business strategy in the interests of all shareholders, in line with its fiduciary duties, and has recommended the use of independent investment banks to oversee the implementation of any disposal strategy. Furthermore, Chrysalis is generally not supportive of situations where the roles of chairman and chief executive are combined.

Chairman's Statement

(continued)

While I appreciate it is frustrating not to be able to offer shareholders more precision in regard to wefox, at the current point in time, any efforts to do so are at risk of proving misleading.

Elsewhere, the Board remain confident that there are not only positive developments at an operating level across the portfolio but also a positive change in the capital markets for growth companies. The Board continues to believe that the portfolio as a whole can develop successfully over the coming months and years.

It remains me for to thank my colleagues and all service providers to the Company for their hard work during the period.

Signed on behalf of the Board by:

Andrew Haining
Chairman
28 June 2024

Portfolio Statement

As at 31 March 2024

Company	Location	Cost (£'000)	Opening value 1 October 2023 (£'000)	Net invested / returned (£'000)	Fair value movements (£'000)	Closing Value (£'000)	% of net assets
Starling Bank Limited	UK	118,349	141,696	–	65,274	206,970	23.6
wefox Holding AG	Germany	69,187	188,633	–	(62,158)	126,475	14.4
Smart Pension Limited	UK	108,570	79,683	6,069	19,399	105,151	12.0
Klarna Group PLC	UK	71,486	56,913	–	43,066	99,979	11.4
The Brandtech Group LLC	USA	46,440	103,881	–	(7,024)	96,857	11.0
Featurespace Limited	UK	29,546	49,588	–	22,571	72,159	8.2
Deep Instinct Limited	USA	62,225	51,514	–	(6,147)	45,367	5.2
Cognitive Logic Inc. ("InfoSum")	USA	48,454	27,231	–	8,843	36,074	4.1
Graphcore Limited	UK	57,589	16,506	–	18,560	35,066	4.0
Secret Escapes Limited	UK	28,008	25,030	–	1,202	26,232	3.0
Wise PLC	UK	2,621	10,284	(2,809)	3,668	11,143	1.3
Sorted Holdings Limited	UK	316	316	–	–	316	0.0
Growth Street Holdings Limited	UK	11,223	63	–	–	63	0.0
Tactus Holdings Limited	UK	42,130	29,038	–	(29,038)	–	0.0
Rowanmoor Group Limited	UK	13,363	–	–	–	–	0.0
Total investments		**709,507**	**780,376**	**3,260**	**78,216**	**861,852**	**98.2**
Cash and cash equivalents						16,461	1.9
Other net current liabilities						(676)	(0.1)
Total net assets						**877,637**	**100.0**

Investment Adviser's Report

Market Context

Overall, the Investment Adviser views the market backdrop as probably the best it has been since growth assets began to correct in late 2021/ early 2022. This is encouraging for potential asset realisations.

Stock markets generally performed well over the six months to March 2024. NASDAQ rose approximately 24%, driven by mega caps such as Nvidia, Microsoft and Amazon, and assisted by falling yields: US 10 year yields fell from 4.6% to 4.2% over the period. The UK also saw progression, albeit at a slower rate, with the FTSE All Share index rising by approximately 5%.

The performance of these indices suggests that the negative valuation ramifications for long-duration growth assets, from the shift in the interest rate environment in late-2021 are showing signs of abating. This has begun to feed through to IPO markets where European IPOs have seen a pick up in activity with 11 undertaken in 1Q24, versus only 5 in 1Q23[1]. The US has also fared better, with 63 IPOs undertaken year-to-date, versus 59 by the same point in 2023[2].

UK IPO markets have remained under significant pressure, with minimal activity over the last two quarters. Following on from no listings in 4Q23, the UK saw only two in 1Q24, which raised £6 million in total. The Investment Adviser is nevertheless encouraged by the overall picture, with risk appetite seeming to be cautiously returning to listed markets.

The Investment Adviser has always viewed IPO as an important exit route for the Company's assets, but not the only one. Commensurate with the improvement in activity seen in many listed markets, trade/sponsor sales and secondary markets have also seen increased activity. This could give the Company another route to achieve liquidity in the portfolio and has been used before to achieve an exit when Embark was sold to Lloyds Banking Group in 2022.

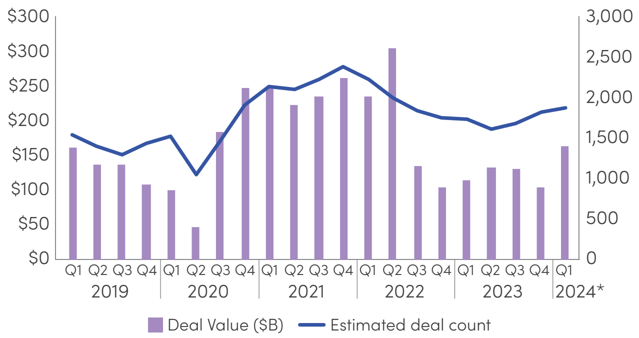
In terms of sponsor sales, rising interest rates also had an impact on global M&A activity, with higher borrowing costs affecting the number of corporate acquisitions and leveraged buyouts. There was a decline in global M&A activity by deal volume in both 2022 and 2023, with 2023 representing the second lowest level of M&A activity by deal volume since 2014.

There are reasons for optimism, however, with deal volumes historically rebounding strongly following two consecutive annual declines. This was evident following 2001-2002 and 2007-2008. This trend was apparent in 1Q 2024 with total global deal value increasing by approximately 4% year-on-year.

Within this, technology M&A saw a more pronounced increase and accounted for approximately 24% of deal value in 1Q 2024, up from approximately 16% in 1Q 2023. This rebound saw deal value in technology rise to $165 billion in 1Q 2024, up approximately 43% year-on-year. These figures were driven by several large cap technology deals such as Synopsys agreeing to acquire Ansys, a provider of engineering simulation software, for a total of $35 billion and Hewlett Packard Enterprise ("HPE") also agreeing to acquire Juniper Networks, a provider of high-performance networking solutions, for $14 billion.

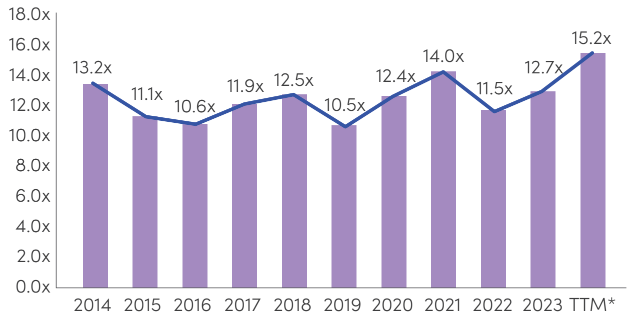
There is also a noticeable increase in the average EV/EBITDA valuation multiple paid of the trailing twelve months across the sector, with a trailing twelve-month EV/EBITDA multiple of 15.2x representing a ten-year high. The five largest technology acquisitions year to date all involved strategic buyers, with only two private equity deals making it into the largest ten M&A transactions, so there is clear evidence to suggest that acquirers are willing to pay a significant valuation premium for a highly strategic asset.

Global Technology M&A Activity (FY19-1Q24) ($bn)



Source: Pitchbook, Chrysalis Investment Partners LLP
*As at 31 March 2024

Global Technology EV/EBITDA multiples across all M&A Transactions (FY14-1Q24)



Source: Pitchbook, Chrysalis Investment Partners LLP (TTM to March 2024)

[1] Source: PwC IPO watch, LSE data, Chrysalis Investment Partners LLP
[2] Source: Stock Analysis, to 1 May 2024

Relevant M&A Transactions

Company	Sector	Estimated Revenues	Acquirer	Valuation	Implied Multiple	Date
Darktrace	Cyber Security	$545m	Thomo Bravo	$5.3bn	10x	Apr-24
Habu	Marketing Technology	$9.7m	LiveRamp	$200m	21x	Jan-24
Samooha	Marketing Technology	$5.0m	Snowflake	$219m	44x	Dec-23
Talon	Cyber Security	$12.0m	Palo Alto	$625m	52x	Nov-23
Bionic	Cyber Security	$3.0m	Crowdstrike	$350m	117x	Sep-23
Perimeter 81	Cyber Security	$25.0m	Check Point	$490m	20x	Sep-23
Cushon	Financial Software	$11.9m	NatWest	£169m	14x	Feb-23

Source: Chrysalis Investment Partners LLP

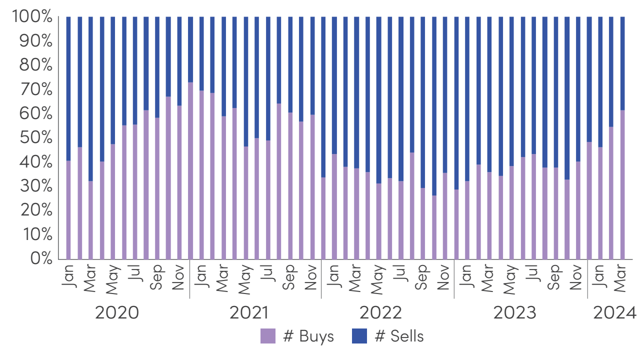
There have been a number of M&A transactions across relevant sectors for Chrysalis, particularly the cyber security and marketing technology sectors. Examples pertinent to the portfolio include LiveRamp acquiring Habu (a data cleanroom company; analogous to InfoSum) for $200 million – with estimated historic revenues of c$9.4 million – and a number in the cyber security space, including Crowdstrike buying Bionic (a cyber security company; analogous to Deep Instinct) for $350 million, which had estimated revenues of $10 million.

This suggests that those assets occupying a strategic niche and/or performing strongly in their markets are proving attractive to competitors.

The secondary private market has also seen an increase in activity.

Although pricing has yet to respond to this activity, total indications of interest ("IoI") on Forge's platform have risen by 45% in 1Q 2024 versus 4Q 2023 and the skew has shifted materially towards buying.

Distribution of New Buy and Sell IoI on Forge Markets



Source: Forge Markets

Activity

In line with previous periods, the Company has not had access to new capital, given the discount its shares have been trading at relative to NAV. As such, the Investment Adviser has focused resources on follow-ons to support existing investee companies, where necessary.

Over the period, an approximate £6.1 million investment was made into Smart Pension to further accelerate growth, including via M&A, and which is expected to underpin Smart's drive towards profitability. This transaction resulted in an uplift to the Company's carrying value, equivalent to approximately 3.3 pence per share.

Elsewhere, approximately £2.8 million was realised via the sale of shares in Wise; this was achieved at an average share price of 936 pence per share.

Investment Adviser's Report
(continued)

In December 2023, the Company announced it had visibility over a likely disposal at a valuation that, if applied to the Company's Net Asset Value ("NAV") as at 30 September 2023, would imply an increase of approximately 5.5 pence per ordinary share to the Company's NAV. It went on to say that completion of the disposal, which was subject to conditions, was likely to take a number of months.

At the current time, the Investment Adviser has no further comment to make on this, bar that the process remains on-going.

Outlook

The Investment Adviser will continue to focus on two main areas:

i. Maximising investee company potential to boost valuations and

ii. Closing the discount to NAV the Company's shares trade at.

Maximising investee company potential to boost valuations

As previously discussed, the last couple of years have seen a shift in focus by the market away from pure growth, to one which balances growth with a path to cash generation. It is fair to say that this is still an important consideration, despite a better market backdrop.

Much of the work the Investment Adviser undertakes is behind the scenes, but a good example of the type of programme that has been prevalent recently is the funding round undertaken by Smart.

The Company committed approximately £6.1 million to a funding round in March 2024, which was also backed by other major Shareholders. This fresh capital will help Smart to accelerate along its road to profitability, partly via cost optimisation, and ensure it continues to grow as fast as possible, by giving it firepower for potential acquisitions. As part of this process, certain new hires have been made, most pertinently a new CPO in Bahea Izmeqna, who joins from Standard Chartered Ventures where she was COO. In addition, a new Chairman has also been appointed, following the decision of Ruston Smith to step down. Gordon Wilson has a 20 year track record in software, which the Investment Adviser believes makes him ideal for the next stage of Smart's growth, part of which involves the optimisation of Keystone, the company's technology platform.

Elsewhere, the Investment Adviser continues to push for actions that might improve eventual exit valuations. For example, the Investment Adviser has been a long-term proponent of Engine (Starling's Platform as a Service "PaaS" offering), which it views as a potentially key driver for Starling's eventual exit valuation. With the delivery of one of its initial contracts in the period, it appears that there is market demand for this service.

Continuing to drive maximum value across the portfolio is also important for the second point – closing the discount – as it can accelerate realisations; profitability is an asset when it comes to securing a liquidity event, certainly via IPO but also–via trade sale.

Closing the discount

The Company set out and gained approval for its Capital Allocation Policy ("CAP") as part of its Continuation Vote in March 2024. The CAP sets the framework for capital returns to Shareholders, to be funded by future realisations.

As of period end, the Company had total liquidity of approximately £27 million, comprising net cash of approximately £16 million and a position in Wise worth approximately £11 million. In addition, the Company has previously announced two processes it is involved in – a "likely disposal" mentioned in December 2023, and the possibility of putting in place a debt facility. In terms of the former, the Investment Adviser believes the process is on track and hopes it will come to a conclusion in the short-term; on the latter, discussions are at an advanced stage.

Successfully concluding either of these would at least cover the £50 million buffer requirement under the CAP; together they would provide a significant surplus at over £100 million (including current liquidity).

Thereafter, the Investment Adviser believes there are other avenues for liquidity, including a potential Klarna IPO. At the Company's current carrying value, this would yield a further £100 million of liquidity.

In conclusion, listed and private markets seem to be recovering some poise and this has allowed market activity, as well as valuations, to improve. The Investment Adviser views this as potentially encouraging for future realisations. While some capital is likely to be required to continue to support the portfolio as it develops, the Investment Adviser believes the current liquidity position of the Company is adequate to cover this.

Our portfolio and commentary

£118.3m
Total Investment

£207.0m
Carrying Value

12th February 2019
Date of initial investment

starlingbank.com

Starling Bank Limited ("Starling")

Starling has continued to perform well against a backdrop of interest rates that were materially higher over 2023 versus 2022. This has enabled the bank to earn returns on assets held in liquid form or with other financial institutions, including the Bank of England, thus boosting profitability. The Investment Adviser has commented extensively on this dynamic in recent reports.

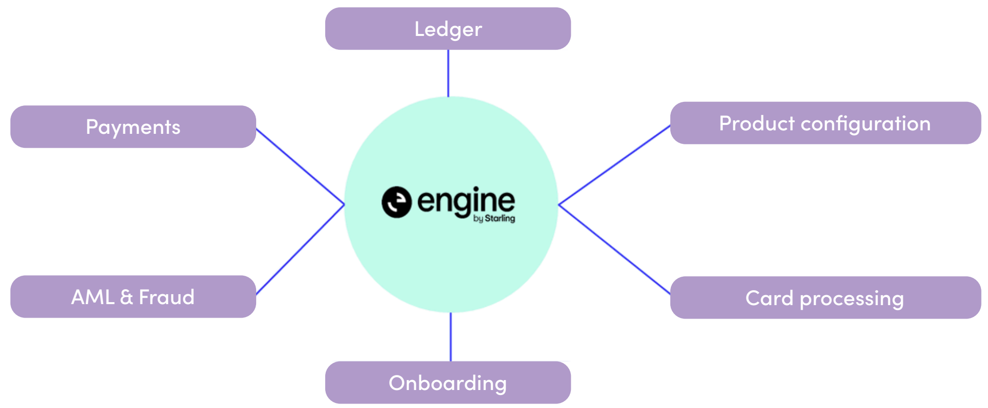
During the period, there have been two key pieces of news.

The first concerns the appointment of a permanent CEO in Raman Bhatia.

Raman has taken over from John Mountain, who was interim-CEO following the decision taken by Anne Boden to step back from the role in 2023. Prior to joining Starling, Raman was CEO of OVO, a leading energy retailer in the UK, and before that was the Head of Digital Bank for HSBC's Retail Banking and Wealth Management business in the UK and Europe.

The second piece of news centres around Engine by Starling ("Engine"), the Platform as a Service ("PaaS") offering which enables Engine to deliver a cloud native, modular, API based banking platform. Effectively, this is the software that runs Starling Bank, but which has been evolved for rapid deployment by other entities.

Engine by Starling: A Cloud-Native, SaaS Banking Platform



Source: Starling Bank

Whereas many fintech providers offer discrete banking services, such as onboarding or ledger management, the Engine proposition has a full stack covering transactional products, savings products, loans/credit cards as well as onboarding, fraud and processing operations that banks need to manage behind the scenes. In essence, it is a "bank in a box".

Given Engine is effectively already running a major UK bank with 4 million customers, the technology is already "battle hardened", and what Engine offers is the ability for customers to rapidly deploy and scale. The first iteration has been a deployment by Salt Bank ("Salt") in Romania, which went live in less than 12 months – a time the Investment Adviser believes is market leading and thinks it reasonable to expect that this duration will shorten on further deployments.

Following Salt Bank's launch, the platform onboarded 100,000 customers in two weeks, which Engine believes makes Salt one of the fastest growing neobanks in Southeast Europe.

In November 2023, AMP – a AUD2.9 billion financial services company listed in Australia – announced a partnership with Engine to launch a digital bank division targeting sole traders and small businesses. The company expects to spend AUD60 million over 2024 and 2025 and to deliver its solution in 1Q25.

With these two contracts, the Investment Adviser believes that the strategic importance of Starling's technology is beginning to become apparent. Assuming a further successful deployment with AMP, Starling will have three credible reference customers – including Starling – as well as real world deployment experience. The Investment Adviser believes this then makes it possible to build another profit generating division, to sit alongside the core UK bank; importantly, valuation multiples available in software are typically much higher than banking. Thus Engine could offer a way to enhance Starling's overall valuation, potentially by a material amount.

The carrying value of Starling was written up over the period, reflecting ongoing strong profit generation and less prominence placed on valuation metrics that were calibrated back to the time of the Company's acquisition of secondary stock in February 2023.

Investment Adviser's Report
(continued)

£69.2m
Total Investment

£126.5m
Carrying Value

18th December 2019
Date of initial investment

wefox.de

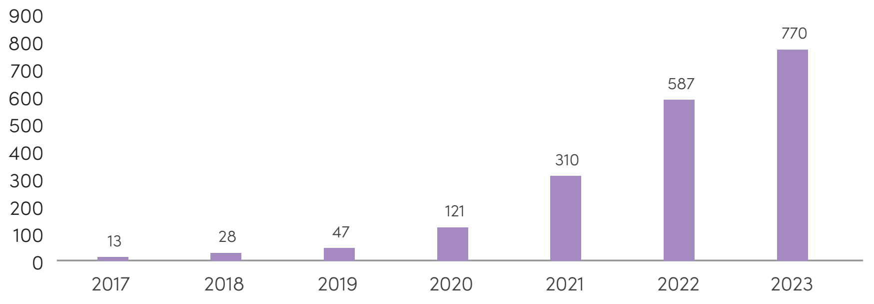
wefox

wefox Holding AG ("wefox")

The Investment Adviser has previously flagged that wefox has been focusing on demonstrating a clear roadmap to profitability and it was encouraged that the company reported its first full month of profitability in December 2023. This was achieved by growing revenues by over 60% in 2023 to €770 million while reducing the cost base by approximately 6% year-on-year; wefox now serves almost three million customers across several European markets.

At an operational level, a number of senior hires were made over the period, which have strengthened the executive committee. Jonathan Wismer joined the Group in October 2023 as CFO; Jonathan was most recently the CFO for Resolution Life US and prior to that the Deputy CFO and Chief Accounting Officer for AIG. Paul Hannen was appointed as CTO in November 2023 and has more than 30 years' experience in founding, directing, and executing business-to-consumer ("B2C") and business-to-business ("B2B") SaaS platforms and products for leading organisations, including Amazon, Google, Expedia and Nordstrom.com.

Revenue Progression (FY17 – FY23) (€m)



Source: Chrysalis Investment Partners LLP, wefox

The Investment Adviser is aware of recent media commentary concerning wefox, which started with a news article published by Sky News on 16 May 2024 regarding the short-term solvency of wefox, and has been a leading voice in proposing solutions to wefox's funding status over the last few months. Negotiations are continuing and there remain a wide range of possible outcomes, making it difficult at this time to provide any precision on the likely impact on the Company's carrying valuation. It has become clear that a further decrease in wefox's assessed valuation, and thus the Company's carrying valuation, is more likely than not, and the Investment Adviser remains focused on protecting shareholder value.

The strategic options being discussed are likely to involve a continued focus on profitability in the current financial year, further reductions in the cost base, a doubling-down on the most profitable business segments, and possible disposals. Post period end, wefox raised approximately €21million from shareholders, to which the Company contributed €5.5million. The Investment Adviser continues to work with other wefox stakeholders to find the best possible solution for the company, and it will update shareholders as soon as reasonably practicable in this regard.

The valuation of wefox fell in the period, reflecting a deterioration in the assessed multiple of the listed peer group against which wefox is marked, a fading of the calibrated premium to the last funding round reflecting passage of time, and the strategic repositioning within the business.

£108.6m
Total Investment

£105.2m
Carrying Value

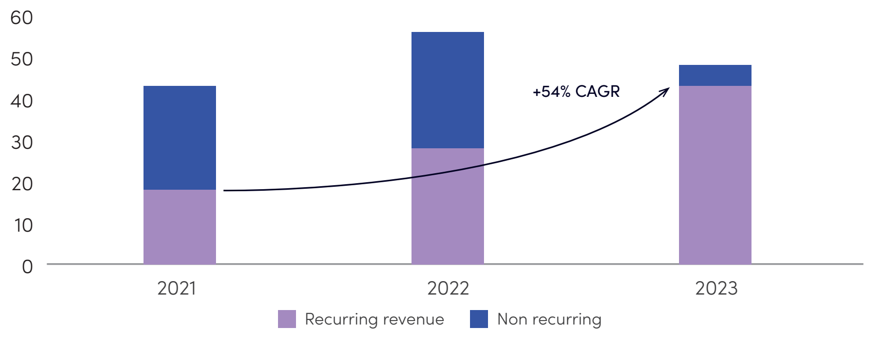
Smart Pension Limited ("Smart")

Smart has designed and built software to allow customers, particularly SMEs, to easily onboard and manage pensions for their employees. The company's technology platform – Keystone – not only powers the Smart Pension Master Trust ("SPMT") in the UK, but is also available for white labelling and to power other entities' schemes, such as the eMPF project for the Mandatory Provident Fund Schemes Authority ("MPFA") in Hong Kong.

Auto enrolment was introduced into the UK over ten years ago in order to address the "retirement gap" of workers not saving enough during their working lives; automatic enrolment had benefited nearly eleven million people by the end of 2022. The success of this project has encouraged other countries, also with retirement savings gaps, to consider similar schemes, and this is contributing to growth opportunities for Smart both in the UK and abroad.

SPMT has continued to grow well. In March 2024, assets under management ("AuM") hit £5 billion. With regular contributions from members of £1 billion per annum and many schemes being relatively young, this suggests strong organic growth will continue, with faster growth rates forecast over 2024 and 2025.

Revenue Progression (FY21 – FY23) (£m)



Source: Chrysalis Investment Partners LLP, Smart Pension

5th December 2019
Date of initial investment

smartpension.co.uk

In addition to organic growth, SPMT has been a successful acquirer of other schemes, nine of which have been added over the years, most recently Evolve in July 2023, which added approximately £750 million of AuM. SPMT currently has over 1.4 million members working at 70,000 employers.

Keystone has been successful in partnering with Zurich in Dubai, where new workplace schemes are emerging, as well as with New Ireland Assurance – part of Bank of Ireland Group – where it powers one of its new pension offerings.

Like most VC-backed businesses over the last two years, Smart has looked to balance its growth opportunities with its cost base and cash runway. Over the course of the last 18 months, Smart has continually looked to optimise its operations for efficiency and the Company has supported it through this process.

To this end, a capital injection of approximately £6.1 million was made in March 2024 to further accelerate growth, including via M&A, as well as assist Smart's drive towards profitability, which the Investment Adviser believes is within reach.

At the time of this investment, the Investment Adviser stated that it believed the terms associated with the investment would give rise to an increase of approximately 3.3 pence per share in the Company's Net Asset Value per share. Following the March revaluation process, this uplift has been ratified.

With an efficient business model and several growth angles in front of it, the Investment Adviser is optimistic of progress over the coming year.

Investment Adviser's Report

(continued)

£71.5m
Total Investment

£100.0m
Carrying Value

5th August 2019
Date of initial investment

klarna.com

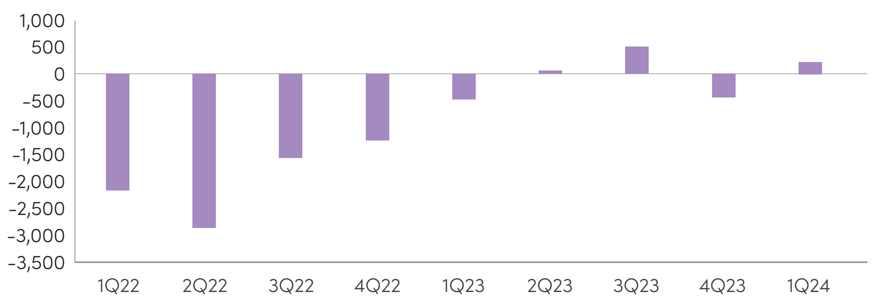
Klarna Group PLC ("Klarna")

Klarna has received considerable attention from investors and journalists alike over the last six months, due to both its financial performance and its articulation of a desire to IPO soon.

In terms of 2023, Klarna saw revenue growth accelerate to 22%, outstripping GMV growth of 17%, due to mix effects from growth in the US (higher take rate) as well as likely increases in other services, such as marketing. As a result of operational gearing, gross profit grew 60%, with falling credit losses – which dipped to 38 basis points ("bps") of GMV, down from 66 bps in 2022 – being the main driver. The Investment Adviser believes this reflects the on-going maturation of the US: new markets typically experience significantly higher loss ratios, as the lending model is fine-tuned and non-payers are weeded out.

The upshot of this was that adjusted operating losses fell from SEK7.8 billion in 2022 to SEK0.4 billion in 2023, with the second and third quarters in 2023 reporting profits. Klarna dipped back into loss in 4Q23 as the business invested in growth ahead of 2024; this was mainly seen via a pick-up in impairments and operating costs.

Adjusted Operating Profit (1Q22 – 1Q24) (SEK millions)



Source: Chrysalis Investment Partners LLP, Klarna

This strong financial progression has continued through 2024 with the company releasing a strong 1Q trading update post the period-end. Klarna generated 29% revenue growth year-on-year and adjusted operating profit of SEK229 million. The US continued to perform well, generating 38% revenue growth year-on-year and 97% profit growth.

Klarna has also been vocal about its investment in generative AI over the last year, particularly its collaboration with OpenAI/ChatGPT. As a particular example, Klarna highlighted the work it had undertaken in customer service in February 2024. A month after deploying its AI powered assistant, it had already undertaken 2.3 million conversations with customers, representing two thirds of all interactions. The new assistant has seen resolution times drop from eleven minutes on average to less than two, a 25% drop in repeat enquiries and is doing the work of 700 full time agents. Klarna estimates it will drive a $40 million improvement in profit in 2024.

Klarna continues to challenge the existing credit model, typified by credit cards, and has recently published consumer survey data in the US.

Globally, Klarna's default rate is around 1%; it is likely higher in the US as it is a newer market. Of all US BNPL orders, 96% are paid on time and only 2% are handed over to a debt collection agency. This compares with credit cards where 41% of users are revolving their debt monthly at rates of up to 36%. The credit card model relies on customers being in debt so that interest is applied, unlike BNPL which is typically merchant funded and thus interest free, and the stock of credit card debt hit a high of $1.13 trillion in the US in 2023.

The Klarna model is differentiated to consumers by its much lower cost, as well as its ease of use: orders and returns can be tracked efficiently, watch lists for certain products can be created, AI powered tools can help search for products via images etcetera. The Investment Adviser believes this inherently more beneficial customer proposition is what has helped Klarna to grow so successfully over recent years.

As Klarna has moved towards profitability so speculation about a potential IPO has mounted. Over the early part of 2024, Klarna's CEO gave a number of interviews saying that an IPO is likely to happen "quite soon", intimating that it might occur in the US.

The Investment Adviser has spelt out the ramifications of such a move already, but at the Company's carrying value, this could imply a liquidity injection of approximately £100 million, which would be very material in terms of the Company's CAP and versus its current market capitalisation.

£46.4m
Total Investment

£96.9m
Carrying Value

6th October 2020
Date of initial investment

thebrandtechgroup.com

The Brandtech Group LLC ("Brandtech")

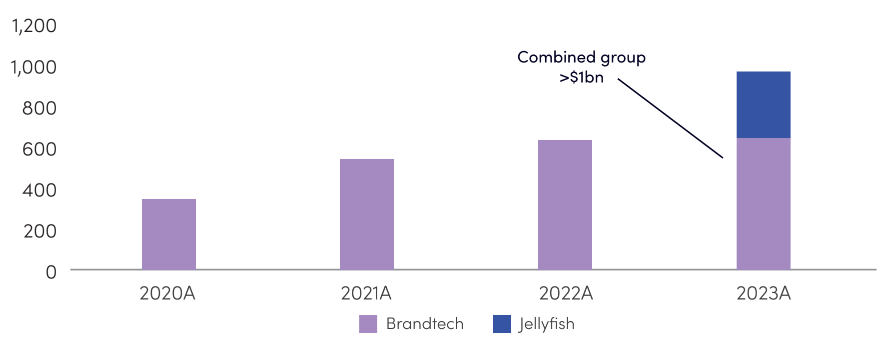
Brandtech acquired Jellyfish, a leading global digital media and marketing group, in June 2023 and has spent the last twelve months integrating that acquisition into the Group. Jellyfish represented the largest acquisition in Brandtech's history, and a significant amount of work has been done to drive the performance of the business. Following this acquisition the company now generates more than $1 billion in revenue and has over 7,000 employees. This makes Brandtech the world's leading digital-only marketing group and leading global generative AI marketing company.

While organic growth was softer over the course of 2023, given a challenging trading environment for the media sector as a whole, we are hopeful that the adoption of generative AI will drive pipeline momentum.

More recently, Pencil, Brandtech's generative AI marketing platform, was named by Fast Company as one of the World's Most Innovative Companies, the only generative AI marketing company to be recognised. David Jones launched Brandtech with the founding belief that all marketing could be done better, faster and cheaper using technology and these technologies are likely to bring benefits to customers. Pencil, founded in 2018 has made over 1 million advertisements through generative AI, deploying more than $1 billion in media spend across 5,000 brands, enabling it to predict performance as well as generating content. Typically, Pencil's advertisements are 10x faster, with 2x better performance than a brand's usual baseline, as well as being significantly cheaper.

Finally of note, Matthieu Bucaille joined the company as Global CFO in March 2024. Matthieu was previously the ex-CEO of Lazard International and held several senior roles there including Global CFO of publicly listed Lazard Ltd. from 2011 to 2017. This is an encouraging appointment and will stand Brandtech in good stead ahead of a future IPO.

Revenue Progression (FY20 – FY23PF) ($m)



Source: Chrysalis Investment Partners LLP, The Brandtech Group

£29.5m
Total Investment

£72.2m
Carrying Value

13th May 2020
Date of initial investment

featurespace.com

Featurespace Limited ("Featurespace")

Featurespace continues to be at the forefront of combating fraud and financial crime. The company's Adaptive Behavioural Analytics – a machine learning software solution, typically delivered via ARIC Risk Hub – already yields some of the best results in the industry; a partnership with TSYS via its "Foresight Score" has seen customers benefit from as much as a 70% reduction in net fraud, partly helped by a 34% decrease in false positives.

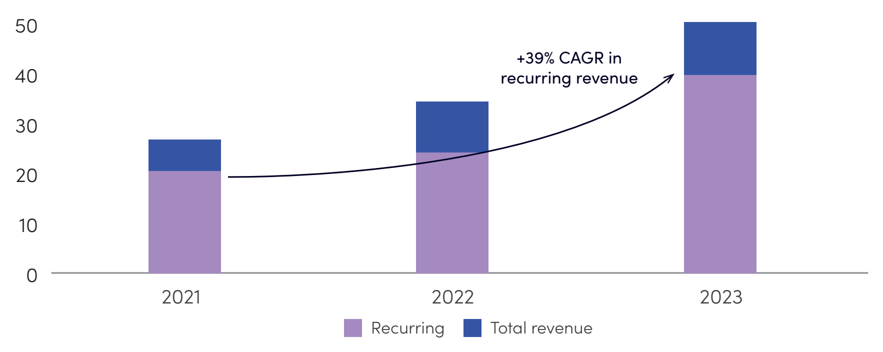
Other customers have also benefited materially, with NatWest and Featurespace winning the "Best Innovation by a Financial Institution" award at the 2023 Fraud and AML Impact Awards, for the former's deployment of ARIC Risk Hub. This led to increases of 57% and 135% in the value of fraud and scams detected respectively.

Despite having a best-in-class product, Featurespace has continued development and launched TallierLTM in October 2023. Tallier uses Generative AI and represents the first adoption of this technology to build a Large Transaction Model "LTM". Tallier can be deployed at major scale, is self-supervised and pre-trained, and can significantly improve fraud value detection rates, by up to 71%. Tallier analyses individual customers' spending patterns, thus allowing it to predict likely future transactions, and in turn can highlight any deviations from these predictions, which could indicate fraud. This analysis can also inform financial institutions of their customers' spending habits, thus potentially enabling other services to be offered. The Investment Adviser believes Tallier will maintain Featurespace's advantage in the fraud detection market, and offers an AI solution to frauds that are beginning to be generated by AI.

Fraud continues to be a major issue in society. The Nilson Report predicts global fraud losses are likely to be nearly $400 billion over the next ten years, with approximately $165 billion being in the US. Scams, such as Authorised Push Payments ("APP"), are also rising. In 2023, the Financial Times reported a 193% increase in APP scams over the last five years, with £239 million lost in 1H23 alone in the UK.

Featurespace has seen demand for its products continue to grow. Over 2023, the company saw particularly rapid growth of approximately 50%, with a number of major global financial institutions procuring new or additional services; this progress led to underlying EBITDA performing better than expected. The company's cash position remains strong. The factors above contributed to the company's recent upward revaluation in the portfolio.

Revenue Mix (FY21 – FY23) (£m)



Source: Chrysalis Investment Partners LLP, Featurespace

Investment Adviser's Report
(continued)

£62.2m
Total Investment

£45.4m
Carrying Value

Deep Instinct Limited ("Deep Instinct")

Deep Instinct released its 2023 Bi-Annual Cyber Threat Report during the period which details the most pressing cyber threats of the year. The report shows that the total number of ransomware victims in 2023 compared to 2022 is significantly higher, with the number of victims in the first half of 2023 already exceeding all victims across 2022.

The first half of 2023 saw the rise of Large Language Models ("LLMs") and as they become more accurate and powerful, threat actors are likely to leverage them aggressively. Deep Instinct is predicting that LLMs will soon be able to perform standalone vulnerability research and execute attacks; the Investment Adviser believes that AI will be needed to combat these sophisticated threats, which formed part of the initial investment case.

Deep Instinct continues to innovate and develop cutting edge technologies and the company launched two new products over the period.

In October 2023, it announced the launch of Deep Instinct Prevention for Storage ("DPS"). This solution applies a prevention-first approach to storage protection and seamlessly integrates into existing environments to deliver unparalleled efficacy and accuracy. In practice this means that whenever a file is added or changed in a storage environment, it is scanned immediately and malicious files are either quarantined or deleted to prevent execution. Legacy solutions are insufficient in protecting data as they provide low detection rates for unknown malware. With the amount of data being stored in public and hybrid cloud environments continuing to grow rapidly, and cloud vendors only protecting the storage itself and not the integrity of files stored, there would appear to be a market opportunity for this product.

Deep Instinct subsequently announced the launch of Deep Instinct Prevention for Applications ("DPA") v3.0, which includes enhanced file upload protection and application storage security capabilities. DPA v3.0 is an agentless, on-demand, anti-malware solution that is device and system agnostic, seamlessly connecting to an organisation's existing infrastructure to quickly scan files and provide a verdict before the file is allowed into an application or storage repository. It has a false positive rate of just 0.1%.

These two new solutions are beginning to generate significant interest from prospective clients with strong pipeline growth and momentum over the period. Delivery of this pipeline would drive robust ARR growth over the course of 2024 and the Investment Adviser is encouraged by the company's recent financial performance.

7th November 2018
Date of initial investment

deepinstinct.com

£48.5m
Total Investment

£36.1m
Carrying Value

Cognitive Logic Inc. ("InfoSum")

InfoSum has developed an industry leading first-party data collaboration platform using its patented non-movement of data technology. With its data clean room solution, InfoSum enables customer-centric organisations to instantly match and analyse unlimited datasets in real-time without sharing or moving data, eliminating the risk of exposure, leakage, or misuse. This collaborative intelligence allows for faster and more seamless marketing use cases, including deep consumer insights, cross-channel activation, and measurement, with end-to-end protection and security.

One of the likely drivers in the market is the prospective deprecation of third-party cookies on Google's Chrome browser. Plans for deprecation were first announced in January 2020, but have been delayed by a number of years, which has been a frustration to the company. However, it appears that 1% of cookies were deprecated in January 2024 with Google hoping to eliminate cookies entirely by the end of 2024. Identifier deprecation and evolving legislation (particularly in the US) continues to have a profound impact on the buying and selling of advertising and this should translate into increased demand for privacy-first advertising solutions.

Large technology companies such as AWS, Snowflake and Microsoft are all beginning to recognise this trend, and this is evidenced by an increased number of strategic partnerships and investments being announced in recent months. Two of InfoSum's peers were recently acquired, with Snowflake acquiring Samooha and LiveRamp acquiring Habu in January 2024 for $200m.

InfoSum recently announced a new partnership with Experian, the world's leading global information services company, that enables automotive brands to securely access insights about in-market or current vehicle owners, extend match rates, and improve targeting. This groundbreaking innovation gives businesses the power to connect directly to consumers with a high propensity to purchase a vehicle in a secure and privacy-compliant manner.

7th November 2018
Date of initial investment

infosum.com

Investment Adviser's Report
(continued)

£28.0m
Total Investment

£26.2m
Carrying Value

7th November 2018
Date of initial investment

secretescapes.com

Secret Escapes Limited ("Secret Escapes")

With the backdrop for travel much improved over the last twelve months, Secret Escapes has fared considerably better. Following a £31.7 million equity funding round in July 2023 and debt refinancing, Secret Escapes has been able to accelerate marketing spend to drive customer acquisition and organic growth. This translated into double-digit organic growth in 2023 alongside a double-digit EBITDA margin outturn.

The company enters 2024 on a much stronger footing and should be able to deliver revenue growth with an improved margin profile. This is encouraging following a tough couple of years where trade was materially impacted by the COVID-19 pandemic.

£2.6m
Total Investment

£11.1m
Carrying Value

7th November 2018
Date of initial investment

wise.com

Wise PLC ("Wise")

Wise released it preliminary results for the period ended 31 March 2024 post-period end. Active customer numbers grew +29% year-on-year to 12.8 million, with the number of personal customers increasing by +29% year-on-year to 12.2 million. Revenues increased by +24% year-on-year to £1.1 billion while interest income net of customer benefits increased by +143% to £121 million.

While customer growth continues to be very strong and higher interest rates continue to drive interest income and elevate margins, the company guided down underlying income growth for FY25 driven by price reductions at the beginning of the period.

Wise is becoming more than just a platform for sending money across borders, evidenced by the fact that an increasing number of customers are using Wise for multiple features. Nearly half of personal customers (48%) and 60% of businesses use Wise for more than just transferring currency, which should help drive revenue growth over the medium term.

Investment Adviser's Report

(continued)

£0.31m
Total Investment

£0.31m
Carrying Value

Sorted

Sorted Holdings Limited ("Sorted")

Sorted was acquired by Location Sciences Group in March 2024. While the company's revenues continued to grow, the company had not demonstrated a clear roadmap to profitability, and the decision was made to prioritise investment into other portfolio assets.

15th August 2019
Date of initial investment

sorted.com

£42.1m
Total Investment

–
Carrying Value

TACTUS GROUP

Tactus Holdings Limited ("Tactus")

The assets of Tactus were sold to a third-party for a nominal amount post-period end. Trading was impacted by reduced credit insurance limits and a tough market backdrop over the last twelve months and the decision was made to prioritise investment into other portfolio assets. Tactus was placed into Administration on 23 May 2024.

13th May 2019
Date of initial investment

tactusgroup.com

Investment Objective and Policy

Investment objective

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

Investment policy

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

For the purposes of this investment policy, unquoted companies shall include companies with a technical listing on a stock exchange but where there is no liquid trading market in the relevant securities on that market (for example, companies with listings on The International Stock Exchange or the Cayman Islands Stock Exchange). Furthermore, 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. Furthermore, there may be circumstances where the ownership of a portfolio company exceeds 50% of voting and/or economic interests in that portfolio company notwithstanding an initial investment in a minority position. While the Company does not intend to focus its investments on a particular sector, there is no limit on the Company's ability to make investments in portfolio companies within the same sector if it chooses to do so.

The Company will seek to ensure that it has suitable investor protection rights through its investment in portfolio companies where appropriate. The Company may acquire investments directly or by way of holdings in special purpose vehicles, intermediate holding vehicles or other funds or similar structures.

Investment restrictions

The Company will invest and manage its assets with the objective of spreading risk, as far as reasonably practicable. No single investment (including related investments in group entities) will represent more than 20% of Gross Assets, calculated as at the time of that investment. The market value of individual investments may exceed 20% of gross assets following investment.

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

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

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

Governance

Board Members

The Board comprises six independent non-executive Directors (of whom one third are female) and meets at least quarterly, in addition to ad hoc meetings convened in accordance with the needs of the business, to consider the Company's affairs in a prescribed and structured manner. All Directors are considered independent of the Investment Adviser (Jupiter Investment Management Limited ("JIML") to 31 March 2024) and the new Investment Adviser (Chrysalis Investment Partners LLP from 1 April 2024) for the purposes of the Association of Investment Companies Code of Corporate Governance (the "AIC Code") and Listing Rule 15.2.12A.

The Board is responsible for the Company's long term sustainable success and the generation of value for Shareholders and in doing so manages the business affairs of the Company in accordance with the Articles of Incorporation, the investment policy and with due regard to the wider interests of stakeholders as a whole. Additionally, the Board have overall responsibility for the Company's activities including its investment activities and reviewing the performance of the Company's portfolio. The Board are confident that the combination of its members is appropriate and is such that no one individual or small group of individuals dominates the Board's decision making.

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

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

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

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

The current Board have served since the Company's inception in October 2018, with the exception of Margaret O'Connor who was appointed on 6 September 2021, and have been carefully selected against a set of objective criteria. The Board considers that the combination of its members brings a wealth of skills, experience and knowledge to the Company. Following confirmation of continuation of the Company it is expected that at least three directors will rotate off the Board over a period of 24 months. Due regard will be given to equal opportunity, diversity and inclusion for these appointments.

Director Biographies

Andrew Haining
Chairman (Independent)

Andrew has had a 31-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 billion.

Andrew holds several Guernsey and UK board positions.

Stephen Coe
Senior Independent

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

Simon Holden
Independent

Simon brings private equity experience to the Chrysalis boardroom having previously worked in private equity investing and interim executive operational roles in several portfolio companies whilst working for Terra Firma Capital Partners, and Candover Investments before that. Since 2015, Simon has served as an independent director representing shareholders' interests across FTSE250 listed equity capital markets, global private equity funds as well as trading company boards, including a pro-bono role to the States of Guernsey overseeing critical infrastructure spanning airports, harbours and two maritime fuel supply vessels.

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

Anne Ewing
Independent

Anne has over 35 years of financial services experience in banking, asset and fund management, corporate treasury, life insurance and the fiduciary sector. She has an MSc in Corporate Governance, is a Chartered Fellow of the Securities Institute and has held senior roles in Citibank, Rothschilds, Old Mutual International and KPMG and latterly has been instrumental in the start-ups of a Guernsey fund manager and two fiduciary licensees.

Anne has several non-executive directorship roles in investment companies and a private wealth banking and trust company group in the Channel Islands and in London.

Tim Cruttenden
Independent

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

Margaret O'Connor
Independent

Margaret has more than 30-year career building value in technology companies and overseeing regulatory risk mitigation strategies across the US, Asia, Africa, and Europe as an operator, corporate executive, and investor. Margaret earned her BA from Rutgers University and studied International Relations at Princeton University before moving to Seoul, Korea in 1987 to work for the Korean Ministry of Finance. She currently Chairs the Launch Africa Venture Fund, the Investment Committee of Five35 Ventures and the Management Engagement Committee of Chrysalis Investments Limited. Margaret is an active member of the Private Equity Women Investor Network (PEWIN.org).

Valuation Committee

The Board is of the view that the valuation process needs to be as efficient as possible while also providing for comprehensive and independent oversight. Consequently, the Board established an independent Valuation Committee which comprises of the following members:

Lord Anthony Rockley
Committee Chairman

Anthony Rockley was an audit partner at KPMG until 2015 with a sector focus on private equity and venture capital. Over a 34-year career with KPMG, Anthony was responsible for auditing private equity and venture capital companies and structures. Amongst other sector specific work, Anthony was a member of the International Private Equity and Venture Capital Guidelines Board for 9 years.

Diane Seymour Williams

Diane Seymour-Williams has a career spanning over 30 years in asset and wealth management. She was a listed portfolio manager with Deutsche Morgan Grenfell, ultimately running DMG's asset management business in Asia. After returning to the UK, Diane subsequently held a number of board positions in the financial services sector. Currently she sits, inter alia, on the boards of Patria Private Equity Trust Plc (formerly ABRDN Private Equity Opportunities Trust plc), Mercia Asset Management Plc and SEI's European business. Diane brings extensive fund management and portfolio oversight experience. In addition to her public company roles Diane sits on the investment committees of Newnham College, Cambridge and the Canal & River Trust.

Jonathan Biggs

Jonathan Biggs worked at Accel, a leading global venture and growth capital investor, for 20 years up until 2021. One of the first hires in Europe, he was the COO of Accel's European business. During his time at Accel, he raised over $2.5 billion in five early-stage venture funds focused on Europe. Jon has subsequently joined Top Tier Capital Partners as a Partner where he leads the European funds business. Prior to that he was a Managing Partner at SVB Capital.

The fourth member of the committee is Tim Cruttenden who has been a director of the Company since its formation.

Interim Management Report

For the 6 month period ended 31 March 2024

Risks and Uncertainties

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

The Risk Committee 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 Risk Committee monitors the risk profile of the Company. The Risk Committee also maintains a risk management process to identify, monitor and control risk concentration.

The Company's Investment Policy requires a high appetite for risk and opportunity, and the Risk Committee's terms of reference, controls and reporting have been designed to manage this environment as far as practicable. The Board's responsibility for conducting a robust assessment of the principal and emerging risks is embedded in the Company's risk map, which helps position the Company to ensure compliance with the Association of Investment Companies Code of Corporate Governance (the "AIC Code").

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

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

ii. credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company.

iii. liquidity risk, being the risk that the Company will not be able to meet its liabilities when they fall due. This may arise should the Company not be able to liquidate its investments.

iv. company failure, being the risk that companies invested in may fail and result in loss of capital invested.

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

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

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

The principal risks facing the Company are:

- Investment and strategic risks – market, economic, political and environmental risks; valuation risk; investment strategy risk; discount risk; and sustainability risks.
- External risks – legal, political; and regulatory risk.
- Operational risks – performance and reliance on third party service providers and key professionals; and cyber security threats.

Emerging Risks

In October 2023 an armed conflict began between Israel and Hamas-led Palestinian militant groups, largely in and around the Gaza Strip, the West Bank and on the Israel-Lebanon border. Israel Defense Forces have conducted air strikes on the Gaza Strip and in recent weeks Israel has expanded its offensive in Rafah, claiming control of Gaza's border with Egypt. The conflict continues, with casualties on both sides and ongoing hostility.

The Company's portfolio company, Deep Instinct, retains an operational presence in Tel Aviv, Israel. Notwithstanding the continuing impact on the region, Deep Instinct's operations remain undisrupted. The Board continues to monitor the situation closely through its existing risk monitoring framework.

Interim Management Report

For the 6 month period ended 31 March 2024

(continued)

Going Concern

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

In assessing the going concern basis of accounting, the Directors have assessed the guidance issued by the Financial Reporting Council and considered the Company's own financial position, the status of global financial markets, various geopolitical events and conflicts, the current macroeconomic climate and other uncertainties impacting on the Company's investments, their financial position and liquidity requirements.

At the period end, the Company has total liquidity of £27,604,000, comprised of cash and cash equivalents of £16,461,000 and liquid listed investments amounting to £11,143,000.

In accordance with the Company's Articles of Incorporation, at the first annual general meeting of the Company following the fifth anniversary of IPO (such anniversary being 6 November 2023), the Directors proposed an ordinary resolution that the Company continues its business as a closed-ended investment company. At the Company's annual general meeting, on 15 March 2024, Shareholders were invited to vote on the continuation of the Company. The Board recommended that Shareholders vote in favour of continuation and such resolution was duly passed. The Directors will now put a further Continuation Resolution to Shareholders at the annual general meeting of the Company every three years thereafter.

The Board considers that the Company has sufficient resources to continue operating for at least the next 12 months following the signing of the Interim Report and Unaudited Condensed Interim Financial Statements, and so the going concern basis of accounting has been adopted.

Important events and financial performance

Highlights from financial year to date are as follows:

Highlights	Ordinary Shares 31 March 2024
Net Asset Value per share	147.46p
Share Price	83.00p
% of capital deployed	98%

The table below provides bi-annual performance information:

Date	NAV per share	% change in NAV per share
03.11.18	98.85	
31.03.19	108.41	9.7%
30.09.19	113.33	4.5%
31.03.20	108.65	(4.1)%
30.09.20	160.97	48.2%
31.03.21	206.15	28.1%
30.09.21	251.96	22.2%
31.03.22	211.76	(16.0)%
30.09.22	147.79	(30.2)%
31.03.23	130.02	(12.0)%
30.09.23	134.65	3.6%
31.03.24	147.46	9.5%

The total gains before taxation in the Unaudited Condensed Statement of Comprehensive Income for the six month period ended 31 March 2024 were £76,288,000.

Further details of the Company's performance for the period are included in the Investment Adviser's Report on pages 6 to 25, which includes a review of investment activity.

Discount

As at 31 May 2024, the share price was trading at a discount to the last published NAV per share of 31 March 2024.

Related party transactions

Details of related party transactions are given in note 14 to the Unaudited Condensed Interim Financial Statements.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the interim management report (which includes the Chairman's Statement, Interim Management Report and the Investment Adviser's Report) includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal and emerging risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the entity during that period and any changes in the related party transactions described in the last annual report that could do so.

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

Stephen Coe
Director
28 June 2024

Independent Review Report

Independent Review Report

Conclusion

We have been engaged by Chrysalis Investments Limited (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2024 of the Company, which comprises the unaudited Condensed Statement of Financial Position, the unaudited Condensed Statement of Comprehensive Income, the unaudited Condensed Statement of Changes in Equity, the unaudited Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2024 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued by the Financial Reporting Council for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Scope of review section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However future events or conditions may cause the the Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the the Company will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

In preparing the half-yearly financial report, the directors are responsible for 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.

Independent Review Report
(continued)

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the scope of review paragraph of this report.

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

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Sarah Margaret Hume
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants

28 June 2024

Unaudited Condensed Interim Financial Statements

Unaudited Condensed Statement of Comprehensive Income

For the 6 month period ended 31 March 2024

		Period from 1 October 2023 to 31 March 2024 (unaudited)			Period from 1 October 2022 to 31 March 2023 (unaudited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investments							
Net gains / (losses) on investments held at fair value through profit or loss	9	–	78,216	78,216	–	(102,926)	(102,926)
Losses on currency movements		–	(13)	(13)	–	(22)	(22)
Net investment gains / (losses)		**–**	**78,203**	**78,203**	**–**	**(102,948)**	**(102,948)**
Interest income		431	–	431	154	457	611
Total income		**431**	**–**	**431**	**154**	**457**	**611**
Investment management fees	5	(618)	–	(618)	(1,995)	–	(1,995)
Other expenses	6	(1,728)	–	(1,728)	(1,434)	–	(1,434)
Gains / (Losses) before taxation		**(1,915)**	**78,203**	**76,288**	**(3,275)**	**(102,491)**	**(105,766)**
Tax expense		–	–	–	–	–	–
Total gains / (losses) and comprehensive gain / (loss) for the period		**(1,915)**	**78,203**	**76,288**	**(3,275)**	**(102,491)**	**(105,766)**
Gains / (Losses) per Ordinary Share (pence)	7	**(0.32)**	**13.14**	**12.82**	**(0.55)**	**(17.22)**	**(17.77)**

The total column of this statement represents the Unaudited Condensed Statement of Comprehensive Income of the Company prepared under IAS 34.

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 42 to 56 form an integral part of these Unaudited Condensed Interim Financial Statements.

Unaudited Condensed Statement of Financial Position

As at 31 March 2024

	Notes	31 March 2024 (unaudited) £'000	30 September 2023 (audited) £'000
Non-current assets			
Investments held at fair value through profit or loss	9	**861,852**	**780,376**
Current assets			
Cash and cash equivalents		16,461	22,626
Other receivables		127	50
		16,588	**22,676**
Total assets		**878,440**	**803,052**
Current liabilities			
Management fee payable	14	(322)	(1,022)
Other payables		(481)	(681)
Total liabilities		**(803)**	**(1,703)**
Net assets		**877,637**	**801,349**
Equity			
Share Capital	10	860,890	860,890
Capital reserve		46,875	(31,328)
Revenue reserve		(30,128)	(28,213)
Total equity		**877,637**	**801,349**
Net Asset Value per Ordinary Share (pence)	11	**147.46**	**134.65**
Number of Ordinary Shares in issue	10	**595,150,414**	**595,150,414**

Approved by the Board of Directors and authorised for issue on 28 June 2024 and signed on their behalf:

Stephen Coe
Director

The notes on pages 42 to 56 form an integral part of these Unaudited Condensed Interim Financial Statements.

Unaudited Condensed Statement of Changes in Equity

For the 6 month period ended 31 March 2024

	Share Capital	Revenue Reserve	Capital Reserve	Total
	£'000	£'000	£'000	£'000
For the period 1 October 2023 to 31 March 2024 (unaudited)				
At 1 October 2023	860,890	(28,213)	(31,328)	801,349
Total gains / (losses) and comprehensive gain / (loss) for the period	–	(1,915)	78,203	76,288
At 31 March 2024	**860,890**	**(30,128)**	**46,875**	**877,637**

	Share Capital	Revenue Reserve	Capital Reserve	Total
For the period 1 October 2022 to 31 March 2023 (unaudited)				
At 1 October 2022	860,890	(22,670)	41,362	879,582
Total losses and comprehensive loss for the period	–	(3,275)	(102,491)	(105,766)
At 31 March 2023	**860,890**	**(25,945)**	**(61,129)**	**773,816**

The notes on pages 42 to 56 form an integral part of these Unaudited Condensed Interim Financial Statements.

Unaudited Condensed Statement of Cash Flows

For the 6 month period ended 31 March 2024

	Notes	Period from 1 October 2023 to 31 March 2024 (unaudited) £'000	Period from 1 October 2022 to 31 March 2023 (unaudited) £'000
Cash flows from operating activities			
Cash flows used in operating activities	12	(3,323)	(6,161)
Interest income		431	611
Purchase of investments	9	(6,069)	(24,889)
Sale of investments	9	2,809	15,054
Net cash outflow from operating activities		**(6,152)**	**(15,385)**
Net decrease in cash and cash equivalents		**(6,152)**	**(15,385)**
Cash and cash equivalents at beginning of period		22,626	58,712
Net losses on cash currency movements		(13)	(22)
Cash and cash equivalents at end of period		**16,461**	**43,305**
Cash and cash equivalents comprise of the following:			
– Cash at bank		16,461	43,305
		16,461	**43,305**

The notes on pages 42 to 56 form an integral part of these Unaudited Condensed Interim Financial Statements.

Notes to the Unaudited Condensed Interim Financial Statements

For the 6 month period ended 31 March 2024

1. Reporting Entity

Chrysalis Investments 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 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL.

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 2020, as amended, and the Registered Closed-ended Investment Scheme Rules 2021.

The Company's 595,150,414 shares in issue under ticker CHRY, 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 Unaudited Condensed Interim Financial Statements of the Company are presented for the 6 month period ended 31 March 2024. The Company invests in a diversified portfolio consisting primarily of equity and equity-related securities issued by unquoted companies.

The Company received discretionary portfolio management services from Jupiter Investment Management Limited ("JIML") during the 6 month period ended 31 March 2024. The administration of the Company is delegated to Apex Administration (Guernsey) Limited ("AAGL") (the "Administrator"). On 29 January 2024, the Company entered into an AIFM and Advisory Agreement with G10 Capital Limited and Chrysalis Investment Partners LLP respectively. Under this agreement, with effect from 1 April 2024, G10 Capital Limited was appointed as the AIFM to Chrysalis Investments Limited. Chrysalis Investment Partners LLP became Investment Adviser to G10 Capital Limited. Chrysalis Investment Partners LLP is an appointed representative of G10 Capital Limited which is authorised and regulated by the Financial Conduct Authority.

2. Significant Accounting Policies

(a) Basis of Accounting

The Unaudited Condensed Interim Financial Statements have been prepared on a going concern basis in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and applicable Guernsey law. These Unaudited Condensed Interim Financial Statements do not comprise statutory Financial Statements within the meaning of the Companies (Guernsey) Law, 2008, they do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at 30 September 2023, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The accounting policies adopted in these Unaudited Condensed Interim Financial Statements are consistent with those of the previous financial period and the corresponding interim reporting period, except for the adoption of new and amended standards as set out in notes 3 and 4.

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 July 2022 is consistent with the requirements of IFRS, the Directors have sought to prepare the Unaudited Condensed Interim 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 Unaudited Condensed Interim Financial Statements.

In assessing the going concern basis of accounting, the Directors have assessed the guidance issued by the Financial Reporting Council and considered the Company's own financial position, the status of global financial markets, various geopolitical events and conflicts, the current macroeconomic climate and other uncertainties impacting on the Company's investments, their financial position and liquidity requirements.

At the period end, the Company has total liquidity of £27,604,000, comprised of cash and cash equivalents of £16,461,000 and liquid listed investments amounting to £11,143,000.

In accordance with the Company's Articles of Incorporation, at the first annual general meeting of the Company following the fifth anniversary of IPO (such anniversary being 6 November 2023), the Directors proposed an ordinary resolution that the Company continues its business as a closed-ended investment company. At the Company's annual general meeting, on 15 March 2024, Shareholders were invited to vote on the continuation of the Company. The Board recommended that Shareholders vote in favour of continuation and such resolution was duly passed. The Directors will now put a further Continuation Resolution to Shareholders at the annual general meeting of the Company every three years thereafter.

The Board considers that the Company has sufficient resources to continue operating for at least the next 12 months following the signing of the Interim Report and Unaudited Condensed Interim Financial Statements, and so the going concern basis of accounting has been adopted.

(c) Segmental Reporting

The chief operating decision maker is the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business with the primary objective of investing in securities to generate capital growth for Shareholders. Consequently, no business segmental analysis is provided.

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

(d) 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 £1,600.

3. Use of Estimates and Critical Judgements

The preparation of Unaudited Condensed Interim 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 Unaudited Condensed Interim 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 13.

4. Changes in material accounting policies

Effective from 1 January 2023

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material" rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Directors reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments.

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 period end. The Directors have considered their impact and have concluded that they will not have a significant impact on the Unaudited Condensed Interim Financial Statements.

Amendments to following standards

- IAS 1 - Presentation of Financial Statements
  Classification of Liabilities as Current or Non-current: The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

  Effective date - 1 January 2024

- IAS 21 – The Effects of Changes in Foreign Exchange Rates
  Lack of Exchangeability: The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

  Effective date - 1 January 2025

- IFRS 7 – Financial Instruments: Disclosures
  The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk.

  Effective date - 1 January 2024

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 October 2023 that have a material effect on the financial statements of the Company, apart from those already disclosed.

Notes to the Unaudited Condensed Interim Financial Statements

For the 6 month period ended 31 March 2024

(continued)

5. Investment Management Fees

	1 October 2023 to 31 March 2024	1 October 2022 to 31 March 2023
	£'000	£'000
Investment management fee	618	1,995
Total investment management fees	**618**	**1,995**

During the period, the Company procured portfolio management services from JIML, under the Portfolio Management Agreement dated 1 July 2022. On 29 January 2024, the Company entered into an AIFM and Advisory Agreement with G10 Capital Limited and Chrysalis Investment Partners LLP respectively. Under this agreement, with effect from 1 April 2024, G10 Capital Limited was appointed as the AIFM to Chrysalis Investments Limited. Chrysalis Investment Partners LLP became Investment Adviser to G10 Capital Limited.

Chrysalis Investment Partners LLP is an appointed representative of G10 Capital Limited which is authorised and regulated by the Financial Conduct Authority.

Management and Advisory fees

The Company has historically paid a monthly "Management Fee" equal to 1/12 of 0.5% of the Net Asset Value. As part of the changes to the Investment Management arrangements, the Company agreed a reduction to the Management Fee, effective from 1 October 2023 to 31 March 2024, from 0.5% to 0.15%, leading to a saving in the Management Fee over the period.

From 1 April 2024 the company will pay an "Advisory Fee" equal to the sum of (a) 1/12 of 0.5% of the Net Asset Value per month; and (b) 1/12 of 5bps of the Net Asset Value per annum on the first £1,000,000,000 of the Net Asset Value and then 3bps of the Net Asset Value per annum thereafter, such amount to be calculated and paid monthly in arrears.

Management and Advisory Fees are charged to Revenue in the Statement of Comprehensive Income.

Performance Fee

Up to the 31 March 2024, the performance fee payable is 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").

As at 31 March 2024, the Company had not exceeded the High Water Mark and Performance Hurdle therefore no accrual (30 September 2023: £nil) for performance fees has been charged within these Unaudited Condensed Interim Financial Statements.

At an Extraordinary General meeting that took place on 15 March 2024, new Performance Fee terms were approved. The revised Performance Fee, effective from 1 April 2024, is the sum of which shall be equal to 12.5 per cent. 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 last Performance Fee was payable for the period ended 30 September 2021, at which time the NAV per share was 251.96 pence. A full definition of the terms of the new Performance Fee can be found in the Key Documents section of the Investor Relations page on the Company's website.

Performance Fees are charged to Capital in the Statement of Comprehensive Income.

6. Other Expenses

	1 October 2023 to 31 March 2024	1 October 2022 to 31 March 2023
	£'000	£'000
Directors' fees	199	234
Directors' expenses	8	14
Administration fee	109	105
Auditor's remuneration for:		
– audit fees	80	73
– non-audit fees	30	21
Committee fees	78	78
Secretarial fees	23	23
Printing fees	15	15
Registrars' fees	19	17
Listing fees	11	20
FCA fees	11	20
Legal fee and professional fees:		
– ongoing operations	864	575
– purchases	145	100
Depositary fees	35	30
Directors' liability insurance	30	34
Sundry	71	75
	1,728	**1,434**

Notes to the Unaudited Condensed Interim Financial Statements

For the 6 month period ended 31 March 2024

(continued)

7. Gains / (Losses) per Ordinary Share

	31 March 2024		31 March 2023	
	Net return £'000	Per share pence	Net return £'000	Per share pence
Revenue return	(1,915)	(0.32)	(3,275)	(0.55)
Capital return	78,203	13.14	(102,491)	(17.22)
At 31 March	**76,288**	**12.82**	**(105,766)**	**(17.77)**
Weighted average number of Ordinary Shares		595,150,414		595,150,414

The return per share is calculated using the weighted average number of ordinary shares.

8. Dividends

The Board has not declared an interim dividend (6 months ended 31 March 2023: £nil).

9. Investments Held at Fair Value through Profit or Loss

	31 March 2024	30 September 2023
	£'000	£'000
Opening book cost	761,768	731,095
Opening investment holding unrealised gains	18,608	91,268
Opening valuation	**780,376**	**822,363**
Movements in the period / year		
Purchases at cost	6,069	46,305
Sales proceeds	(2,809)	(15,632)
Net gains / (losses) on investments held at fair value through profit or loss	78,216	(72,660)
Closing valuation	**861,852**	**780,376**
Closing book cost	709,507	761,768
Closing investment holding unrealised gains	152,345	18,608
Closing valuation	**861,852**	**780,376**

	1 October 2023 to 31 March 2024	1 October 2022 to 30 September 2023	1 October 2022 to 31 March 2023
	£'000	£'000	£'000
Movement in unrealised gains during the period / year	216,171	249,567	50,062
Movement in unrealised losses during the period / year	(112,168)	(292,492)	(120,415)
Realised loss on sale of investments	(27,941)	(36,558)	(36,558)
Realised gain on sale of investments	2,154	6,823	3,985
Net gains / (losses) on investments held at fair value through profit or loss	**78,216**	**(72,660)**	**(102,926)**

The Company holds all its investments at fair value through profit or loss. Investments held by the Company on 31 March 2024 where the ownership interest exceeded 20% were as follows:

Name	Principal place of business	Principal activity	Ownership interest %
Cognitive Logic Inc.	United States	Trading company	20–30%
Growth Street Holdings Limited	United Kingdom	In liquidation	30–40%
Rowanmoor Group Limited	United Kingdom	In wind down	20–30%

10. Share Capital

	No of shares	£'000
Ordinary Shares at no par value		
Opening balance as at 1 October 2022	595,150,414	860,890
At 30 September 2023	**595,150,414**	**860,890**
Opening balance as at 1 October 2023	595,150,414	860,890
At 31 March 2024	**595,150,414**	**860,890**

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.

Notes to the Unaudited Condensed Interim Financial Statements

For the 6 month period ended 31 March 2024

(continued)

11. 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:

	31 March 2024		30 September 2023	
	NAV per share pence	NAV attributable £'000	NAV per share pence	NAV attributable £'000
Ordinary Shares: basic and diluted	147.46	877,637	134.65	801,349

The Net Asset Value per Ordinary Share is based on 595,150,414 (2023: 595,150,414) Ordinary Shares, being the number of Ordinary Shares in issue at the period end.

12. Cash flows used in operating activities

	31 March 2024	31 March 2023
	£'000	£'000
Total gains / (losses) for the period	76,288	(105,766)
Net (gains) / losses on investments held at fair value through profit or loss	(78,216)	102,926
Interest income	(431)	(611)
Net losses on currency movements	13	22
Movement in working capital		
Increase in other receivables	(77)	(51)
Decrease in payables	(900)	(2,681)
Cash flows used in operating activities	**(3,323)**	**(6,161)**

13. Financial Instruments and Capital Disclosures

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

The Unaudited Condensed Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's Audited Financial Statements as at 30 September 2023.

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 2 inputs include the following:

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

At 31 March 2024				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equity	11,143	–	–	11,143
Unquoted equity	–	–	850,709	850,709
	11,143	**–**	**850,709**	**861,852**

At 30 September 2023				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equity	10,284	–	–	10,284
Unquoted equity / Convertible debt	–	–	770,092	770,092
	10,284	**–**	**770,092**	**780,376**

Notes to the Unaudited Condensed Interim Financial Statements

For the 6 month period ended 31 March 2024

(continued)

13. Financial Instruments and Capital Disclosures (continued)

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

Unlisted Investments 2024

Valuation Technique	Fair Value as at 31 March 2024 (£000s)	Significant Unobservable Inputs	Weighted Average	Range	Unobservable Inputs Utilised	Sensitivity %	Sensitivity to changes in significant unobservable input (£000s)
Market approach using comparable trading multiples	710,113	EV/LTM Revenue Multiple	5.17x	0.9x – 24.51x	1/2/3/4/5/6	+/- 25%	+ 97,358 / –92,243
		EV/2024E Revenue Multiple	6.97x	0.75x – 18.84x	1/2/3/4/5/6	+/- 25%	+ 38,353 / –42,464
		EV/LTM Earnings Multiple	9.32x	4.91x – 37.76x	1/2/3/4/5/6	+/- 25%	+ 9,709 / –9,709
		EV/2024E Earnings Multiple	8.50x	4.27x – 28.93x	1/2/3/4/5/6	+/- 25%	+ 9,222 / –9,222
		EV/Book Value Multiple	1.57x	0.68x – 6.92x	1/2/3/4/5/6	+/- 25%	+ 5,548 / –5,548
		EV/Book Value 2024E Multiple	1.50x	0.61x – 6.58x	1/2/3/4/5/6	+/- 25%	+ 6,768 / –6,768
		Illiquidity discount	-10.0%	–	5	+/- 25%	+ 126,957 / –128,945
		Implied premium/(discount)	-16.6%	–	5	+/- 25%	+ 59,027 / –59,028
Recent Transaction Price	105,151	–	–	–	–	–	–
Expected Proceeds	35,445	Execution Discount	-19.8%	-20.0% – 0.0%	7	+/- 25%	+ 13,696 / –17,215

Valuation Technique

The Company has adopted a valuation policy for unquoted securities that provides an objective, consistent and transparent basis for estimating the fair value of unquoted equity securities in accordance with IFRS as well as the Venture Capital Valuation Guidelines ("IPEVC"), revised December 2022.

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

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. These are known as unobservable inputs.

When valuing an asset the independent valuer is required to select the valuation technique most appropriate for that asset, selecting the appropriate unobservable inputs.

Unobservable Inputs

1. **Trading Multiples**
   Trading multiples are financial ratios that allow an asset to be valued by reference to various financial metrics, including revenue, earnings and book value. The nature and stage of development of the asset will help to determine the appropriate metric(s) to use. Revenue will generally be used until such a time an asset is delivering sustainable earnings. Industry specific metrics may also be used for specific assets. One or more trading multiples may be used and an average taken when arriving at the final valuation.
2. **Actual and Estimated Financial Metrics**
   When applying a trading multiple the independent valuer will generally utilise the most recently available financial metrics, looking back over the last twelve months for income statement metrics, or at the latest balance sheet date for balance sheet metrics. Where estimated financial metrics are deemed reliable these may also be used. Pro forma financial metrics may be used where acquisitions and disposals have occurred. The impact of one-time revenue or earnings events may also be removed from actual or estimated financial metrics.
3. **Comparable Companies**
   In order to calculate a trading multiple a set of comparable companies must be identified. These companies will usually be listed companies with publicly available financial information. When identifying comparable companies the independent valuer will usually select those offering similar products or services, to the same type of customers. The number of comparable companies selected will vary depending on the number of similar companies in the available universe. The set of comparable companies will change from time to time depending on the evolution of the asset and the companies considered comparable. Outliers which skew a trading multiple may be removed from the set.
4. **Net Cash/(Debt)**
   When arriving at the equity value of an asset any net cash/(debt) will be added/(deducted) to/from the enterprise value to arrive at the equity value of that asset.
5. **Valuation Premiums/Discounts**
   Where a recent investment transaction has taken place for a specific asset which allows for the calculation of an implied valuation, subsequent valuations will be calibrated to the implied valuation resulting in an implied premium or discount to that recent transaction. This premium or discount may be reduced over time or as company performance evolves. If a calibrated approach is no longer deemed appropriate, an illiquidity discount will be applied. The independent valuer will use their knowledge of private markets to determine the appropriate illiquidity discount.
6. **Anticipated Exit Route**
   The nature of an exit for an unquoted asset, for example by way of IPO, trade sale or liquidation, may often determine differing proceeds for the Company. Where an exit route is known with virtual certainty then the expected proceeds will be calculated based on the expected exit route. Where a valuation is deeply discounted and there is a real risk the asset may fall into administration the expected proceeds will be calculated based on a liquidation. If an asset is valued below cost and the Company has a preferred return, that preferred return will be applied. If an asset is valued above cost and the Company's preferred return would deliver an enhanced return, the preferred return will be applied. If an asset is valued significantly above cost and an investor with a preferred return would benefit from a conversion to ordinary shares, a conversion will be assumed.
7. **Execution Discount**
   When the full or partial disposal of an asset has been negotiated and a price set, but the transaction has not yet closed, the valuation of the asset may be adjusted to take into account any uncertainty associated with the pending transaction. The value of the execution discount will vary depending on the conditions which need to be met before the transactions closes and the expected timing of the close.

Notes to the Unaudited Condensed Interim Financial Statements

For the 6 month period ended 31 March 2024

(continued)

13. Financial Instruments and Capital Disclosures (continued)

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

Unlisted Investments 2023					
Fair Value as at 30 September 2023 (£000s)	**Valuation Technique**	**Significant Unobservable Inputs**	**Range**	**Sensitivity %**	**Sensitivity to changes in significant unobservable inputs**
728,177	Market approach using comparable traded multiples	EV/LTM Revenue multiples EV/2023E Revenue multiples EV/2024E Revenue multiples EV/2025E Revenue multiples EV/2026E Revenue multiples	0.23 – 19.09x	25%	If multiples changed by +/- 25%, the value of the companies in this group would change by + £112,340,325 / - £127,156,208
25,030	Recent Transaction Price	N/A	N/A	N/A	N/A
16,506	Scenario Analysis	Probability	79%	25%	If probability changed by +/- 25%, the value of the companies in this group would change by - £16,505,837 / + £19,342,778
316	Expected Proceeds	N/A	N/A	N/A	N/A
63	Wind Down	N/A	N/A	N/A	N/A

The Company has an established control framework with respect to the measurement of fair values. The Company's Investment Adviser provides discretionary portfolio management services, while the Company assumes direct responsibility for the valuation process.

The Company's Valuation Committee regularly reviews significant unobservable inputs and valuation adjustments. Valuations are prepared by an independent third party valuer and the Valuation Committee assesses the evidence prepared to support the conclusion that these valuations meet the requirements of the standards, including the level in the fair value hierarchy in which the valuation should be classified.

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

	March 2024	**September 2023**	**March 2024**	**September 2023**
	Level 1 £'000	**Level 1 £'000**	**Level 3 £'000**	**Level 3 £'000**
Opening balance	10,284	20,317	770,092	802,046
Purchases at cost	–	–	6,069	46,305
Sales at cost	(2,809)	(10,263)	–	(5,369)
Total gains / (losses) included in net gains on investments in the Statement of Comprehensive Income				
– on assets sold	2,154	6,826	(27,941)	(36,556)
– on assets held at period/year end	1,514	(6,596)	102,489	(36,334)
	11,143	**10,284**	**850,709**	**770,092**

The change in unrealised gains or losses (net gain) for the period included in the Unaudited Condensed Statement of Comprehensive Income relating to those Level 3 assets held at the reporting date amounted to £102,489,000 (30 September 2023: net loss of £36,334,000). Investments are transferred between levels at the point of the trigger event. There were no transfers between the levels of the fair value hierarchy during the period ended 31 March 2024.

There have been no significant changes in the management of risk or in any risk management policies since the last Statement of Financial Position date.

14. Related parties and other significant transactions

During the period, JIML provided portfolio management services to the Company.

On 29 January 2024, the Company entered into an AIFM and Advisory Agreement with G10 Capital Limited and Chrysalis Investment Partners LLP respectively. Under this agreement, with effect from 1 April 2024, G10 Capital Limited was appointed as the AIFM to Chrysalis Investments Limited. Chrysalis Investment Partners LLP became Investment Adviser to G10 Capital Limited. Chrysalis Investment Partners LLP is an appointed representative of G10 Capital Limited, which is authorised and regulated by the Financial Conduct Authority.

	1 October 2023 to 31 March 2024	1 October 2022 to 30 September 2023	1 October 2022 to 31 March 2023
	£'000	£'000	£'000
Management fee charged by JUTM:			
Total management fee charged	–	11	–
Management fee outstanding	–	–	–
Management fee charged by JIML:			
Total management fee charged	618	3,998	1,995
Management fee outstanding	322	1,022	1,984
Directors' fees			
Total Directors' fees charged	199	433	234
Directors' fees outstanding	–	–	–

As at 31 March 2024 the following Directors had holdings in the Company:

	Number of Ordinary Shares	% Ordinary Shares issue as at 31 March 2024
Director		
Andrew Haining	79,000	0.0133
Stephen Coe	60,909	0.0102
Simon Holden	89,500	0.0150
Anne Ewing	55,000	0.0092
Tim Cruttenden	21,298	0.0036
Margaret O'Connor	-	-
S Cruttenden (son of Tim Cruttenden)	11,530	0.0019

As at 30 September 2023 the following Directors had holdings in the Company:

	Number of Ordinary Shares	% Ordinary Shares issue as at 30 September 2023
Director		
Andrew Haining	79,000	0.0133
Stephen Coe	60,909	0.0102
Simon Holden	89,500	0.0150
Anne Ewing	55,000	0.0092
Tim Cruttenden	21,298	0.0036
Margaret O'Connor	–	–
S Cruttenden (son of Tim Cruttenden)	11,530	0.0019

The following funds, which are also managed by companies which are part of the Jupiter Fund Management plc group ("Jupiter"), hold an investment in the Company.

	Total holdings at 30 September 2023	Shares purchased during the year	Shares sold during the year	Total holdings at 31 March 2024	Value of holdings at 31 March 2024
					£'000
Fund name					
Jupiter UK Smaller Companies Focus Fund	2,019,239	–	(1,803,122)	216,117	179
Jupiter UK Specialist Equity Fund	1,093,790	–	(942,408)	151,382	126
Jupiter UK Mid-Cap Fund	54,348,251	–	(51,206,896)	3,141,355	2,607
Jupiter UK Smaller Companies Fund	9,989,951	–	(6,310,399)	3,679,552	3,054
Jupiter Fund of Investment Trusts	2,000,000	–	–	2,000,000	1,660
Jupiter UK Smaller Companies Equity Fund	2,250,000	–	(1,402,350)	847,650	704
Total	**71,701,231**	**–**	**(61,665,175)**	**10,036,056**	**8,330**

Notes to the Unaudited Condensed Interim Financial Statements

For the 6 month period ended 31 March 2024

(continued)

14. Related parties and other significant transactions (continued)

	Total holdings at 30 September 2022	Shares purchased during the year	Shares sold during the year	Total holdings at 30 September 2023	Value of holdings at 30 September 2023
					£'000
Fund name					
Jupiter UK Smaller Companies Focus Fund	4,390,111	–	(2,370,872)	2,019,239	1,256
Jupiter UK Specialist Equity Fund	4,166,225	–	(3,072,435)	1,093,790	680
Jupiter UK Mid-Cap Fund	84,063,528	–	(29,715,277)	54,348,251	33,805
Jupiter UK Smaller Companies Fund	15,958,557	–	(5,968,606)	9,989,951	6,214
Jupiter Investment Fund - Jupiter Merlin Real Return Portfolio	1,259,639	–	(1,259,639)	–	–
Jupiter Fund of Investment Trusts	2,000,000	–	–	2,000,000	1,244
Jupiter UK Smaller Companies Equity Fund	2,250,000	–	–	2,250,000	1,400
Total	**114,088,060**	**–**	**(42,386,829)**	**71,701,231**	**44,599**

15. Post Balance Sheet Events

On 1 April 2024, G10 Capital Limited was appointed as the AIFM to Chrysalis Investments Limited. Chrysalis Investment Partners LLP became Investment Adviser to G10 Capital Limited. Chrysalis Investment Partners LLP is an appointed representative of G10 Capital Limited, which is authorised and regulated by the Financial Conduct Authority.

Post period end, the Company entered into a convertible loan agreement with wefox Group Plus AG for a consideration of €5,500,000.

The assets of Tactus were sold to a third-party for a nominal amount post-period end. Tactus was placed into Administration on 23 May 2024.

On 23 May 2024, Klarna completed its redomiciliation to the UK from Sweden. The Company's holding in Klarna was transferred to Klarna Group PLC.

During June 2024, the Company sold shares in Wise for a total consideration of £6,215,469, at an average price of 691 pence per share.

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

Corporate Information

Directors

Andrew Haining, Chairman
Anne Ewing
Simon Holden
Stephen Coe (Senior Independent Director)
Tim Cruttenden
Margaret O'Connor

Registered office

1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey, GY1 2HL

Investment Adviser

Jupiter Investment Management Limited ("JIML")
The Zig Zag Building
70 Victoria Street
London, SW1E 6SQ

From 1 April 2024

Chrysalis Investment Partners LLP
3 Orchard Place
London, SW1H 0BF

Chrysalis Investments Partners LLP is the Investment Adviser to G10 Capital Limited and an appointed representative of G10 Capital Limited. G10 Capital Limited is authorised and regulated by the Financial Conduct Authority.

AIFM

From 1 April 2024

G10 Capital Limited
4th Floor
3 More London Riverside
London, SE1 2AQ.

Financial Adviser and Corporate Broker

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

Numis Securities Limited
45 Gresham Street
London, EC2V 7BF

Administrator and Company Secretary

Apex Administration (Guernsey) Limited
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey, GY1 2HL

Registrar

Computershare Investor Services (Guernsey) Limited
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Le Bordage
St Peter Port
Guernsey, GY1 DB

Depositary

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Citigroup Centre
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English Legal Adviser to the Company

Travers Smith LLP
10 Snow Hill
London, EC1A 2AL

Guernsey Legal Adviser to the Company

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

Independent Auditor

KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey, GY1 1WR

Definitions

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

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