

Interim Results

for six months ended 30th September 2019

Draper Esprit plc





Draper Esprit plc is one of the most active venture capital firms in Europe, developing and investing in disruptive, high growth technology companies.

We believe the best entrepreneurial teams in Europe are capable of building the global businesses of the future.

We fuel their growth with long-term capital, access to international networks and decades of experience building businesses.



Interim Financial highlights

Financial highlights

£683m

Gross Portfolio Value increased by 15% to £683 million (31 March 2019: £594 million).

574p

NAV per share has increased by 10% to 574 pence (31 March 2019: 524 pence).

12%

Gross Portfolio Value fair value growth by 12% in the six-month period (six-months to 30 September 2018: 20%).

£23m

Cash realisations (six-months to 30 September 2018: £3 million), supportive of NAV.

£677m

Net Assets (31 March 2019: £619 million).

£126m

Available investment resources at period end, including £50 million from EIS/CT funds

£59m

Profit after tax of £59 million (£39 million for the six-months to 30 September 2018)

£50m

New debt finance raised (£20m drawn at period-end)

Operational highlights

- £42 million deployed by plc with a further £15 million from EIS/VCT funds into new and existing companies.
- The Group has invested in 5 new companies (including 3 via the Earlybird partnership) and 9 existing portfolio companies (including 1 via Earlybird partnership) increasing its total number of investee companies to 57, as at 30 September 2019*.
- Core portfolio has increased in value by 17% to £485 million (31 March 2019: £415 million).
- Remain on course to achieve stated financial objective of delivering a portfolio return of 20% for the full year.
- Growth in average core portfolio revenues of 56% in the year ending 31 December 2019 and 61% in the year ending 31 December 2020.

Post-period end

- Appointment of Martin Davis as Chief Executive Officer and Simon Cook as Chief Investment Officer.
- Investment of £7 million in Freetrade and £3 million investment in Paragraf (both plc and EIS/VCT).

* Reporting threshold – companies with a NAV of £1 million or more. See note 21 for reconciliation of APMs to IFRS measures.

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Chief Executive's Review

Operating review

During the six months ended 30 September 2019, Draper Esprit has made good progress and remains on course to achieve our stated financial objective of delivering a portfolio return of 20% for the full year, having produced a 12% gross fair value increase during the first six months of the current year.

The strength of this performance has been driven by ongoing trading gains across our portfolio, combined with positive valuation uplifts following successful funding rounds, particularly from Ravenpack and Pollen (formerly Verve), alongside £22.7 million from cash exits, supportive of NAV.

Through the first half of this year we have focused on building out the infrastructure needed to support the increasing maturity of the Group and our portfolio companies, strengthening our operational team to support the next stage of Draper Esprit's growth.

Post period-end, we announced the appointment of Martin Davis as Chief Executive Officer, while I have transitioned from my role as Chief Executive Officer to become Chief Investment Officer.

We have also made further key hires across our operations teams in line with our strategy of building a platform of scale for entrepreneurs looking to raise series A-C financing and supporting our portfolio companies at all stages of their development. This growth in the team has also led to an expansion of our headquarters in London by taking an additional floor at our Garrick Street offices.

We remain committed to our disciplined approach to new investments while maintaining adequate financial firepower across the Group.

Our investment strategy is focused on sourcing the best long-term investment opportunities from across both the UK and Europe. As a further reflection of this, we have signed up to the UN's Principles of Responsible Investment to underline our commitment to sustainable investment decisions. We believe this will improve our ability to meet commitments to stakeholders as well as better align our investment activities with the broader interests of society.

The universe of investment opportunities is increasing as industrial disruption continues at pace and working practices shift to encompass big data driven by rapid advances in high-growth sectors including hardware, financial technology, deeptech, artificial intelligence and digital healthcare. We also continue to work alongside the team at Earlybird Digital West, leveraging our collective investment teams, skills and experience, particularly in the German-speaking market.

Portfolio performance

Due to investments made during the period, strong growth across portfolio companies and also cash exits, Gross Portfolio Value increased to approximately £683.0 million, up 93% from the £354.0 million at 30 September 2018 (and up 15% from £594.0 million at

31 March 2019). The Net Portfolio Value increased to £638.4 million, up 90% from the £336.2 million at 30 September 2018 (and up 14% from £562.1 million at 31 March 2019).

The increase in the Gross Portfolio Value reflects both the investments made during the period of £41.5 million (£204.0 million during the 12 months ended 30 September 2019) and a gross fair value increase of £70.2 million in the six months ended 30 September 2019 (£162.0 million fair value increase for the 12 months ended 30 September 2019).

The increase in fair value in the period was driven primarily by the continued positive performance across the portfolio combined with strong financing rounds and as the majority of portfolio companies report revenues in non-sterling currencies, FX contributions have also had a positive impact.

Notable uplifts during the period include Ravenpack (following their recent funding round led by GP Bullhound, leading to a NAV increase of £18.3 million), Peak Games with a NAV increase of £11.3 million, Revolut with a NAV increase of £9.6 million, and Smava a NAV increase of £5.2 million. Other portfolio uplifts include Pollen, following their recent funding round led by Northzone, leading to a NAV increase of £2.7 million, and N26 (now a core company) with a NAV increase of £0.5 million. Furthermore, average revenues in the core portfolio companies have also seen growth of 56% to over \$120.0 million in 2019. The sustainability of their growth is underpinned by strong gross margins of over 60%.

New and follow on investments

During the period, the Group has invested £41.5 million across new and existing portfolio companies (six-months to 30 September 2018: £65.0 million / full year to 31 March 2019: £226.4 million), with a further £14.7 million via our EIS and VCT co-investment funds (six-months to 30 September 2018: £10.6 million / 31 March 2019: £35.1 million) into the next generation of high-growth digital technology companies as well as supporting our existing portfolio companies.

New investments in this period included Decibel, the real-time customer experience platform, and Sweep, a Dublin-based diagnostic platform for the smart home. The plc also continued to build stakes in existing portfolio companies and invested a further £19.5 million in those companies growing at pace. Notable investments include Pollen, Realeyes and Ieso Digital Health.

Via our strategic partnership with Earlybird Digital West, we made a range of new investments including Aiven, a cloud data platform provider, Istamotion, an online transaction platform for used cars, and Getsafe, a company which uses AI to manage insurance via smartphones. In addition, we invested further into the banking company, N26, which has since been added to our core portfolio.

Seed funds

Our strategy of investing in Europe's top seed funds continues to bear fruit in fuelling the early stage ecosystem, giving entrepreneurs access to capital, and by accelerating our own access to future dealflow. Since April 2019, we have invested £4.3 million in leading seed funds across Europe.

In the period, we have committed a further €1.5 million to France based FRST Ventures and, post-period end, €1.5 million to Latvia based Change Ventures, which backs Baltic founders around the world. To date, the Group has made total commitments of £36.0 million to 18 funds, including Change Ventures post period end. Such commitments will be drawn down over a 5-year period.

Successful exits

During the period, the plc generated £22.7 million in cash from the partial sales of our stakes in TransferWise, the international money transfer platform, UiPath, the robotic process automation (RPA) software company, and Codility, the software platform for technology recruitment. Other proceeds were generated from escrows from previous sales. The disposals in the period were supportive of NAV.

Plc cash at the period-end was £46.0 million, as well as £30.0 million undrawn from the debt facility, with a further £50.0 million available to deploy within EIS/VCT co-investment funds. Including the revolving debt facility we secured in May 2019, the Group has £126.0 million of investment capacity, affording the business a high degree of financial flexibility when assessing future investment opportunities.

Post-period end

Post period-end, we have continued to see a strong pipeline of investments and have made further new investments including:

- A £4.0 million investment in stock investing app, Freetrade, with £3.0 million from EIS and VCT funds, as part of a \$15.0 million series A round. This round follows two previous crowdfunding rounds earlier in the year where Freetrade raised over 400% of its original target, from 5,000 community members. The funds are being used to accelerate the company's launch in Europe;
- A £0.9 million investment in Paragraf, a Cambridge-based company building a new way to produce graphene at scale, alongside a further £1.7 million from EIS and VCT; and
- A £0.6 million investment via our partnership with Earlybird Digital West into Crosslend, the leading digital debt marketplace, as part of its €35 million funding round led by Santander InnoVentures.

Expansion of management team

On 4 November we announced an addition to the senior leadership team to support the continued growth of Draper Esprit. The appointment of Martin Davis as Chief Executive Officer and my

transition to Chief Investment Officer are the latest measures we have put in place to build the infrastructure we need to further scale the Group.

Martin has more than 20 years' experience in financial services and technology. He was most recently CEO of investment management business Kames Capital and has held several other senior roles at financial advisory and fintech businesses. Martin brings particular expertise in supporting businesses as they scale-up. As co-founder of Draper Esprit, I will continue to focus on seeking out fast growing, private digital technology businesses with global potential in line with the Company's track record of generating 20%+ net returns.

Outlook

We are well placed to build on the positive momentum we have generated during the first half of the year and continue to provide European entrepreneurs with the growth capital they need in order to realise their global ambitions. We remain on course to deliver an increase in Gross Portfolio Value in line with our core strategic aim of 20% per annum but remain committed to maintaining a disciplined approach to pricing, deployment and valuation of our current portfolio.

While management are mindful of the ongoing uncertainty caused by Brexit and the broader political climate, we have sizable cash reserves for future investments and continue to see a strong pipeline of potential investments in high-growth companies.

As companies remain private for longer, our model continues to provide investors with a vehicle to access high quality and high growth European technology companies and, with the addition of Martin Davis to our senior leadership team, our focus now is on putting in place the infrastructure we need to scale our offering further and accelerate the growth of the business.

Simon Cook

Former Chief Executive Officer (to November 2019),
now Chief Investment Officer

Portfolio Review

We are pleased to announce that we are on track to deliver our annual target gross portfolio return of 20%. During the six-month period ended 30 September 2019, the gross portfolio returned 12% fair value growth underpinned by continued strong revenue growth across the core portfolio, new financing rounds and strong exits.

The gross value of the Group's investment holdings before deductions for carry and deferred tax, increased by £89.0 million to £683.0 million at 30 September 2019 from £594.0 million at 31 March 2019 (30 September 2018: £354.0 million). During the period, the Group has realised £22.7 million of cash (six-months to 30 September 2018: £2.5 million / full year to 31 March 2019: £16.0 million) from the partial sale of stakes in TransferWise, UiPath, and Codility and further proceeds from the sale of Bitbar and amounts held in escrow relating to past disposals. These disposals were supportive of NAV.

During the period, the Group has invested £41.5 million across new and existing portfolio companies, with a further £14.7 million via our EIS and VCT co-investment funds.

Notable new investments by the plc include:

- Leading an €8.0 million Series A funding round in Sweepr, the Dublin-based customer experience platform for the connected home, with a £2.7 million investment. Sweepr's platform works by gathering a detailed digital context in order to provide customers real-time support when troubleshooting their smart devices;
- £10.1 million in a funding round for Decibel, a London-based software company;
- A range of new investments via our strategic partnership with Earlybird Digital West including:
 - £1.3 million into Helsinki-based Aiven, a cloud data platform provider, as part of an €8.0 million round led by Earlybird;
 - £1.1 million into Istamotion, an online transaction platform for used cars; and
 - £2.5 million in Getsafe, a Heidelberg-based company which uses AI to manage insurance via smartphones.

We continue to build our stakes in existing portfolio companies, investing a further £19.5 million in those companies which are growing at pace. This includes a further £2.5 million from plc into Pollen as part of

a \$55.0 million round led by Northzone, with a further £6.5 million from the VCT/EIS vehicles. As a result of the valuation at which this latest funding round completed, following a period of growth that has seen their marketplace sell eight hundred thousand experiences over the last 12 months, Pollen has joined our core company portfolio.

Other follow on investments include £2.2 million in Realeyes, the machine learning platform which measures emotions through facial recognition, as part of a £9.5 million round led by Japanese mobile phone giant NTT, and a further £1.0 million in IESO Digital Health, the mental health app. We have also furthered our investments in companies including Unbound, PushDoctor, and Kaptivo.

In the core portfolio, a further £6.3 million was invested in Berlin-headquartered digital banking company N26 as part of a \$170.0 million round via our strategic partnership with Earlybird Digital West. We have made other follow-on investments via our strategic partnership with Earlybird Digital West including, MyDataModels, the Automated Machine Learning solution that builds and runs predictive models, and Deepcode, a platform which uses AI to learn from open source software to help developers write better code, as part of a \$4.0 million round.

Since April 2019, we have also invested £4.3 million in leading seed funds across Europe.

The net fair value increase of £57.6 million is driven by strong performance in the following notable core portfolio companies, namely Ravenpack (£18.3 million) which closed an investment round led by GP Bullhound generating a 117% uplift in fair value, Peak Games (£11.3 million), which has demonstrated continued strong performance, Revolut (£9.6 million), to align with growth in the company, Pollen moves into the core portfolio after closing a funding round with Northzone generating a 21% uplift in fair value and Smava (£5.2m). This was partially offset by write downs in

56%

Average core portfolio revenue growth rate for 2019 (61% for 2020).

20%

Target annualised gross portfolio return (12% in the six-months to 30 September 2019).

Lyst (£2.5m) and SportPursuit (£2.2 million), reflecting the movements in comparative listed peers during the period and currency movements. Continued high average revenue growth across the core portfolio underpins these uplifts with commercial milestones being achieved in the key movers.

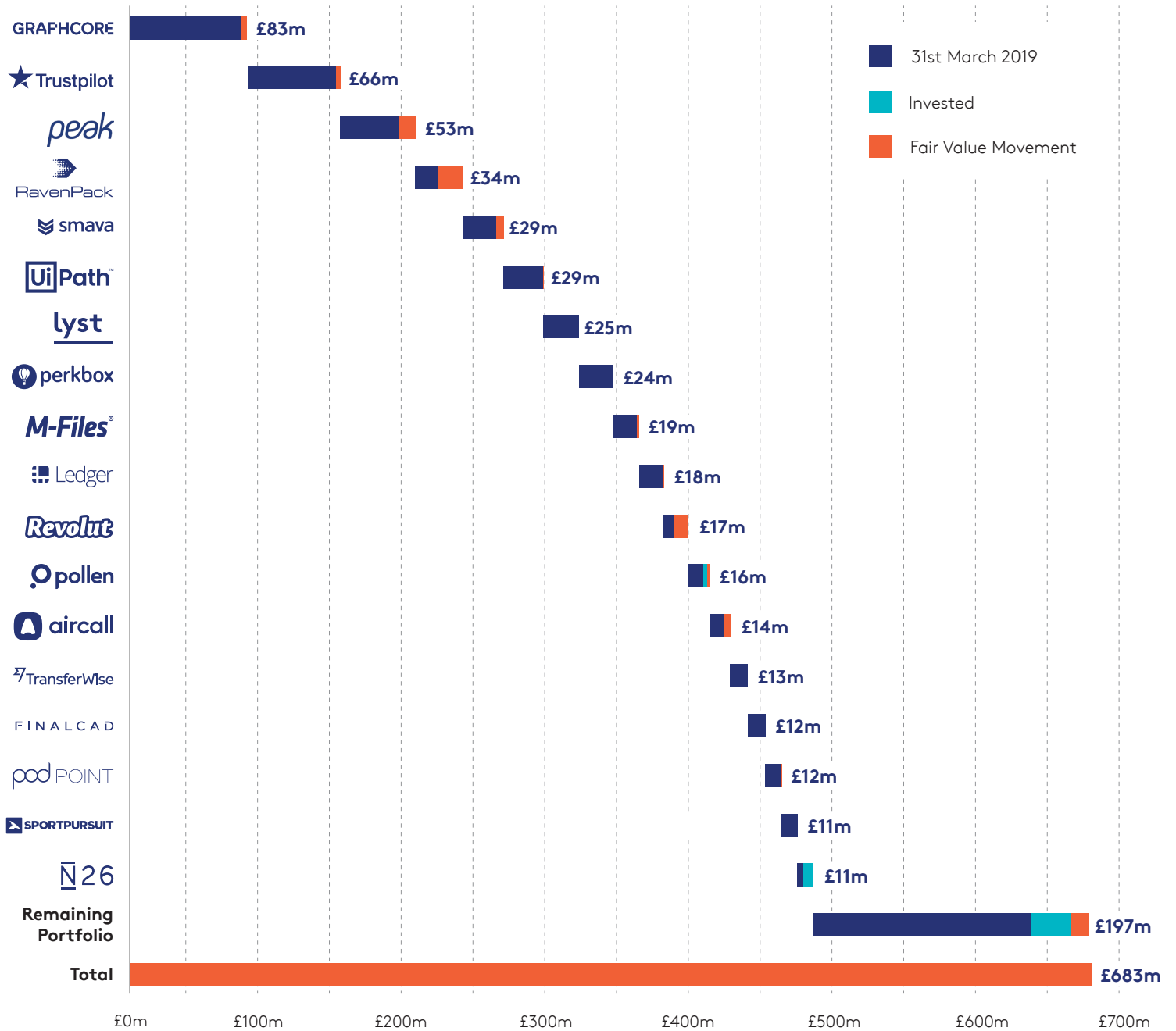
In the period, Revolut, Pollen and N26 have moved into core holdings to bring the number of core holdings, which account for approximately 70% of the total portfolio value, to 18. The remaining portfolio value is spread across significant minority interests in 39 companies including 10 held via Earlybird (31 March 2019: 39 companies, 9 held via Earlybird)*.

The core portfolio, comprising: Graphcore, Trustpilot, Peak Games, Ravenpack, Smava, UiPath, Lyst, Perkbox, M-Files, Ledger, Revolut, Pollen, Aircall, Transferwise, Finalcad, Podpoint, SportPursuit, and N26 represents a value of £484.7 million and reflects revenue growth of 56% to over \$120.0 million in 2019 and projecting further growth of 61% into 2020.

*Reporting threshold – companies with a NAV of £1 million or more.

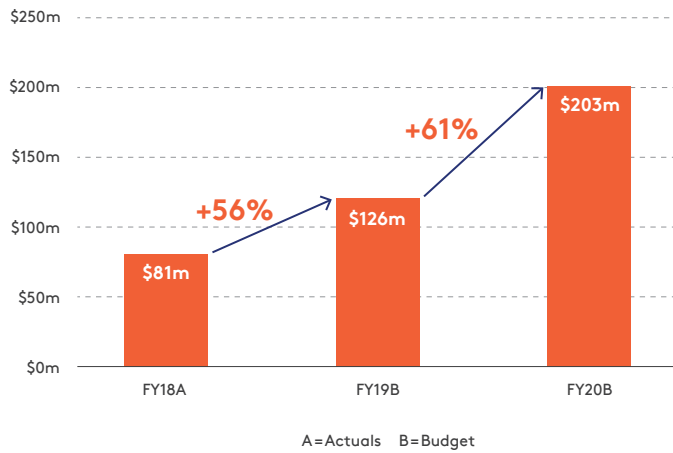
Portfolio Review continued

Gross Portfolio Progression — by Portfolio Company
(£ millions)

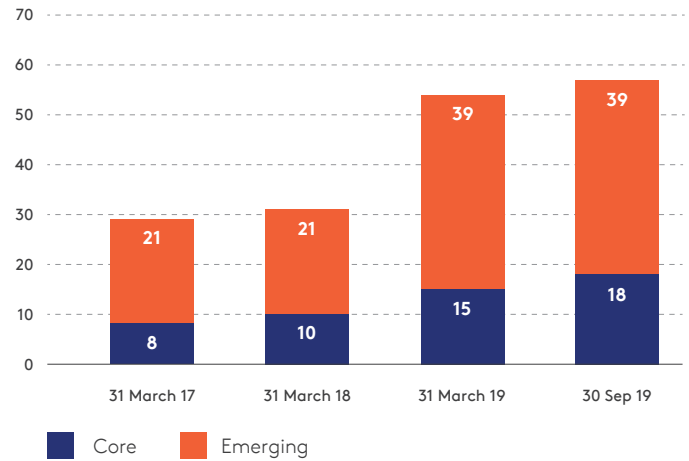


Portfolio Review continued

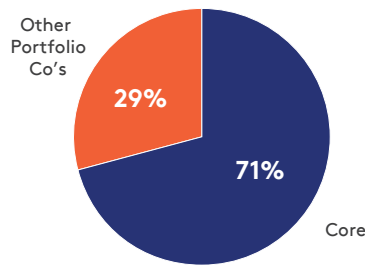
Average Core Portfolio Revenues



Number of Portfolio Companies

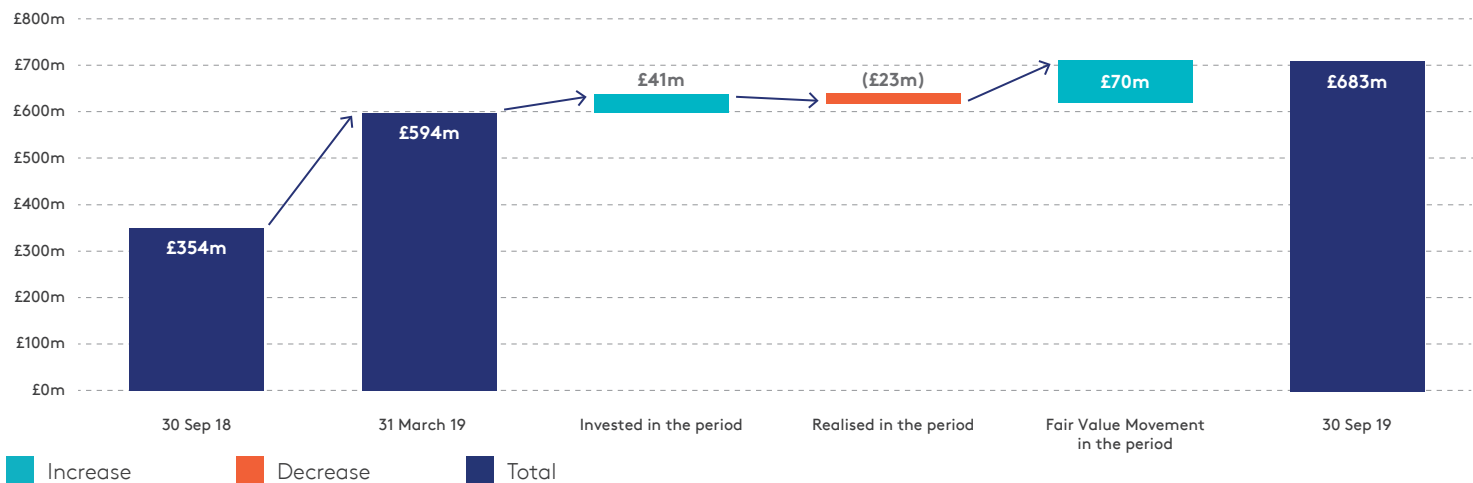


September 2019 Gross Portfolio Split



Gross portfolio value split as at 31 March 2019 was core portfolio at 70% and emerging portfolio at 30%.

Gross Portfolio Value Progression (£ millions)



Core Portfolio updates

Graphcore

Graphcore, the machine intelligence chip company, announced the opening of their new Cambridge office and plans to hire 500 new staff. They have also expanded into Beijing, China, and Hsinchu, Taiwan.

The company has developed IPUs (Intelligent Processing Units) which enable unprecedented levels of compute. In May 2019, the company announced that Dell was one of the first customers to build an IPU-based Dell platform, combined with Graphcore's Poplar software stack. This platform is due to launch in Q4 2019, ready to ship to customers before year end.

Post period-end, the company announced their collaboration with Microsoft Azure. This is the first time a major public cloud vendor is offering Graphcore IPUs which are built from the ground up support next generation machine learning. The development is a testament of the maturity of their patented IPU technology.

Trustpilot

Since Trustpilot, the online review site, raised a series E round of \$55 million in March, it has made a number of significant hires, adding a new Chief Marketing Officer, Chief Human Resources Officer, Chief Legal and Policy Officer to its team, as well as adding to its Board of Directors. Trustpilot now has generated more than 70 million reviews of over 300,000 web domains with almost 2 million reviews written each month. Since 2018, it has climbed to be one of the top 30 websites in the UK and ranked one of the 600 most visited websites in the world.

In order to make its ratings easier to understand and more transparent, Trustpilot launched TrustScores and 'Transparent Flagging' to create more nuanced ways to understand overall ratings.

Peak Games

During the period, Peak Games, the mobile games developer, continued to grow at pace. According to estimates by Sensor Tower Store Intelligence, the firm has generated more than an estimated \$1.1 billion in gross player spending to date led by its 2015 release Toy Blast.

Peak Games titles are most popular among players in the United States, where they have generated close to an estimated 68 percent of their revenue or an estimate of nearly \$802 million. The UK is the publisher's second largest market at 4.2% of spending, followed by Japan at 4%.

Ravenpack

Post period-end, Ravenpack, the leading big data analytics provider for hedge funds and banks, raised a further \$10 million from the technology advisory and investment firm GP Bullhound to fuel its expansion into Asia, as well as to diversify its product offering in order to target corporate customers.

During the period, Ravenpack has introduced the new 'Ravenpack connections' tool as the latest innovation to expose business

relationships and interconnections among thousands of entities including companies, organisations, and key business and political figures affecting capital markets.

Smava

During the period, Smava, the online social lending platform, announced that it plans to IPO, having achieved strong, consistent growth with a Compound Annual Growth Rate (CAGR) of 90% from 2012. The company is now the largest specialised loan portal in Germany, generating over €2 billion in loan volume. In 2017, it became the first company in Germany to offer negative interest rates. Smava also recently expanded its office in Berlin, moving to new headquarters.

UiPath

UiPath, the robotic process automation (RPA) software company, raised its series D investment round of \$568.0 million at a post-money valuation of \$7 billion, led by Coatue and joined by Dragoneer, Wellington, Sands Capital, Accel, funds and accounts managed by T. Rowe Price Associates, CapitalG, Sequoia and Earlybird. At the \$7 billion valuation, UiPath is now one of the fastest growing and highest-valued AI enterprise software companies in the world.

The company has now increased annual recurring revenue (ARR) from \$8 million to an estimate of over \$200 million from 2017 to 2019 and has grown its employee base to over 2,500. Recent customer additions include American Fidelity, BankUnited, Duracell, Google, Japan Exchange Group, LogMeIn, McDonalds, NHS Shared Business Services, Nippon Life Insurance Company, NTT Communications Corporation, Orange™, Ricoh Company, Ltd., Rogers Communications, Shinsei Bank, Quest Diagnostics, Uber, US Navy, Voya Financial, Virgin Media, and World Fuel Services.

Lyst

London-based Lyst, the leading platform for the world's fashion shoppers, helped 90 million users last year to find and discover the perfect fashion item from a selection of more than 18,000 leading brands. The number of users grew 36% from 66 million, for the same period of the previous year.

Lyst continues to invest in growth in several areas: the main focus is product improvement and very particularly for Registered Users where they are seeing very strong retention and economics, as well as the internationalization process with more than 10 localised domains launched in the last 18 months, and expansion of assortment and monetization.

The company announced that Bradley Horowitz, VP of Product at Google, joined the Board. This appointment coincides with other key senior Lyst hires, including Lucas McGregor as Chief Technology Officer, bringing experience from The Walt Disney Company, and Simon Dance as SVP of Growth, who rejoins Lyst from Amazon.

Core Portfolio updates continued

Perkbox

Since Perkbox, the employee engagement platform, raised £13.5 million in March 2019 from a round led by Draper Esprit alongside several of previous angel investors, the company have signed up a number of new partners including ASDA, Dune, Philips, Sainsbury's and H&M. The company continues to expand globally with 113 perks live on their platform in Australia, and their France team being awarded the "Innovation Award" at the SalonCE Fair.

Perkbox's platform now includes four key pillars: Perks, Insights, Recognition and Medical. Their recognition platform saw a 118% increase in the number of reward transactions.

To fuel further growth, the company has made several key hires including Marissa White as Revenue Operations Director and Ed Ellis as Organisational Readiness Director. Perkbox was named one of London Stock Exchange's "1000 companies to inspire Britain" and ranked at 25th as one of Europe's Fastest Growing Businesses by The FT.

M-Files

During the period, M-Files, the intelligent information management platform, announced that they have now linked their platform to Microsoft Office 365, Microsoft Teams, and Salesforce Customer 360 in order to streamline the customer experience further.

The company has also hired a new CMO and have won a number of awards including the European Investment Bank's 2019 Innovation Award.

Ledger

Ledger, the hardware security wallet for cryptocurrencies and blockchain applications successfully launched the Nano X product and the Ledger Live companion software. Meanwhile the Ledger Vault, a security solution for financial institutions, continues to be sold across Europe, Asia and the US.

Ledger continues to diversify its strategy by building security technology for other blockchain based applications. Having partnered with Engie, the French multinational electric utility business, Ledger continues to explore the ways in which its technology can support IoT applications. The company is also working with Birdz, a pioneer in remote water consumption metering and subsidiary of Veolia, to ensure the authenticity of the drinkable water collection data.

Revolut

Revolut, a global money app and debit card was named one of the top 50 fastest growing tech companies by Deloitte. The disruptor bank supports 90 currencies, with no international transaction fees, boasts 8+ million customers and is responsible for 350m+ transactions.

The company recently launched commission free trading as part of their services and has expanded to Australia and Singapore. Martin

Gilbert, the former Standard Life Aberdeen co-Chief Executive, joined the Revolut board as executive chairman post-period end.

Pollen (formerly Verve)

Pollen, formerly known as Verve, an invite-only marketplace that enables people to bring their friends to the best experiences and share rewards, raised a further \$60 million in new financing, bringing the total capital raised to date to \$100 million. The raise was led by Northzone, and other investors included Sienna Capital, Backed, Kindred and Draper Esprit. Gareth Jefferies of Northzone and Timo Boldt, CEO of Gousto, have now joined Draper Esprit Investment Director Nicola McClafferty on the Board of the company.

The financing will allow Pollen to scale its influential membership base and expand more deeply into music, sports and travel, with plans to move into other experiences and products in the future, tapping into an increasingly larger share of the \$800 billion that 16-28-year-olds spend annually. Pollen's growing portfolio of travel and music experiences range from beach holidays and festivals to city weekends and a broad range of ski packages. To help achieve this goal as part of the funding round Pollen has acquired Lifestylez, the largest college ski and snowboard experience player in North America, deepening Pollen's reach within the travel industry. The company has strategically leveraged acquisitions across North America to expand the breadth of experiences on the platform.

The marketplace has 35 thousand active members globally, who have sold 330k experiences since the beginning of the year. Pollen has sold almost one million experiences in total across travel, live events and festivals; it works with 500+ world class brands including Live Nation, MGM Resorts, TAO, Hakkasan, AEG & C3; and secured partnerships with Ticketmaster, Eventbrite, Priceline, Stubhub, and SeeTickets.

Aircall

During the period, Aircall, the cloud-based call centre, launched a new partner program to help agents and resellers sell its phone solution to their SMB customers. The new channel partnerships will enable further growth as it helps companies reach new audiences.

The company also hired Sandrine Meunier as Chief People Officer and opened new offices in New York as their sales accelerate in the US.

TransferWise

TransferWise, the international money transfer platform, now has over 5 million active users transferring over £4 billion a month.

In July, the company announced its plan to hire 750 employees in the next 12 months, including the appointment of two non-Executive Directors to the board, the CFO of Adyen, Ingo Uytendaele, and David Wells, former CFO of Netflix. While also making changes to make its app and website more efficient and simpler for the user, it has integrated with the UK's Open Banking API. This means that most of users sending money from a UK bank account can now do so

Core Portfolio updates continued

instantly and conveniently. Furthermore, the company is steadily rolling out its TransferWise for Business account and has now given hundreds of companies access via the beta program.

TransferWise continues to expand internationally, having launched its debit card in the US, and having added Uganda to the list of countries users can send money to.

Finalcad

During the period, Finalcad, the mobile software platform for the construction industry, launched Finalcad Live, “Slack” for construction, enabling real-time defect tracking connected to the daily site log on to the platform. The company has also made several strategic hires across the business including; Franck Le Tendre, former Industry Director EMEA at Dropbox, as Chief Operating Officer, Stephane Delbecque as Chief Product Officer and Charlotte Nizieux as Chief Marketing Officer.

In September, the company was also selected to be part of the Next 40, a collection of France’s most promising start-ups, an initiative run by Cédric O, France’s Minister of State for the Digital Sector.

Pod Point

Podpoint, the electric charge point supplier, has expanded its presence outside the UK, and launched in Norway. The company has also started offering commercial charging, winning its first major contract with Peppe’s Pizza – Scandinavia’s largest pizza chain. It has been helping Peppe’s to electrify its fleet by installing charge-points at all Peppe Pizza branches in the country.

The company has also announced significant new clients including MG Motor UK; Bristol Airport; Mitsubishi dealerships; Europe’s leading parking operator APCOA; homebuilders Bellway and Redrow; and the Volkswagen Financial Services (VWFS) Fleet.

Sportspursuit

Sportspursuit, the UK-based sport-specific ecommerce site, has now reported it has reached its goal of becoming EBITDA profitable in H2 2018. The members only private sport sales website was voted Retailer of the Year in September by Ski Club Great Britain.

N26

N26, the German based mobile bank, extended their series D financing round with a further \$170m. Their total round was therefore \$470m at a \$3.5 billion valuation, ranking them amongst the top ten most valuable FinTech companies worldwide. The company reports 3.5 million customers in 24 markets across Europe who generate over €2 billion in monthly transaction volume.

The company launched this summer in the US and confirms plans to enter the Brazilian market later in the year, they also recently announced that online banking executive from Google, Thomas Grosse joined their team as Chief Banking officer.

Interim Financial Review

The six-month period ended 30 September 2019 has been another active period with £41.5 million invested, alongside a further £14.7 million deployed from EIS/VCT funds, as well as delivering a debt raise of £50.0 million which adds another pool of investable capital. The pace of investment has reduced from the previous period (year-ended 31 March 2019), but is in line with our £60.0 million plc target.

The Gross Portfolio Value of £683.0 million (31 March 2019: £594.0 million) has grown as a result of £41.5 million of investment, fair value growth of £70.2 million in the portfolio and less net realisations of £22.7 million. The Gross Portfolio Value is subject to deductions for the fair value of the carry liabilities and deferred tax to generate the net investment value of £638.4 million (£562.1 million at 31 March 2019) which is reflected on the condensed consolidated interim statement of financial position as financial assets held at fair value through the profit or loss. The Gross Portfolio Value Table below has been generated to reflect gross and net movement in value of the portfolio during the period.

The net fair value gain on investments of £57.6 million (£114.7m at 31 March 2019) is reflected in the condensed consolidated interim statement of comprehensive income. A deferred tax provision of £5.6 million (£5.4 million at 31 March 2019) is accrued against the gains in the portfolio to reflect those portfolio companies where the Company owns less than 5% of the equity holding. This amount is netted against the investments in the condensed consolidated interim statement of financial position. Carry balances of £39.6 million (£27.7 million at 31 March 2019) are accrued to management teams, including previous and current employees of the Group based on the current fair value at the period-end and deducted from the Gross Portfolio Value.

Net assets have increased by 10% to £677.5 million (£618.6 million at 31 March 2019) in the period. The increase in the balance sheet reflects the positive performance of the investments. Trade and other receivables include a £3.7 million loan to Esprit Capital I Fund LP (see note 19 for further details), receivables of £2.2 million in respect of priority profit payments from underlying funds, as well as increases in prepayments and accrued income.

This is offset by the loan liability recognised in respect of the draw down of £20.0 million on the new debt facility. In June 2019, the Company entered into a new revolving credit facility agreement with Silicon Valley Bank ("SVB") and Investec raising £50.0 million of debt capital to fund the future growth plans of the Group's portfolio companies. With a strong balance sheet further enhanced by the new debt facility, the Company continues to provide support to the private high growth technology companies into which it invests. As a revolving credit facility, it is anticipated that draw downs and pay downs will be driven by portfolio investments and realisations. The facility reduces the overall cost of capital to the Company and provides further funding flexibility (see note 12 for further details).

Period-end cash balances of £45.5 million (including restricted cash, see note 12) reflect the cash balance of £50.3 million at the end of

March 2019, the subsequent debt drawdown of £19.5 million net of fees of £0.5m, investments of £41.5 million, realisations of £22.7 million, and the operating costs of the business. With a total of £20.0 million of drawn debt the net cash position at the period end is £25.5 million (including restricted cash).

During the period, the Group has applied IFRS 16 Leases using the modified retrospective approach. See further details in significant accounting policies – note 4. The impact on the condensed consolidated interim statement of financial position has been the recognition of right-to-use assets of £1.5 million at 30 September 2019 (recognised under property, plant and equipment) and lease liabilities of £1.5 million. In the condensed consolidated interim statement of comprehensive income, during the period depreciation charges of £0.1m were recognised in respect of the right-to-use assets and interest of £0.04 million was recognised in respect of the lease liabilities. These balances reflect the lease costs of the London office.

Condensed consolidated interim statement of comprehensive income

Investment income for the year comprises the £57.6 million of unrealised investment gains (six-months to 30 September 2018: £41.5 million) and fee income of £5.5 million (six-months to 30 September 2018: £2.5 million) which is generated from management fees and director fees. General & administration costs of £5.0 million in the period reflect the increased size of the team (with 35 employees at the end of September 2019) as we develop a scalable platform to continue to grow and invest.

Gross Portfolio Value Table

	Fair Value of Investments 31-Mar-19 £m	Investments £m	Realisations £m	Movement in Fair Value £m	Draper Esprit (Ireland) Limited £m	Fair Value of Investments 30-Sep-19 £m	Interest FD category* at reporting date	
Investments								
1	Graphcore	78.6	-	-	4.7	-	83.3	B
2	Trustpilot	62.0	-	-	3.5	-	65.5	C
3	Peak Games	41.7	-	-	11.3	-	53.0	B
4	Ravenpack	15.6	-	-	18.3	-	33.9	D
5	Smava	23.5	-	-	5.2	-	28.7	B
6	Ui Path	33.0	-	(4.6)	0.1	-	28.5	A
7	Lyst	27.8	-	-	(2.5)	-	25.2	C
8	Perkbox	23.7	-	-	0.0	-	23.7	C
9	M-files	17.2	-	-	1.6	-	18.8	B
10	Ledger	17.7	-	-	0.1	-	17.8	B
11	Revolut	7.4	-	-	9.6	-	17.0	A
12	Pollen (formerly, Verve)	10.9	2.5	-	2.7	-	16.1	B
13	Aircall	9.9	-	-	3.9	-	13.8	B
14	Transferwise	27.7	-	(15.0)	(0.1)	-	12.6	A
15	FinalCad	12.4	-	-	0.0	-	12.4	C
16	PodPoint	11.1	-	-	1.0	-	12.1	B
17	SportPursuit	13.3	-	-	(2.2)	-	11.2	E
18	N26	4.3	6.3	-	0.5	-	11.1	A
	Remaining portfolio	154.3	32.7	(3.1)	12.4	-	196.2	-
	Total	592.0	41.5	(22.7)	70.1	-	680.9	-
	Co-invest assigned to plc	2.0	-	-	0.1	-	2.1	-
	Gross Portfolio Value	594.0	41.5	(22.7)	70.2	-	683.0	-
	Carry external	(27.7)	-	-	(11.9)	-	(39.6)	-
	Portfolio deferred tax	(5.4)	-	-	(0.2)	-	(5.6)	-
	Trading carry & co-invest	1.1	-	-	(0.6)	-	0.5	-
	Draper Esprit (Ireland) Limited	0.0	-	-	0.1	-	0.1	-
	Net portfolio value	562.1	41.5	(22.7)	57.6	-	638.4	-

*Fully diluted interest categorised as follows: Cat A: 0-5%, Cat B: 6-10%, Cat C: 11-15%, Cat D: 16-25%, Cat E: >25%

Ben Wilkinson

Directors' Responsibilities Statement

The Directors confirm that to the best of our knowledge:

- a. The condensed consolidated interim financial statements, which has been prepared in accordance with IAS 34 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit of the Group;
- b. The interim review includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein);
- c. The interim review includes a fair review of information required by DTR 4.2.7R(1); and
- d. The principal risks and uncertainties faced by the Group for the remaining six months of the year are consistent with those outlined in the Group's most recent annual financial statements for the year ended 31 March 2019, reflecting the information required by DTR 4.2.7R(2).

This responsibility statement was approved by the Board on 25 November 2019 and signed on its behalf by:

B.D. Wilkinson
Chief Financial Officer
25 November 2019

Independent review report to Draper Esprit plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Draper Esprit plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of Draper Esprit plc for the six months period ended 30 September 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated interim statement of financial position as at 30 September 2019;
- the condensed consolidated interim statement of comprehensive income for the period then ended;
- the condensed consolidated interim statement of cash flows for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 4 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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.

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.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP, Chartered Accountants, London
25 November 2019

Condensed consolidated interim statement of comprehensive income

for the period ended 30 September 2019

	Notes	Unaudited Period Ended 30 Sep 2019 £'000s	Unaudited Period Ended 30 Sep 2018 £'000s	Audited Year Ended 31 Mar 2019 £'000s
Unrealised gains on investments held at fair value through the profit and loss	10	57,646	41,518	114,715
Fee income		5,480	2,513	6,101
Total investment income		63,126	44,031	120,816
Operating expenses				
General administrative expenses		(5,005)	(3,333)	(7,774)
Depreciation and amortisation		(219)	(79)	(163)
Share based payments – resulting from Company share option scheme		(442)	(550)	(1,100)
Share based payments – resulting from acquisition of subsidiary		–	(1,990)	(1,989)
Investment and acquisition costs		(45)	(185)	(207)
Exceptional items		–	(34)	(34)
Total operating costs		(5,711)	(6,171)	(11,267)
Profit from operations		57,415	37,860	109,549
Finance income/expenses				
Finance costs	6	(310)	–	–
Net foreign exchange gain	6	1,498	1,208	1,481
Finance income on cash and cash equivalents	6	100	54	120
Profit before tax		58,703	39,122	111,150
Income taxes		–	12	11
Profit for the period/year		58,703	39,134	111,161
Other comprehensive income		–	–	–
Total comprehensive income for the period/year		58,703	39,134	111,161
Profit attributable to:				
Owners of the parent		58,307	38,827	110,579
Non-controlling interest		396	307	582
Earnings per share attributable to owners of the parent:				
Basic earnings per weighted average shares (pence)	7	49	44	115
Diluted earnings per weighted average shares (pence)	7	47	42	110

The notes on pages 21 to 34 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As at 30 September 2019

	Notes	Unaudited 30 Sep 2019 £'000s	Unaudited 30 Sep 2018 £'000s	Audited 31 Mar 2019 £'000s
Non-current assets				
Intangible assets	8	10,079	10,181	10,130
Investments in associates	9	258	258	258
Financial assets held at fair value through the profit or loss	10	638,452	336,200	562,061
Property, plant and equipment		1,823	235	209
Total non-current assets		650,612	346,874	572,658
Current assets				
Trade and other receivables		8,357	2,394	1,140
Cash and cash equivalents		43,654	103,821	50,358
Restricted cash	12	1,878	–	–
Total current assets		53,889	106,215	51,498
Current liabilities				
Trade and other payables		(5,361)	(2,531)	(4,959)
Loans and borrowings		–	–	–
Lease liabilities	16	(310)	–	–
Total current liabilities		(5,671)	(2,531)	(4,959)
Non-current liabilities				
Deferred tax	13	(621)	(641)	(631)
Loans and borrowings	12	(19,538)	–	–
Lease liabilities	16	(1,176)	–	–
Total non-current liabilities		(21,335)	(641)	(631)
Net assets		677,495	449,917	618,566
Equity				
Share capital	14	1,179	991	1,179
Share premium account	14	395,747	299,717	395,783
Merger relief reserve		13,097	13,097	13,097
Share-based payments reserve – resulting from Company share option scheme	15	2,155	1,163	1,713
Share-based payments reserve – resulting from acquisition of subsidiary		10,823	10,824	10,823
Retained earnings		254,044	123,985	195,737
Equity attributable to owners of Draper Esprit Plc		677,045	449,777	618,332
Non-controlling interests		450	140	234
Total equity		677,495	449,917	618,566
Net assets per share (pence)	7	574	454	524

The condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 25 November 2019.

B.D. Wilkinson
Chief Financial Officer

The notes on pages 21 to 34 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

for the period ended 30 September 2019

	Notes	Unaudited Period 30 Sep 2019 £'000s	Unaudited As at 30 Sep 2018 £'000s	Audited As at 31 Mar 2019 £'000s
Cash flows from operating activities				
Operating profit after tax		58,703	39,156	111,161
Adjustments to reconcile operating profit to net cash flows used in operating activities:				
Exceptional costs		–	(34)	–
Revaluation of investments held at fair value through the profit and loss	10	(57,646)	(41,518)	(114,715)
Depreciation and amortisation		219	79	163
Share-based payments – resulting from Company share option scheme	15	442	550	1,100
Share-based payments – resulting from acquisition of subsidiary		–	1,990	1,989
Exchange differences on cash and cash equivalents		(1,498)	(1,262)	(1,481)
Finance expense		310	–	–
Finance income		(100)	–	–
(Increase)/decrease in trade and other receivables		(3,525)	(1,138)	189
Increase/(decrease) in trade and other payables		402	(417)	2,011
Purchase of investments		(41,453)	(64,950)	(226,432)
Proceeds from disposals in underlying investment vehicles		22,674	–	15,984
Net loans made (to)/returned from underlying investment vehicles and Group companies		(3,751)	2,487	(4,679)
Net cash used in operating activities		(25,223)	(65,057)	(214,710)
Tax paid		(10)	–	(32)
Net cash (outflow) from operating activities		(25,233)	(65,057)	(214,742)
Cash flows from investing activities				
Purchase of property, plant and equipment		(267)	(56)	(58)
Interest received	6	100	54	120
Net cash (outflow) from investing activities		(167)	(2)	62
Cash flows from financing activities				
Cash paid to non-controlling interests		(180)	(457)	(638)
Proceeds from loan	12	20,000	–	–
Arrangement fee paid on issuance of loan	12	(500)	–	–
Interest payments		(99)	–	–
Repayments of borrowings and leasing liabilities	16	(109)	–	–
Proceeds from issue of share capital at a premium		–	115,035	215,035
Equity Issuance costs		(36)	(3,547)	(7,481)
Net cash inflow from financing activities		19,076	111,031	206,916
Net (decrease)/ increase in cash & cash equivalents		(6,324)	45,972	(7,764)
Cash and cash equivalents at beginning of period		50,358	56,641	56,641
Exchange differences on cash and cash equivalents		1,498	1,208	1,481
Cash and cash equivalents at end of period/year		43,654	103,821	50,358
Restricted cash at period/year end		1,878	–	–
Total cash and cash equivalents and restricted cash at period/year end		45,532	103,821	50,358

The notes on pages 21 to 34 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

for the period ended 30 September 2019

Unaudited	Share capital £'000s	Share premium £'000s	Merger relief reserve £'000s	Share-based payments reserve – resulting from Company share option scheme £'000s	Share-based payments reserve – resulting from acquisition of subsidiary £'000s	Retained earnings £'000s	Total attributable to equity holders of the parent £'000s	Attributable to non-controlling interests £'000s	Total equity £'000s
Balance at 31 March 2019	1,179	395,783	13,097	1,713	10,823	195,737	618,332	234	618,566
Comprehensive Income for the year									
Profit for the period	–	–	–	–	–	58,307	58,307	396	58,703
Amounts paid to non-controlling interest	–	–	–	–	–	–	–	(180)	(180)
Total comprehensive income for the period	–	–	–	–	–	58,307	58,307	216	58,523
Contributions by and distributions to the owners:									
Issue of share capital (note 14)	–	–	–	–	–	–	–	–	–
Share premium (note 14)	–	(36)	–	–	–	–	(36)	–	(36)
Merger relief reserve	–	–	–	–	–	–	–	–	–
Share based payments – resulting from Company share option scheme (note 15)	–	–	–	442	–	–	442	–	442
Share based payments – resulting from acquisition of subsidiary	–	–	–	–	–	–	–	–	–
Balance at 30 September 2019	1,179	395,747	13,097	2,155	10,823	254,044	677,045	450	677,495

Unaudited	Share capital £'000s	Share premium £'000s	Merger relief reserve £'000s	Share-based payments reserve – resulting from Company share option scheme £'000s	Share-based payments reserve – resulting from acquisition of subsidiary £'000s	Retained earnings £'000s	Total attributable to equity holders of the parent £'000s	Attributable to non-controlling interests £'000s	Total equity £'000s
Balance at 31 March 2018	716	188,229	13,097	613	8,834	86,230	297,719	2,792	300,511
Comprehensive Income for the year									
Adjustment for transitioning to IFRS 15	–	–	–	–	–	(1,072)	(1,072)	(2,502)	(3,574)
Profit for the period	–	–	–	–	–	38,827	38,827	307	39,134
Amounts paid to non-controlling interest	–	–	–	–	–	–	–	(457)	(457)
Total comprehensive income for the period	–	–	–	–	–	38,827	38,827	(150)	38,677
Contributions by and distributions to the owners:									
Issue of share capital (note 14)	275	–	–	–	–	–	275	–	275
Share premium (note 14)	–	111,488	–	–	–	–	111,488	–	111,488
Merger relief reserve	–	–	–	–	–	–	–	–	–
Share based payments – resulting from Company share option scheme (note 15)	–	–	–	550	–	–	550	–	550
Share based payments – resulting from acquisition of subsidiary	–	–	–	–	1,990	–	1,990	–	1,990
Balance at 30 September 2018	991	299,717	13,097	1,163	10,824	123,985	449,777	140	449,917

Condensed consolidated interim statement of changes in equity

for the period ended 30 September 2019

Audited	Share capital £'000s	Share premium £'000s	Merger relief reserve £'000s	Share-based payments reserve – resulting from Company share option scheme £'000s	Share-based payments reserve – resulting from acquisition of subsidiary £'000s	Retained earnings £'000s	Total attributable to equity holders of the parent £'000s	Attributable to non-controlling interests £'000s	Total equity £'000s
Balance at 31 March 2018	716	188,229	13,097	613	8,834	86,230	297,719	2,792	300,511
Comprehensive Income for the year									
Adjustment for transitioning to IFRS 15	–	–	–	–	–	(1,072)	(1,072)	(2,502)	(3,574)
Profit for the period	–	–	–	–	–	110,579	110,579	582	111,161
Amounts paid to non-controlling interest	–	–	–	–	–	–	–	(638)	(638)
Total comprehensive income for the period	–	–	–	–	–	109,507	109,507	(2,558)	106,949
Contributions by and distributions to the owners:									
Issue of share capital (note 14)	463	–	–	–	–	–	463	–	463
Share premium (note 14)	–	207,554	–	–	–	–	207,554	–	207,554
Merger relief reserve	–	–	–	–	–	–	–	–	–
Share based payments – resulting from Company share option scheme (note 15)	–	–	–	1,100	–	–	1,100	–	1,100
Share based payments – resulting from acquisition of subsidiary	–	–	–	–	1,989	–	1,989	–	1,989
Balance at 31 March 2019	1,179	395,783	13,097	1,713	10,823	195,737	618,332	234	618,566

The notes on pages 21 to 34 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. General information

Draper Esprit Plc (the Company¹) is a public limited company incorporated and domiciled in England and Wales. On 15 June 2016, the Company listed on the London Stock Exchange's AIM market and the Irish Stock Exchange's (trading as Euronext Dublin) Euronext Growth market.

The Company is the ultimate parent company in which results of all subsidiaries are consolidated. The condensed consolidated interim financial statements for the period ended 30 September 2019 comprise the condensed consolidated interim financial statements of the Company and its subsidiaries (together, "the Group"). The information for the six-month period ended 30 September 2019 and 2018 do not constitute statutory accounts as described in section 80 of the Companies Act 2006. Comparative figures for the year ended 31 March 2019 are taken from the full statutory accounts, which contained an unqualified audit opinion.

The condensed consolidated interim financial statements are presented in Pounds Sterling (GBP/£), which is the currency of the primary economic environment in which the Group operates. All amounts are rounded to the nearest thousand, unless otherwise stated.

2. Standards not affecting the reported results or financial position

No upcoming changes under IFRS are likely to have a material effect on the reported results or financial position. Management will continue to monitor upcoming changes.

3. Adoption of new and revised standards

IFRS 16 Leases

From the 1 April 2019, the Group has adopted IFRS 16 Leases, which became effective for annual periods beginning on or after 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed in the Draper Esprit Plc annual report for the year ended 31 March 2019. See further details in significant accounting policies – note 4.

4. Significant accounting policies

Basis of accounting

The condensed consolidated interim financial statements are for the six-month period ended 30 September 2019 and have been prepared on a going concern basis in accordance with IAS 34 'Interim Financial Statements' (IAS 34). They are unaudited and do not include all of the information required in statutory annual financial statements in accordance with the IFRSs as adopted by the EU and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2019.

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 25 November 2019.

a) Significant accounting policies

Other than the adoption by the Group of IFRS 16 – see (a) (i) below – the condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted by the Group's most recent annual financial statements for the year ended 31 March 2019.

i) IFRS 16 Leases

Policy applicable from 1 April 2019 (for impact analysis, please see note 16)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified, explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - The Group has the right to operate the asset; or
 - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019. The policy is applied taking into account transitional provisions within IFRS 16 for the existing operating lease as at 1 April 2019.

Notes to the condensed consolidated interim financial statements

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group would recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

For treatment under IAS 17, see the accounting standards notes within the Draper Esprit Plc annual report for the year ending 31 March 2019.

5. Critical accounting estimates and judgements

The Directors have made the following judgements and estimates that have had the most significant effect on the carrying amounts of the assets and liabilities in the condensed consolidated interim financial statement. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Actual results may differ from estimates. The key estimates, (5) (a) and (5) (b), and judgements, (5) (c) and (5) (d), are discussed below. There have been no changes to the accounting estimates and judgements in the financial period ended 30 September 2019.

a) Valuation of unquoted equity investments at fair value through the profit and loss

The Group invests into Limited Companies and Limited Partnerships which are considered to be investment companies that invest in unquoted equity for the benefit of the Group. These investment companies are measured at fair value through the profit or loss based on their NAV at the year end. The Group controls these entities and is responsible for preparing their NAV which is based on the valuation of their unquoted investments. The Group's valuation of investments measured at fair value through profit or loss is therefore dependent upon estimations of the valuation of the underlying portfolio companies.

The Group, through its controlled investment companies also invests in investment companies which primarily focus on German or seed investments. These investments are considered to be 'Fund of Fund investments' for the Group and are recognised at their NAV at the year-end date. These Fund of Fund investments are not controlled by the Group and some do not have coterminous year ends with the Group. To value these investments, management obtain the latest financial statements of the investments and discuss further movements with the management of the companies. Where the Fund of Funds hold investments that are individually material to the Group, management perform further procedures to determine that the valuation of these investments has been prepared in accordance with the Group's valuation policies for portfolio companies outlined below and these valuations will be adjusted by the Group where necessary based on the Group valuation policy for valuing portfolio companies.

The estimates required to determine the appropriate valuation methodology of unquoted equity investments means there is a risk of material adjustment to the carrying amounts of assets and liabilities. These estimates include whether to increase or decrease investment valuations or not and require the use of assumptions about the carrying amounts of assets and liabilities that are not readily available or observable.

Notes to the condensed consolidated interim financial statements

The fair value of unlisted securities is established with reference to the International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines"). An assessment will be made at each measurement date as to the most appropriate valuation methodology.

The Group invests in early-stage and growth technology companies, through predominantly unlisted securities. Given the nature of these investments, there are often no current or short-term future earnings or positive cash flows. Consequently, although not considered to be the default valuation technique, the appropriate approach to determine fair value may be based on a methodology with reference to observable market data, being the price of the most recent transaction. Fair value estimates that are based on observable market data will be of greater reliability than those based on estimates and assumptions and accordingly where there have been recent investments by third parties, the price of that investment will generally provide a basis of the valuation.

If this methodology is used, its initial use and the length of time for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment, and the Group will consider whether this basis remains appropriate each time valuations are reviewed. In addition, the valuation will be calibrated to validate the use of this methodology at each measurement date.

The Group also considers alternative methodologies in the IPEV Guidelines, being principally price-revenue or price-earnings multiples, depending upon the stage of the asset, requiring management to make assumptions over the timing and nature of future revenues and earnings when calculating fair value.

Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired.

In all cases, valuations are based on the judgement of the Directors after consideration of the above and upon available information believed to be reliable, which may be affected by conditions in the financial markets. Due to the inherent uncertainty of the investment valuations, the estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Due to this uncertainty, the Group may not be able to sell its investments at the carrying value in these financial statements when it desires to do so or to realise what it perceives to be fair value in the event of a sale. See Note 17 and 18 for information on unobservable inputs used and sensitivity analysis on investments held at fair value through the profit and loss.

b) Carrying amount of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill is allocated. An impairment review is performed on an annual basis unless there is a trigger event during the period. The recoverable amount is based on "value in use" calculations, which requires estimates of future cash flows expected from the cash generation unit (CGU) and a suitable discount rate in order to calculate present value. The key assumptions for the value in use calculations are the discount rate using pre-tax rates that reflect the current market assessments of the time value of money and risks specific to the CGU. The internal rate of return ("IRR") used was based on past performance and experience. The carrying amount of goodwill as at the statement of financial position date was £9.7 million, which was recognised during the year ended 31 March 2017 in accordance with IFRS 3 Business Combinations. The Group has conducted a sensitivity analysis on the impairment test of the CGU and the carrying value. A higher discount rate in the range of 15%-20% does not reduce the carrying value of goodwill to less than its recoverable amount.

The CGU was determined to be the fund managers. This is a critical management judgement, as they are responsible for generating dealflow and working with investee companies creating value and maximising returns for the Group.

c) Control assessment

The Group has a number of entities within its corporate structure and a judgement has been made of which should be consolidated in accordance with IFRS 10, and which should not. The Group consolidates all entities where it has control over the following: power over the investee to significantly direct the activities; exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. The Company does not consolidate qualifying investment companies it controls in accordance with IFRS 10 and instead recognises them as investments held at fair value through the profit and loss.

d) Business combinations

The Directors have undertaken a detailed assessment of the substance of the transaction through which the Company acquired the underlying investment vehicles and Esprit Capital Partners LLP and its subsidiaries with reference to the requirements of IFRS 10 and IFRS 3. Following that assessment based on the judgement of Directors, it has been determined that this transaction is appropriately accounted for as an acquisition.

Notes to the condensed consolidated interim financial statements

6. Finance income/(expense)

	Period ended 30 September 2019 £'000s	Period ended 30 September 2018 £'000s	Year ended 31 March 2019 £'000s
Interest on leases	(43)	–	–
Interest and expenses on loans and borrowings	(267)	–	–
Finance costs	(310)	–	–
Net foreign exchange gain	1,498	1,208	1,481
Interest income on cash and cash equivalents	100	54	120
Net finance income	1,288	1,262	1,601

7. Earnings per share and net asset value

The calculation of basic earnings per weighted average shares is based on the profit attributable to shareholders and the weighted average number of shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share options and awards.

Basic earnings per ordinary share	Profit after tax £'000s	Weighted average no. of shares '000s	Pence per share
30 September 2019	58,307	117,925	49
30 September 2018	38,827	87,802	44
31 March 2019	110,579	96,051	115

Diluted earnings per ordinary share	Profit after tax £'000s	Weighted average no. of shares '000s	Pence per share
30 September 2019	58,307	122,814	47
30 September 2018	38,827	91,826	42
31 March 2019	110,579	100,506	110

Net asset value per share is based on the net asset attributable to shareholders and the number of shares at the relevant reporting date. When calculating the diluted earnings per share, the number of shares in issue at balance sheet date is adjusted for the effect of all dilutive share options and awards.

Net asset value per ordinary share	Net assets £'000s	No. of shares at balance sheet date '000s	Pence per share
30 September 2019	677,045	117,925	574
30 September 2018	449,777	99,058	454
31 March 2019	618,332	117,925	524

Diluted net asset value per ordinary share	Net assets £'000s	No. of shares at balance sheet date '000s	Pence per share
30 September 2019	677,045	122,814	551
30 September 2018	449,777	103,946	433
31 March 2019	618,332	122,814	503

Notes to the condensed consolidated interim financial statements

8. Intangible assets

30 September 2019	Goodwill ¹ £'000s	Customer contracts ² £'000s	Total £'000s
Cost			
Cost carried forward as at 1 April 2019	9,653	818	10,471
Additions during the period	–	–	–
Cost as at 30 September 2019	9,653	818	10,471
Accumulated amortisation			
Amortisation carried forward as at 1 April 2019	–	(341)	(341)
Charge for the period	–	(51)	(51)
Accumulated amortisation as at 30 September 2019	–	(392)	(392)
Net book value:			
As at 30 September 2019	9,653	426	10,079
30 September 2018			
Cost			
Cost carried forward as at 1 April 2018	9,653	818	10,471
Additions during the period	–	–	–
Cost as at 30 September 2017	9,653	818	10,471
Accumulated amortisation			
Amortisation carried forward as at 1 April 2018	–	(239)	(239)
Charge for the year	–	(51)	(51)
Accumulated amortisation as at 30 September 2018	–	(290)	(290)
Net book value:			
As at 30 September 2018	9,653	528	10,181
31 March 2019			
Cost			
Cost carried forward as at 1 April 2018	9,653	818	10,471
Additions during the year	–	–	–
Cost as at 31 March 2019	9,653	818	10,471
Accumulated amortisation			
Amortisation carried forward as at 1 April 2018	–	(239)	(239)
Charge for the year	–	(102)	(102)
Accumulated amortisation as at 31 March 2019	–	(341)	(341)
Net book value:			
As at 31 March 2019	9,653	477	10,130

1 Goodwill of £9.7 million on the acquisition of all the capital interests in Esprit Capital Partners LLP, a Venture Capital manager based in the UK, on 15 June 2016 and represents the value of the acquired expertise and knowledge of the fund managers. The directors have identified the fund managers as the cash-generating unit ("CGU") being the smallest group of assets that generates cash inflows independent of cash flows from other assets or groups of assets. The fund managers are responsible for generating deal flow and working closely with investee companies creating value and maximising returns for the Group. The Group tests goodwill annually for impairment comparing the recoverable amount using value-in-use calculations and the carrying amount. Value-in-use calculations are based on future expected cash flows generated by the CGU from management fees that would be received if the portfolio of assets were managed by an independent third party under commercial terms over the next eight years. The key assumptions for the value in use calculations are the discount rate using pre-tax rates that reflect the current market assessments of the time value of money and risks specific to the CGU, and the percentage of management fees. The discount rate used was 10% and the management fees were charged at 2% of portfolio assets.

2 An intangible asset of £0.8 million was also recognised in respect of the anticipated profit arising from management fees as a result of the participation in Encore Ventures LLP following the acquisition of Esprit Capital Partners LLP.

Notes to the condensed consolidated interim financial statements

Acquisition of Esprit Capital Partners LLP

On 15 June 2016, the Company acquired 100% of the member's capital of Esprit Capital Partners LLP, a venture capital manager based in the UK. For further details on this acquisition, please see the annual report for the year ending 31 March 2019.

9. Investments in associates

On 24 November 2016, Draper Esprit acquired a 30.77% stake in Elderstreet Holdings Limited, the holding company of Elderstreet Investments Limited with an option to acquire the balance of the Elderstreet shares. The initial consideration of £0.26 million was satisfied by the issue of 73,667 new ordinary shares of 1 pence each in the capital of the Company.

10. Financial assets

The Group holds investments through investment vehicles it manages. The investments are predominantly in unlisted securities and are carried at fair value through the profit and loss. The Group's valuation policies are set out in detail in the annual audited consolidated financial statements for the year ended 31 March 2019. The table below sets out the movement in the balance sheet value of investments from the start to the end of the year, showing investments made, cash receipts and fair value movements.

	Unaudited As at 30 Sept 2019 £'000s	Unaudited As at 30 Sept 2018 £'000s	Audited As at 31 Mar 2019 £'000s
As at 1 April	562,061	231,910	231,910
Investments made in the period ¹	41,453	65,259	226,432
Investments settled in shares	–	–	309
Loans repaid from underlying investment vehicles	(22,674)	(2,487)	(15,984)
Loans made to underlying investment vehicles	(34)	–	4,679
Unrealised gains on the revaluation of investments	57,646	41,518	114,715
As at period end	638,452	336,200	562,061

¹ Investments made in the period of £41.5 million are amounts the Company has invested in underlying investment vehicles. This is not the equivalent to the total amount invested in portfolio companies as existing cash balances from the investment vehicles are reinvested.

11. Operating segments

IFRS 8 *Operating Segments* defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resource. The Chief Operating Decision Maker has been identified by the Board of Directors as the Chief Executive Officer. The Group has one operating segment identified, the investment portfolio of the Group, which is monitored closely and strategic decisions are made on the basis of the investment portfolio performance.

Notes to the condensed consolidated interim financial statements

12. Loans and borrowings

In June 2019 the Company entered into a revolving credit facility agreement with Silicon Valley Bank and Investec (together the "Financiers") of £50.0 million over a 3-year term to fund the future growth plans of investee companies. The Company incurred costs of £0.5 million with respect to this facility which are presented within loans and borrowings on the statement of financial position and are amortised over the life of the facility (3 years). The bank loans are secured on agreed assets of the Group within the asset class of investments, updated as agreed with the Financiers from time to time, and are subject to customary financial and non-financial covenant conditions which the Group must comply.

The new facility agreement introduced financial and non-financial covenants.

- There must be a minimum of ten core investments at all times (core investments are not defined in the same way as in this interim report as it is more broadly defined);
- The ratio of the NAV of all investments (as defined in the agreement) to original investment cost should not be less than 1.1:1.0 at any time; and
- The ratio of the NAV (as defined in the agreement) plus amounts in the collateral account to financial indebtedness (as defined in the agreement) should not be less than 10:1 at any time.

In addition, the borrowing base (as defined in the agreement) must exceed the facility amount.

As collateral for interest payments, an amount equal to the aggregate amount of interest costs due for the coming six months, all being equal, must be held in an Interest Reserve Account at all times. The balance of this at 30 September 2019 was £1.9 million and is reflected on the condensed consolidated interim statement of financial position as restricted cash.

The debt facility is repayable on maturity (June 2022) but may become repayable earlier if certain conditions are not met.

As at 30 September 2019, the Company has drawn down £20.0 million of the £50.0 million facility. The drawn down amount of £20.0 million is recognised in the condensed consolidated interim statement of financial position under non-current liabilities net of the arrangement and agent fee balance of £0.5 million.

	Period ended 30 Sept 2019 £'000s	Period ended 30 Sept 2018 £'000s	Year ended 31 Mar 2019 £'000s
Bank loan senior facility amount	50,000	-	-
Interest rate	BOE base rate + 6.75% / 7.50% floor	-	-
Drawn at balance sheet date	20,000	-	-
Arrangement fees	(462)	-	-
Loan liability balance	19,538	-	-
Undrawn facilities at balance sheet date	30,000	-	-

13. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (31 March 2019: 17%). The movement on the deferred tax account is shown below:

	Period ended 30 Sept 2019 £'000s	Period ended 30 Sept 2018 £'000s	Year ended 31 Mar 2019 £'000s
Arising on business combination	(95)	(105)	(89)
Arising on co-invest and carried interest	(526)	(536)	(599)
Other timing differences	-	-	57
At the end of the period	(621)	(641)	(631)

Notes to the condensed consolidated interim financial statements

14. Share capital and share premium

Ordinary share capital

30 September 2019 – Allotted and fully paid	Number	Pence
At the beginning of the period	117,925,470	1
Issue of share capital during the period for cash	–	–
Issue of share capital during the period as consideration for investment purchase	–	–
At the end of the period	117,925,470	1

There were no new shares issued in the period.

30 September 2018 – Allotted and fully paid	Number	Pence
At the beginning of the period	71,611,773	1
Issue of share capital during the period for cash	27,380,952	1
Issue of share capital during the period as consideration for investment purchase	64,820	1
At the end of the period	99,057,545	1

31 March 2019 – Allotted and fully paid	Number	Pence
At the beginning of the period	71,611,773	1
Issue of share capital during the period for cash	46,248,877	1
Issue of share capital during the period as consideration for investment purchase	64,820	1
At the end of the period	117,925,470	1

Share premium

Allotted and fully paid	Period ended 30 Sept 2019 £'000s	Period ended 30 Sept 2018 £'000s	Year ended 31 Mar 2019 £'000s
At the beginning of the period	395,783	188,229	188,229
Premium arising on the issue of ordinary shares	–	115,035	215,035
Transfer to merger relief reserve	–	–	–
Equity issuance costs [^]	(36)	(3,547)	(7,481)
At the end of the period	395,747	299,717	395,783

[^] The negative premium movement on ordinary shares in the period arises from costs relating to the latest issue of shares that fell in this period relating to an issuance of shares in the prior period.

Notes to the condensed consolidated interim financial statements

15. Share-based payments

	Date of Grant	Number of CSOP Options	Number of approved Options	Vesting period	Exercise Price (pence)	Fair value per granted instrument (pence)
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	28-Nov-16	1,618,967	101,400	3 years	355	64.1
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	28-Nov-16	152,528	–	5 years	355	89.3
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	11-Nov-17	180,000	–	3 years	359	89.8
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	28-Nov-17	116,016	–	5 years	387	97.9
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	28-Nov-17	1,191,913	48,926	3 years	387	70.9
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	30-Jul-18	1,205,600	–	3 years	492	152.9
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	30-Jul-18	102,750	101,400	5 years	492	186.4
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	20-Feb-19	876,868	–	3 years	530	67.8
Draper Esprit plc 2016 Company Share Option Scheme (CSOP)	20-Feb-19	75,000	–	5 years	530	95.2

There were no share-based payments in the period.

The Black Scholes Option Pricing Model has been used for valuation purposes. All options are settled in shares. Volatility is expected to be in the range of 20-30% based on an analysis of the Company's and peer group's share price. The risk-free rate used was 0.73% and 1.57% and was taken from zero coupon United Kingdom government bonds on a term consistent with the vesting period. There are no performance conditions attached to these share options.

16. Leases

Lessee – Real Estate Leases

The Group leases office buildings in London for use by its staff. The Group also has offices in Cambridge and in Dublin, however these contracts are classified as service contracts and not leases. Information about leases for which the Group is a lessee is presented below. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. One office building lease was identified as an operating lease previously and disclosed in the notes to the financial statements in the Draper Esprit Plc annual report dated 31 March 2019. A new lease commenced during the current period, relating to the 3rd floor of 20 Garrick Street, WC2E 9BT.

The Group leases IT equipment such as printers for use by staff. The Group has elected to apply the recognition exemption for leases of low-value to these leases.

Right-of-use assets

	Property £'000s	Total £'000s
Balance at 31 March 2019	–	–
Transition to IFRS 16 – recognition of right-of-use asset in respect of existing leases	835	835
Balance at 1 April 2019	835	835
Additions during the period	778	778
Depreciation charge for the period	(131)	(131)
Balance at 30 September 2019	1,482	1,482

Notes to the condensed consolidated interim financial statements

Lease liabilities

	Property £'000s	Total £'000s
Maturity analysis – contractual undiscounted cash flows		
Less than one year	405	405
One to five years	1,312	1,312
More than five years	–	–
Total undiscounted lease liabilities at 30 September 2019	1,717	1,717

	Property £'000s	Total £'000s
Lease liabilities included in the condensed consolidated interim statement of financial position		
Current	310	310
Non-current	1,176	1,176
Total lease liabilities at 30 September 2019	1,486	1,486

As at 31 March 2019, no lease liabilities were recognised on balance sheet. As noted above, the Group recognised one operating lease under IAS 17. See note 23 to the annual report for Draper Esprit plc as at 31 March 2019 for further details. As at 1 April 2019, in accordance with the transition to IFRS 16, lease liabilities of £0.8 million were recognised in respect of this lease. A further lease commenced during the period relating to the 3rd floor of 20 Garrick Street, London. Lease liabilities in respect of this lease were recognised in accordance with IFRS 16 in the period.

Amounts recognised in the condensed consolidated interim statement of comprehensive income

	Unaudited period ended 30 September 2019 £'000s	Year ended 31 March 2019 £'000s
Interest on lease liabilities	43	–
Depreciation charge for the period on right-of-use assets	131	–
Expenses relating to short-term leases	–	–
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	3	–

Under IAS 17, expenses of £0.2 million were recognised in the condensed consolidated interim statement of comprehensive income in respect of operating lease rentals.

Payments of £0.1 million in respect of rental payments paying down the lease liability have been recognised in the condensed consolidated interim statement of cash flows.

Under IAS 17, one lease in respect of the 2nd floor of 20 Garrick Street was recognised as an operating lease – please see the notes to the Draper Esprit plc annual report dated 31 March 2019 for further information. This lease was the only lease identified at the beginning of this period. A further lease commenced during the period in respect of the 3rd floor of 20 Garrick Street and can be seen in the additions to right-to-use assets above.

Notes to the condensed consolidated interim financial statements

17. Fair value measurements

This section should be read with reference to note 5(a) and note 10. The Group classifies financial instruments measured at fair value through the profit and loss according to the following fair value hierarchy:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

One investment via our strategic partnership with Earlybird Digital West is classified as level 1 in the fair value hierarchy as it is listed and is valued using market share price.

All other investments are held at fair value through the profit and loss and are classified as level 3 in the fair value hierarchy. There were no transfers between levels 1, 2, and 3 during the period.

Significant unobservable inputs for Level 3 valuations

The fair value of unlisted securities is established with reference to the International Private Equity and Venture Capital Valuation Guidelines (“IPEV Guidelines”). In line with the IPEV Guidelines, the Group may base valuations on earnings or revenues where applicable, market comparables, price of recent investments in the investee companies, or on net asset values. An assessment will be made at each measurement date as to the most appropriate valuation methodology.

See note 5(a), where valuation policies are discussed in more detail.

Financial instruments, measured at fair value, categorised as Level 3 within the fair value hierarchy can be split into two main valuation techniques. Valuation techniques can be categorised as based on last round price or revenue-multiple. As at 30 September 2019, financial instruments measured using last round price valuation methodology totalled £464.8 million (30 September 2018: £177.4 million, 31 March 2019: £405.9 million). As at 30 September 2019, financial instruments measured using revenue-multiple valuation methodology totalled £212.6 million (30 September 2018: £158.8 million, 31 March 2019: £186.1 million).

Each portfolio company will be subject to individual assessment. Where the Group invests in fund of fund investments, the value of the portfolio will be reported by the fund to the Group. The Group will ensure that the valuations comply with the Group policy.

The valuation multiple is the main assumption applied to valuation based on a revenue-multiple methodology. The multiple is derived from comparable listed companies. Companies in the same industry and geography, and, where possible, with a similar business model and profile are selected and then adjusted for factors including liquidity risk, growth potential and relative performance. They are also adjusted to represent our longer-term view of performance through the cycle or our existing assumption. The portfolio we have is diversified across sectors and geographies and the companies within our core portfolio holdings which have valuations based on revenue-multiples have an average multiple of 3x.

If the multiple used to value each unquoted investment valued on a revenue-multiples basis as at 30 September 2019 was to decrease by 10%, the investment portfolio would decrease by £21.0 million (30 September 2018: £15.9 million, 31 March 2019: £18.6 million). If the multiple increases by 10% then the investment portfolio would increase by £21.0 million (30 September 2018: £15.9 million, 31 March 2019: £18.6 million).

Notes to the condensed consolidated interim financial statements

18. Financial instruments risk

Financial risk management

Financial risks are usually grouped by risk type: market, liquidity and credit risk. These risks are discussed in turn below.

Market risk – Foreign currency

A significant portion of the Group's investments and cash deposits are denominated in a currency other than sterling. The principal currency exposure risk is to changes in the exchange rate between GBP and USD/EUR. Presented below is an analysis of the theoretical impact of 10% volatility in the exchange rate on shareholder equity.

Theoretical impact of a change in the exchange rate of +/-10% between GBP and USD/EUR would be as follows:

Foreign currency exposures – Investments	30 Sept 2019 £'000s	30 Sept 2018 £'000s	31 Mar 2019 £'000s
Investments – exposures in USD & EUR	486,255	138,176	412,146
10% decrease in GBP*	540,338	151,994	456,632
10% increase in GBP**	415,327	124,359	375,948

* £280 million (Sept 2018: £105.0 million, March 2019: 305.0 million) denominated in USD and £260.0 million (Sept 2018: £47.0 million, March 2019: £151.0 million) denominated in EUR.

** £215 million (Sept 2018: £86.0 million, March 2019: £250.0 million) denominated in USD and £200.0 million (Sept 2018: £39.0 million, March 2019: £126.0 million) denominated in EUR.

Certain cash deposits held by the Group are denominated in Euros and US Dollars. The theoretical impact of a change in the exchange rate of +/-10% between GBP and USD/EUR would be as follows:

Foreign currency exposures – Cash	30 Sept 2019 £'000s	30 Sept 2018 £'000s	31 March 2019 £'000s
Cash denominated in EUR	14,473	15,720	10,522
10% decrease in EUR: GBP	13,026	14,148	9,470
10% increase in EUR: GBP	15,921	17,292	11,574
Cash denominated in USD	5,921	5,075	9,746
10% decrease in USD: GBP	5,329	4,568	8,771
10% increase in USD: GBP 10% increase in EUR: GBP	6,513	5,583	10,721

Market risk – Price risk

Market price risk arises from the uncertainty about the future prices of financial instruments held in accordance with the Group's investment objectives. It represents the potential loss that the Group might suffer through holding market positions in the face of market movements.

The Group is exposed to equity price risk in respect of equity rights and investments held by the Group and classified on the balance sheet as financial assets at fair value through the profit and loss. These equity rights are held in unquoted high growth technology companies and are valued by reference to revenue or earnings multiples of quoted comparable companies where applicable as discussed more fully in Note 5(a). Revenue or earnings multiples of quoted comparable companies are subject to market movements.

The Group seeks to manage this risk by routinely monitoring the performance of these investments, employing stringent investment appraisal processes.

Theoretical impact of a fluctuation in equity prices of +/-10% would be as follows:

Equity risk exposure	30 Sept 2019 £'000s	30 Sept 2018 £'000s	31 Mar 2019 £'000s
Investments – FV based on comparatives	212,617	158,847	186,100
10% decrease in price	191,355	142,962	167,490
10% increase in price	233,879	174,732	204,710

Notes to the condensed consolidated interim financial statements

Liquidity risk

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less held in readily accessible bank accounts. The carrying amount of these assets is approximately equal to their fair value. Responsibility for liquidity risk management rests with the Board of Draper Esprit plc, which has established a framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows. The utilisation of the loan facility and requirement for utilisation requests is monitored as part of this process.

Lease liabilities fall due over the term of the lease – see note 16 for further details. The debt facility has a term of 3 years – for further details, see note 12. All other Group payable balances at balance sheet date and prior periods fall due for payment within one year.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Group is exposed to this risk for various financial instruments, for example by granting receivables to customers, placing deposits. The Group's trade receivables are amounts due from the investment funds under management, or underlying portfolio companies. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets at 30 September is summarised below;

Classes of financial assets impacted by credit risk, carrying amounts	30 Sept 2019 £'000s	30 Sept 2018 £'000s	31 March 2019 £'000s
Trade receivables	3,262	326	424
Cash at bank and on hand	43,654	103,821	150,358

The Directors consider that all the above financial assets that are not impaired or past due for each of the reporting date under review are of good credit quality. In respect of trade and other receivables the Group is not exposed to significant risk as the principal customers are the investment funds managed by the Group, and in these the Group has control of the banking as part of its management responsibilities.

Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to manage cash.

Interest rate risk

The Group's interest rate risk arises from borrowings on the £50.0 million loan facility with Silicon Valley Bank and Investec, which was entered into in June 2019. Prior to the period ending 30 September 2019, the Group did not have any borrowings. The Group's borrowings are denominated in GBP and are carried at amortised cost.

One drawdown of £20.0 million was made on the facility during the period at an interest rate of 7.5%. Future drawdowns may be subject to a different interest rate. The facility agreement has an interest rate calculated with reference to the Bank of England base rate (currently 0.75%) with a Margin of 6.75%. The agreement has an interest rate floor of 7.5%. As such, if the base rate increases, the interest charged on future drawdowns will increase.

19. Related party transactions

The Group has various related parties stemming from relationships with Limited Partnerships managed by the Group, its investment portfolio, its advisory arrangements (board seats) and its key management personnel. In addition, the Company has related parties in respect of its subsidiaries in the form of management fees and expense recharges.

During the period, the Company received fees relating to administrative expenses from Encore Ventures LLP, a 71.2% owned subsidiary, totalling £650,000 (Sept 2018: £420,000, March 2019: £840,000). At the date of the condensed consolidated interim statement of financial position, the amount due was £320,000 (£350,400 as at 30 September 2018, £70,000 as at 31 March 2019).

During the period, the Company received fees from Elderstreet Draper Esprit VCT, an associate, totalling £126,615 (£108,536 as at 30 September 2018, £ 53,737 as at 31 March 2019).

Notes to the condensed consolidated interim financial statements

The Company also enters into transactions with its portfolio companies, during the period these totalled was £20,583 (£41,796 as at 30 September 2018, £43,958 as at 31 March 2019) and due from them was £4,500 (£36,202 as at 30 September 2018, £16,357 as at 31 March 2019).

During the period, the Company loaned £3.7 million to Esprit Capital Fund No 1 & No 2 LP on an arm's length basis. The loan is repayable on demand and interest is charged at 10% per annum.

20. Ultimate controlling party

The Directors of Draper Esprit plc do not consider there to be a single ultimate controlling party of the Group.

21. Alternative Performance Measures ("APM")

The Group has included the APMs listed below in this report as they highlight key value drivers for the Group and, as such, have been deemed by the Group's management to provide useful additional information to readers of this report. These measures are not defined by IFRS and should be considered in addition to IFRS measures.

Gross Portfolio Value

The Gross Portfolio Value is the gross fair value of the Group's investment holdings before deductions for the fair value of carry liabilities and any deferred tax. The Gross Portfolio Value is subject to deductions for the fair value of carry liabilities and deferred tax to generate the net investment value, which is reflected on the condensed consolidated interim statement of financial position as financial assets held at fair value through profit or loss. Please see page 14 for a reconciliation to the net investment balance.

22. Subsequent events

Post period-end, Draper Esprit has made the following investments:

- Committed £7.0 million investment in stock investing app Freetrade, as part of a \$15.0 million series A round, £4.0 million from the Group and £3.0m from EIS and VCT.
- £2.6m investment in Paragraf, a Cambridge-based company building a new way to produce graphene at scale, £0.9m from the Group and £1.7m from EIS and VCT.

Expansion of management team

Post period-end, we announced the appointment of Martin Davis as Chief Executive Officer, while Simon Cook has transitioned from his role as Chief Executive Officer and has now become Chief Investment Officer. This underlines the growing importance of providing breadth of experience and expertise to support the Group.

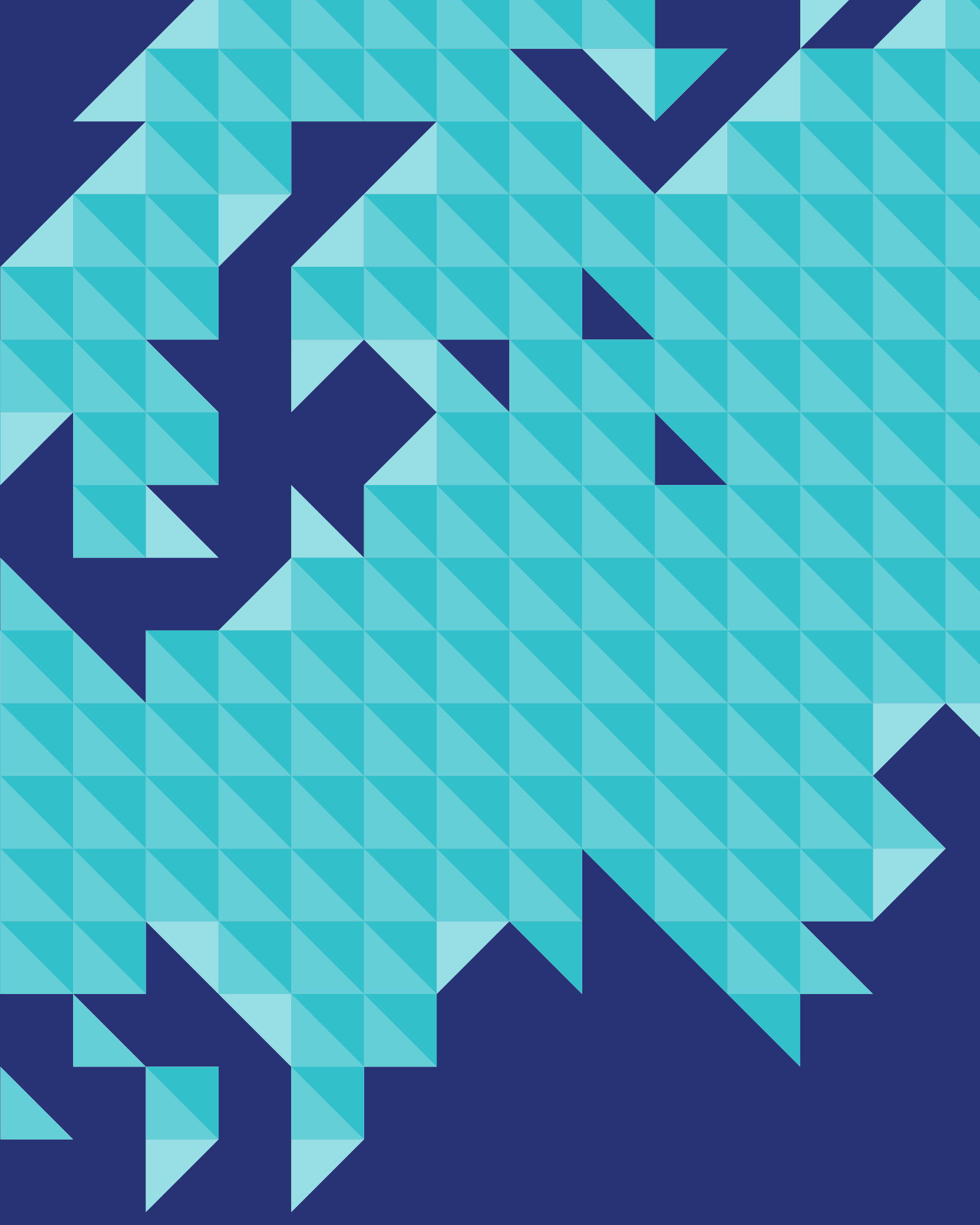
Martin has more than 20 years' experience in financial services and technology. He was most recently CEO of investment management business Kames Capital and has held several other senior roles at financial advisory and fintech businesses. Martin brings particular expertise in supporting businesses as they scale-up. A co-founder of Draper Esprit, Simon will continue to focus on seeking out fast growing, private digital technology businesses with global potential in line with the Company's track record of generating 20%+ net returns.

Glossary

In this document, where the context permits, the expressions set out below shall bear the following meaning:

“Admission” or “IPO”	the Admission of the enlarged share capital to trading on AIM and ESM on 15 June 2016 and such admission becoming effective in accordance with the AIM Rules and the ESM Rules respectively. The IPO included the acquisition of Esprit Capital Partners LLP and Draper Esprit (Ireland) Limited.
“Act”	the UK Companies Act 2006.
“AIM”	AIM, the market of that name operated by the London Stock Exchange.
“Audit Committee”	the Audit Committee of the Board.
“BOE”	Bank of England.
“Company” or “Draper Esprit” or “plc”	Draper Esprit plc, a company incorporated in England and Wales with registered number 09799594 and having its registered office at 20 Garrick Street, London, WC2E 9BT.
“Core Portfolio Companies”	the top companies by value that represent approximately 70% of the overall portfolio value.
“DEF” or “Digital East Fund”	Digital East Fund 2013 SCA SICAR
“Directors” or “Board”	the Directors of the Company from time to time.
“Draper Esprit Funds”	the Esprit Funds and the Encore Funds.
“Draper Venture Network”	the self-governed network of ten independent growth and venture funds, of which Esprit Capital is a member.
“EB IV” / “Earlybird Fund IV”	Earlybird GmbH & Co. Beteiligungs-KG IV
“EB VI” / “Earlybird Fund VI”	Earlybird DWES Fund VI GmbH & Co. KG
EIS	The EIS funds managed by Encore Ventures LLP. EIS funds being Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007.
“Encore Funds”	DFJ Esprit Angels’ EIS Co-Investment Fund, DFJ Esprit Angels’ EIS Co-Investment II, DFJ Esprit EIS III and DFJ Esprit EIS IV and each an “Encore Fund”.
“Encore Ventures”	Encore Ventures LLP, a limited liability partnership incorporated in England and Wales under the registration number OC347590 with its registered office at 20 Garrick Street, London, WC2E 9BT.
“ESM”	the Enterprise Securities Market operated and regulated by the Irish Stock Exchange.
“Esprit Capital”	Esprit Capital Partners LLP (previously Draper Esprit LLP), a limited liability partnership incorporated in England and Wales under the registration number OC318087 with its registered office at 20 Garrick Street, London, WC2E 9BT, the holding vehicle of the Group immediately prior to Admission.
“Esprit Ireland”	Draper Esprit (Ireland) Limited, a wholly owned subsidiary of the Company incorporated in Ireland under the registration number 572006 with its registered office at 32 Molesworth Street, Dublin 2, Ireland.
“FCA”	the UK Financial Conduct Authority.
“FOF” or “FoF”	Fund of Funds.
“Gross Portfolio Value”	Gross portfolio value is the value of the portfolio of investee companies held by funds controlled by the Company before accounting for deferred tax, external carried interest and amounts co-invested.
“Group”	the Company and its subsidiaries from time to time and, for the purposes of this document, including Esprit Capital LLP and its subsidiaries and subsidiary undertakings.

"HMRC"	HM Revenue & Customs.
"IFRS" or "IFRSs"	International Financial Reporting Standards, as adopted for use in the European Union.
"Irish Stock Exchange"	Irish Stock Exchange Plc.
"IRR"	the internal rate of return.
"Net Asset Value"	the value, as at any date, of the assets of the Company after deduction of all liabilities determined in accordance with the accounting policies adopted by the Company from time to time.
"Ordinary Shares"	ordinary shares of £0.01 pence each in the capital of the Company.
"PricewaterhouseCoopers" or "PwC"	PricewaterhouseCoopers LLP, a limited liability partnership registered in England and Wales with registered number OC303525 and having its registered office at 1 Embankment Place, London, WC2N 6RH.
"International Private Equity and Venture Capital Valuation Guidelines"	the International Private Equity and Venture Capital Valuation Guidelines, as amended from time to time.
"SVB"	Silicon Valley Bank.
"VC"	venture capital.
"VCT"	The VCT funds managed by Draper Esprit VCT. VCT (venture capital trust) funds being UK closed-ended collective investment schemes.





Draper Esprit

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