

draper**esprit**

INTERIM RESULTS

for Six Months Ended 30 September 2016



CHAIRMAN'S STATEMENT

In June 2016 the Company announced that it had successfully listed on London's AIM and the ESM, in Ireland. The Company had an unaudited pro-forma Net Asset Value ("NAV") including goodwill at admission of £128.7 million.

The IPO was backed with strong institutional support from new and existing shareholders including several prominent City institutions, successful entrepreneurs and family offices, many of whom have active later stage and IPO investment activities.

Since then we have been proactive across a variety of key business areas described below and as a result the Company is delighted to report a £14.6 million increase in our VC portfolio NAV.

We firmly believe that European growth and venture capital returns are now able to at least match equivalent returns from the US and importantly Europe continues to offer investors a compelling growth opportunity given the potential for global expansion emerging from European entrepreneurs, limited competition and receptive global exit markets.

Our investment strategy aims to provide investors large and small with greater diversity to their portfolio through exposure to private digital growth companies. By creating a listed evergreen venture capital vehicle which can invest in the new generation of early and growth stage digital businesses we are confident that we can deliver attractive long term returns for investors.

Draper Esprit has significant cash resources available and will continue to provide substantial development and expansion capital to companies in its portfolio, as well as making new investments.

Thank you for sharing our vision for the democratisation of the venture capital model and for helping us to make it a workable reality.

Karen Slatford
Non-Executive Chair

CHIEF EXECUTIVE'S REVIEW

Draper Esprit has had a great start to life as a public company.

At the time of listing we set out some specific goals for the Group:

- to continue to invest in our portfolio and in exciting new digital companies across the UK and Europe;
- to put our patient capital model into effect, reducing the need to sell leading European companies early;
- and to democratise the patient capital model allowing all investors to benefit from high growth new digital companies.

Since Admission we have been busy putting our strategy into action. To this end we have invested from our plc balance sheet and our EIS co-investment funds over £17.0m in 9 new Companies, year to date, and in the existing portfolio, as well as exiting 3 companies, 2 of which were post period end, realising cash of up to £39.0m (including amounts held in escrows).

The Group is well positioned to invest larger amounts in more companies and to hold our investments, if necessary for longer periods of time. We currently have in excess of £54.0 million of available cash to use for these purposes including expected near term exits.

Alongside this Draper Esprit has access to an additional £9.0 million of co-investment capital from EIS funds managed within the wider group.

We have been busy building a group which covers all segments of the funding market and alongside our plc and EIS funds we were pleased to announce after the reported period end that we had acquired a significant minority stake in Elderstreet Investments, with an option to acquire the remaining share capital in the business. This gives us access to their excellent team of investment managers and means that their VCTs will co-invest alongside us in future deals. We plan to launch new EIS and VCT co-investment funds which are expected to close in mid 2017.

EXITS AND INVESTMENTS

Since April 2016, the Company has announced three major disposals.

Firstly we announced the sale of Movidius Ltd ("Movidius") to Intel Corporation. Movidius is a leader in high performance, ultra-low power computer vision technology for connected devices.

This sale brings an estimated total cash return to the Company of approximately £27.4 million before provision for accrued tax and carried interest payments.

Subsequently, we also recently announced that ENEA, a leading global information technology company that provides real-time operating systems and consulting services, has signed an agreement to acquire portfolio company, Qosmos for a total cash consideration of approximately €52.7 million resulting in cash to the Company, including escrows, of £8.0 million.

Qosmos is a supplier of Network Intelligence software based on Deep Packet Inspection and commands a dominating share of its market. Closing of the transaction is subject to approvals from French government authorities and is expected to be completed in December 2016.

In November 2016 we announced the sale of Datahug, a sales forecasting software company, to Callidus Software Inc for a cash consideration of approx \$13.0 million, resulting in a cash return to the Company of approximately £3.6 million, including funds held in escrow. Separately, during 2016 secondary funds managed or associated with Draper Esprit were also involved in the sale of optical switch business Polatis to Huber+Suhner; and GreenPeak Technologies, a leader in ultra-low power, short range RF communication technology to NASDAQ listed Qorvo, Inc. These exits returned £23.0 million to our Limited Partners, and resulted in proceeds to the Company in fees and carry of approx. £0.28 million to offset Group costs.

These exits highlight the truly European nature of Draper Esprit's portfolio with Movidius based in Dublin, Qosmos in Paris, Polatis in Cambridge (UK) and GreenPeak in the Benelux countries. All companies were very

active in the US market, as per Draper Esprit's strategy of helping European companies become global leaders.

Draper Esprit and secondary managed funds associated with the Company held significant minority stakes in each portfolio company; the acquirers were all respected international blue-chip companies; and the aggregate total value of these transactions was in excess of \$600 million in 2016.

NEW INVESTMENTS

Our model is predicated on putting our capital to work and to actively support companies in monetising their technology and exploiting market position. Accordingly, we have been busy during the period investing in the next generation of European technology focused companies.

In the year to date, the Company or co-investment funds managed by the Group invested over £17.0 million in 9 new companies. Notable new additions to the portfolio include:

- £2.3 million of £3.1 million invested by the Group in Graphcore, a machine intelligence semiconductor company,
- £3.0 million invested in LifeSum, a leading health tracking mobile app company,
- £1.0 million of £1.5 million by the Group in PushDoctor, an on-demand healthcare mobile app company (post period end),
- £0.6 million of £1.0 million invested in Resolver, a customer service software company, (post period end); and
- £1.7 million of £2.5 million invested in Perkbox, an employee benefits and engagement platform, (post period end).

Follow-on Investments and Existing Portfolio Company News

Similarly the Group has been active in supporting the growth of its existing portfolio companies and has made £2.2 million of follow-on investments in several smaller holdings.

The existing portfolio is progressing well and companies in which Draper Esprit currently has a holding now have combined turnover in excess of \$710m, growing by almost 30% in 2016. All of our top holdings, including: Graze, Trustpilot, Lyst, Sportpursuit, M-Files and Conversocial have continued to make strong commercial progress, growing sales significantly and reporting positive newsflow. More detail is given below.

Investment Environment

In the US, the number of companies raising smaller VC funding rounds below US\$5.0 million is similar to the number of companies raising larger growth funding rounds over US\$5.0 million.

In Europe, however, only about a quarter of companies which raise a smaller VC funding round go on to raise a larger growth funding round of more than US\$5.0 million. The overall market for \$5m+ growth rounds is growing at about 10% per annum.

This follow-on financing risk is perhaps the key difference between growth and VC investment in the US and Europe, and it is precisely why Draper Esprit invests 70% of its capital in later stage follow-on opportunities.

The UK's EU membership referendum has led to much uncertainty in the UK economy as a whole, but despite this we believe strongly in the investment opportunities in Europe and little has changed for us post the referendum. If anything the macro environment is now even more attractive for our patient capital model.

OUTLOOK AND SUMMARY

It has been a transformational year for Draper Esprit with the transition to life as a public company. As we report on our first set of Interim Results it is pleasing to demonstrate that we are successfully working towards our goals. We have continued to experience strong deal-flow and have invested over £17.0 million in the period into new and existing exciting next generation technology companies, across the UK and Europe. Our plc portfolio companies now have a combined turnover in excess of \$710m.

We had a wider mission when we listed Draper Esprit early this year – not just to create value for shareholders, but to offer investors a stake in our vision. We believe in democratising the venture capital model and making our expertise accessible to a wider, broader market. We invest in forward-thinking and innovative businesses and similarly we hold ourselves to the same standard – as we continue to break new ground in our marketplace.

We have an experienced management team, which we will continue to grow and develop. Our acquisition of Elderstreet is just one example of our growth strategy in action – developing Draper Esprit into a significant European leader.

Although it is relatively early in our life as a listed evergreen vehicle, we have shown that we are focussed on putting our patient capital model to work to grow Net Assets substantially to the benefit of our shareholders.

Our existing portfolio is progressing well and following our recent successful exits we have significant cash resources of over £60.0 million across a range of vehicles (PLC and co-investment through EIS and VCT funds) available to invest. We believe that we are well positioned to capitalise further on opportunities in the second half of the year and look forward to the next financial year with confidence and optimism.

Simon Cook
CEO

PORTFOLIO REVIEW

We continue to be excited by the growth potential of the underlying portfolio companies. Sales of Movidius, Qosmos (post period end) and Datahug (post period end) demonstrate the investment and value realisation model in practice.

	Pro Forma at IPO * 15th June	Acquisition Adjustment** 15th June	Investment Portfolio 15th June	Investments	Movement in Fair Value	Fair Value of Investments 30th Sept	Interest FD*** 30th Sept
	2016	2016	2016			2016	2016
Investment	£'000	£'000	£'000	£'000	£'000	£'000	Cat N.o
Conversocial	5,384	(876)	4,508		876	5,384	4
Graze	7,186	(1,169)	6,017		3,581	9,597	2
Lyst	9,277	(1,509)	7,768		691	8,459	3
M-Files	6,677	(1,086)	5,591		1,711	7,302	2
Movidius****	7,563	(1,230)	6,333		19,312	25,645	3
Qosmos****	4,891	(796)	4,095		2,790	6,885	4
SportPursuit	8,226	(1,338)	6,887		1,669	8,557	4
Trustpilot	8,896	(1,447)	7,449		1,919	9,368	1
Remaining Portfolio	18,261	(2,969)	15,292	6,794	686	22,772	
Co-invest assigned to PLC	2,385	(118)	2,267		612	2,880	
Total	78,745	(12,538)	66,347	6,794	33,848	106,848	

* Based on 30th December 2015 valuation adjusted solely for currency

** Reflects arms length price agreed for the acquisition of initial portfolio for £63.9m, carried interest and co-invest assigned to PLC

*** Fully Diluted Interest categorised as follows: Cat 1: 0-5%, Cat 2: 6-10%, Cat 3: 11-15%, Cat 4: 16-25%, Cat 5: >25%

Holdings are often through preferred equity, hence the equity interest does not indicate an underlying value of the portfolio company

**** Sale post period end, valuation net of escrowed funds

Revenue growth from the portfolio remains strong at a combined \$710.0 million. Average revenue growth of c.30% per annum demonstrates the differentiated portfolio opportunity investors can access through Draper Esprit.

Portfolio Company Revenues	2013 \$'million	2014 \$'million	2015 \$'million	2016 \$'million
Revenue	319	422	556	711
% Growth		32%	32%	28%
Average of Top 8 Companies by Fair Value	17	21	27	36
% Growth		28%	28%	33%

The following is an overview of some of Draper Esprit's key investments:

Graze

Draper Esprit first invested in Graze in 2010 with follow on investment in 2012 bringing the total investment by the Group to £3.7 million.

Graze is an online and offline retailer and manufacturer of healthier snacks, operating in the UK and the USA. Founded in 2009, it developed a subscription model based on experiences of founder Graham Bosher at Lovefilm, the DVD rental business. The company has developed logistics technology that allows it to deliver cost effectively across the UK and USA. It utilises data generated from user reviews to innovate and develop new products for evolving taste preferences and growing consumer demand for wholesome on the go snack options.

The company has launched its own retail product with wide availability in the UK across 3,000+ stores including retailers such as Boots, Tesco, WH Smith and Sainsburys. This will drive further UK growth together with new online ecommerce sales through a subscription based model. The company has recently launched into 4,000+ retail stores in the USA and further online growth is forecast. Graze remains profitable with strong gross margins.

Graze's vision is to become the number one health snack brand in the world. Alongside the Company investors in Graze include The Carlyle Group and Octopus Investments.

Trustpilot

Draper Esprit first invested in Trustpilot in 2013 with follow on investment in 2015 bringing the total investment by the Group to £5.5 million.

Founded in 2007, Trustpilot is a global, multi-language review community. Trustpilot has customers in 65 countries including Denmark, Sweden, the U.K., France, Italy, Germany and the Netherlands, as well as the U.S. Trustpilot has locations in New York, London, Copenhagen and Melbourne.

Trustpilot's aim is to build the world's single most trusted review company.

Consumers visit the Trustpilot website to leave positive or negative reviews about an online merchant where they purchased a product. Once a merchant has a paid subscription to use Trustpilot, they are able to respond directly and openly with consumers who have left reviews. Merchants may embed the Trustpilot widget onto their site in order to highlight their ratings amongst customers, and can opt into having starred reviews showing up on ad-words when a customer searches for that merchant.

Trustpilot has built a strong SaaS revenue model with excellent growth in Europe over the last 3 years.

Trustpilot raised US\$73.5 million in 2015 led by Vitruvian Partners, alongside existing investors, including Draper Esprit, Index Ventures, Northzone and SEED Capital Denmark.

Lyst

Draper Esprit first invested in Lyst in 2012 with follow on investment in 2013 and 2015 bringing the total investment by the Group to £2.4 million.

Lyst is an online fashion marketplace that lets people shop across over 11,500 different online stores using a single check-out. Lyst was founded in 2010. Lyst is differentiated from other "aggregation" websites by the size of the pool of online stores and designers that it aggregates. Lyst develops technology to personalise the experience for visitors, suggesting new items to customers based on previous purchases, with a real-time ability to show the customer what is actually in stock and where.

Lyst raised US\$35 million in 2015 from investors including Group Arnault (owner of LVMH Moët Hennessy Louis Vuitton SE), with support from existing investors including Draper Esprit, Accel and Balderton.

SportPursuit

Draper Esprit first invested in SportPursuit in 2012 with follow on investment in 2013 and 2014 bringing the total investment by the Group to £3.2 million.

SportPursuit was founded in 2011 as a UK-based sport specific e-commerce website where members receive access to sales from brand partners targeting the technical sportswear and outdoor clothing and equipment space. The company offers up to 70 per cent. discounts on sports and outdoor brands. SportPursuit has customers in the UK, Australia, Germany, France and Scandinavia. It aims to be the world's largest private shopping club for sports enthusiasts.

Currently sales are focused across the following niches: outdoor, running, skiing & snowboarding, health & wellbeing, athletics, swimwear, cycling, golf, tennis and experiences (gyms, clubs). The vision of the team is to utilise the power of the online channel, the SportPursuit brand and the community they build up around it to realise a greater value opportunity.

Alongside Draper Esprit investors include CIT Growth Capital and Scottish Equity Partners. The company raised £9.0 million announced in November 2015.

M-Files

Draper Esprit first invested in M-Files in 2013 with follow on investment in 2015 bringing the total investment by the Group to £2.4 million.

M-Files is a software company which provides enterprise information management (EIM) solutions to eliminate information silos and provides access to content from core business systems and devices. The M-Files EIM system uses software based on the meta-data contained within the document. This provides it with a unique advantage as it is not constrained by where the document is stored or resides. The EIM system is used as a single platform for managing front office and back office business operations, which improves productivity and quality while ensuring compliance with industry regulations and standards.

M-Files is performing well with strong revenues and growth rates. New initiatives in product (mobile), geography (UK, Germany, Australia and NZ) and enterprise are driving the company's revenue and enhancing its reputation. Recent wins with the IMF, the Romanian Government and Abbott, continue to demonstrate the products strength and potential.

The Company is well regarded by the analyst community and was recently named as the only visionary in Gartner's 2016 Magic Quadrant for Enterprise Content Management. This relates to their ability to manage meta-data across multiple formats and depositories.

Alongside Draper Esprit investors include Finnish Industry Investment and Partech Ventures, raising \$36 million in February 2016

Conversocial

Draper Esprit first invested in Conversocial in 2011 with follow on investments each year to 2015 bringing the total investment by the Group to £2.3 million.

Conversocial aims to be the leading provider of cloud-based social customer service solutions using analytics to provide accurate, actionable insights on customer trends over time and comprehensive application program interfaces that integrate into customer relationship management and contact centre technologies.

Conversocial is expanding its executive team to help innovate its product as companies invest in customer service applications in order to accelerate their customer engagement. During the past year, Conversocial has increased its office presence and has recorded new client wins across North America, UK and Europe.

Conversocial announced the signing of a new partnership agreement with Twitter which is expected to drive larger enterprise sales over the next two years.

Conversocial raised \$11 million in 2015 from the Company, Dawn Capital and previous investor Octopus Investments.

NEW INVESTMENTS

Lifesum

Draper Esprit has invested \$4.0 million in a \$10m Series B round in Stockholm-based digital health company Lifesum (www.lifesum.com) (“Lifesum”). Draper Esprit has invested for the first time alongside Nokia Growth Partners, and existing investors Bauer Media and VC SparkLabs Global Ventures. Lifesum, launched in 2013, has created one of Europe’s fastest growing health apps with over 15 million users. Lifesum has created a platform that focuses on engaging and inspiring users online and offline to help them maintain and achieve a healthy lifestyle and work towards their personal health and fitness goals. The app is available on iOS, Android and Apple Watch.

Graphcore

Draper Esprit has participated with \$4.0 million (plc \$3.0 million) in the \$30m Series A funding round for Graphcore, a semiconductor startup targeting solutions for machine learning and artificial intelligence (AI) applications. The round was led by Robert Bosch Venture Capital with Samsung Catalyst Fund and also included Amadeus, C4 Ventures, Foundation Capital and Pitango Venture Capital. The business is a spin-out of XMOS, another VC backed semiconductor business based near Bristol, UK. The CEO is Nigel Toon and CTO is Simon Knowles, who were both founders of Icera, a VC backed semiconductor company which was sold to nVidia for \$367m in 2011. The market for AI and machine learning is developing very rapidly at present in many applications such as autonomous cars, collaborative robots and intelligent mobile devices. Graphcore is planning to bring a processing system to market in 2017 which will enable material performance increases (in the 10-100x range) for AI computing.

Perkbox (post period end)

Digital employee engagement firm Perkbox received backing of £2.5 million (plc £1.7 million) from Draper Esprit in a £4.5m round. Perkbox provides a digital engagement platform that enables companies of all sizes, including startups, to incentivise, motivate and attract staff through over 200 perks and benefits and a sophisticated rewards & recognition infrastructure. Launched in 2015, the company already has over 300,000 paying members ranging from SMEs to large corporations such as British Gas and BUPA. Monthly recurring revenue has grown more than 10 times in 18 months to £1.4m/month. Perkbox was recently listed no. 2 in the Startups 100 Index for being one of the most innovative emerging ventures in the country.

Resolver (post period end)

Draper Esprit has also participated £1.2 million (plc £0.6 million) in a £2.8 million investment round for Resolver, a free and independent website dedicated to making it easier for consumers to make complaints or raise issues with brands, companies and organisations to get redress or money back. Currently Resolver.co.uk boasts 556,000 registered users and raises an average of 1,500 new cases on any given day. It is growing at a rate of more than 10% month-on-month and receives more than 600,000 visits each month. Resolver.co.uk now has more than 30,000 companies, brands and organisations in its database and users can sign up in seconds via the website or through the iOS or Android apps.

Pushdoctor (post period end)

PushDoctor.co.uk, Europe’s largest online GP marketplace has raised £1.5 million (plc £1.0 million) investment from Draper Esprit. PushDoctor.co.uk is changing the way everyone can access healthcare using its’ on-demand online GP surgery, making healthcare accessible for the tens of millions of people in the UK who find seeing a doctor difficult. The Care Quality Commission-regulated and NHS-commissioned service allows patients to book and attend secure video GP appointments seven days per week, 365 days of the year, via a website and iOS app.

FINANCIAL REVIEW

Welcome to our maiden Interim Accounts as a listed company, covering the six month period to 30th September 2016. The period was defined by the successful IPO in June 2016 which received strong backing from new and existing shareholders. The proceeds from the IPO have been used to acquire Draper Esprit Ireland, which holds the initial portfolio of minority interests in 24 digital technology companies, for £63.9 million, the management company Esprit Capital Partners LLP and to provide cash for further investment of £30.0 million.

These interim results reflect the accounting of the fund raise and of the subsequent acquisitions. The impact of these events is predominantly observed on the balance sheet where the Net Assets of £143.3 million reflect fair value gains of £26.7 million against the underlying portfolio of £76.4 million at the time of IPO (using 31 December 2015 values adjusted purely for currency movements), cash balances of £22.2 million and the goodwill attributed to the acquisition of Esprit Capital Partners LLP of £20.5 million.

The plc corporate entity had no trading activity prior to the IPO and subsequent acquisition of the initial portfolio and the management company; as a result the comparative information is limited. The consideration paid for the initial portfolio was £63.9 million and the below table reflects the movement in Net Asset Value during the period, using the pro-forma values from the IPO as a reference point:

	Pro-Forma at IPO * 15th June 2016 £'000	Adjustment** 15th June 2016 £'000	Fair Value 15th June 2016 £'000	Investments £'000	Movement in Period £'000	Fair Value 30th Sept 2016 £'000	Change from Pro Forma to 30 Sept £'000
Investment Portfolio	76,360	(12,421)	63,940	6,794	33,235	103,969	27,608
Co-invest assigned to PLC	2,385	(118)	2,267		612	2,880	495
	78,745	(12,538)	66,207	6,794	33,848	106,848	28,103
Carry External	(2,624)	1,209	(1,415)		(3,111)	(4,526)	(1,902)
Portfolio deferred tax provision***	0		0		(3,571)	(3,571)	(3,571)
Trading Carry & Co- invest****	1,847	(676)	1,171		954	2,126	278
	77,969	(12,005)	65,963	6,794	28,120	100,877	22,908
Cash	30,444	(238)	30,206	(6,794)	(1,230)	22,182	(8,262)
Goodwill	21,132	170	21,302		(828)	20,475	(658)
Other Tax provision***	0		0		(733)	(733)	(733)
Other Assets/(Liabilities)	(848)		(848)		1,377	529	1,377
Net Asset Value	128,696	(12,073)	116,623	0	26,707	143,330	14,634

* Based on 30th December 2015 valuation adjusted solely for currency

** Reflects arms length price agreed for the acquisition of initial portfolio for £63.9m, carried interest and co-invest assigned to PLC plus currency adjustments to 15th June 2016

*** Participation exemption for funds held through Ireland anticipated once investments held for period >12 months. Realisations of Movidius, Qosmos and Datahug all within a shorter holding period than envisaged and <12 months

**** Historical funds managed by the Company with a remaining economic interest

The Consolidated Financial Statements for the Interim period to 30th September 2016 have been prepared under the principles of IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements. The assets and liabilities of the acquired entities have been fair valued and reflected on the balance sheet with a subsequent gain presented on the income statement representing the difference between the fair value of the entities acquired versus the consideration paid.

Net assets have increased by 11% to £143.3 million (£128.7 million at IPO) in the period while net assets excluding cash, goodwill and new investments have grown by 22% to £93.9 million (£77.1 million at IPO). Movements in cash balances reflect the cash component of the acquisition of the initial portfolio for £40.1 million, £6.8 million of investments made in the period and the costs of the Company. Cash proceeds from the IPO are shown net of £2.7 million of directly attributable costs, which are reflected in the share premium account on the statement of financial position.

The fair value gain on investments of £26.7 million reflected through the Income Statement is attributable to the net fair value gain on investments of £22.9 million to £100.9 million (£78.0 million at IPO) and further movements in the fair value of liabilities. A deferred tax provision of £3.6 million has been recognised in the period against the gains in the portfolio to reflect holdings for a period of less than 12 months. This amount is netted off the Investments in the consolidated statement of financial position. It is anticipated that these balances will benefit from participation exemption once they have been held for over 12 months; with the exception of the recent realisations of Movidius, Qosmos and Datahug.

The business model of the Company is to deploy investment capital and management expertise into supporting high growth technology companies. During the period to 30 September 2016 the plc invested £4.6 million in 2 new investments and £1.7 million in 2 existing portfolio companies. Post period end the Group has continued to deploy capital with investments of a further £4.8 million in 7 companies.

The Company seeks capital gains from its underlying portfolio investments and the period can be viewed as a success with the announced sale of Movidius, and post period end of Qosmos and Datahug, serving as a key driver to the fair value gains on the investment portfolio of 36% post IPO. As at 30 September 2016 the fair value of investments was £106.9 million, reflecting fair value gains of £28.1 million in the period, compared to the pro-forma IPO balances of £78.7 million. £6.0 million of this gain is attributable to movements in exchange rates.

Revenues in the period of £0.7 million are generated from investment management fees. It is anticipated that revenues will continue to increase as assets under management are grown by the EIS, and through the recently announced acquisition of Elderstreet, VCT platform.

Operating expenses in the period of £1.2 million are in line with the planned expenditure. The expenses predominantly relate to staff costs of £0.8 million and professional fees of £0.25 million. A further £0.28 million has been generated from trading carry and co-invest on historical secondary investments, which demonstrates the value creation across the Company, to further offset the cost base.

With available cash of £48.0 million, plus a further £6.0 anticipated from the sale of Qosmos, the Company has adequate resources to meet its strategic investment objectives and meet its ongoing commitments.

Ben Wilkinson
CFO

INDEPENDENT REVIEW REPORT TO DRAPER ESPRIT PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report of Draper Esprit plc for the six months ended 30 September 2016 which comprises the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of cash flows, Consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report which comprises only the Chairman's Statement, Chief Executive's Review, Portfolio Review and Financial Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company, 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. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

25 November 2016

INTERIM FINANCIAL INFORMATION ON THE DRAPER ESPRIT PLC GROUP

Consolidated statement of comprehensive income for six months ended 30 September 2016

	Note	30 Sept 2016 Unaudited £'000s	31 Mar 2016 Audited £'000s
Revenue		716	-
Staff costs and member's remuneration		(773)	-
Other operating charges		(435)	3
Revaluation of investments held at FVTPL	6	26,707	-
Operating Profit/(loss)		26,215	(3)
Finance income/(expense)		295	-
Profit/(Loss) on ordinary activities before tax		26,510	(3)
Taxation	4	(424)	-
Profit/(Loss) on ordinary activities after tax		26,086	(3)
Profit attributable to non-controlling interests		(210)	-
Total comprehensive profit/(loss) for the period		25,876	(3)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the parent		25,876	(3)
Non-controlling interests		210	-
Total comprehensive income/(loss) for the financial period		26,086	(3)
Basic Earnings per share		64p	(6p)

Consolidated statement of financial position for the six months ended 30 September 2016

	Note	30 Sept 2016 Unaudited £'000s	31 Mar 2016 Audited £'000s
ASSETS			
Non-current assets			
Property, plant & equipment		15	-
Goodwill	5	20,475	-
Other intangible assets		818	-
Investments	6	100,879	-
Total non-current assets		122,187	-
CURRENT ASSETS			
Trade & other receivables		932	50
Cash at bank and in hand		22,182	-
Total current assets		23,114	50
CURRENT LIABILITIES			
Trade & other payables		(1,236)	(3)
Total current liabilities		(1,236)	(3)
NON-CURRENT LIABILITIES			
Deferred Tax		(733)	-
Total non-current liabilities		(733)	-
Net assets		143,332	47
EQUITY			
Issued share capital	7	407	-
Share Premium Account	7	116,911	50
Retained Earnings		25,853	(3)
Equity attributable to owners of the parent		143,171	47
Non-controlling interests		161	-
Total Equity		143,332	47
Net assets per share		352p	94p

Consolidated statement of cash flows for the six months ended 30 September 2016

	Note	30 Sept 2016 Unaudited £'000s	31 Mar 2016 Audited £'000s
Cash flows from operating activities			
Profit/(Loss) before tax		26,510	(3)
Adjustments to reconcile operating profit to net cash flows used in operating activities			
Revaluation of investments at FVTPL		(26,707)	-
Depreciation & amortisation		1	-
Decrease/(increase) in trade & other receivables		(232)	(50)
Increase/(decrease) in trade & other payables		424	3
Net cash generated by/(used in) operating activities		(4)	(50)
Tax paid		-	-
Net cash inflow/(outflow) from operating activities		-	-
Cash flows from investing activities			
Purchase of property, plant and equipment		(8)	-
Cash acquired on purchase of subsidiary		495	-
Purchase of investments	6	(47,637)	-
Net cash (outflow) from investing activities		(47,150)	-
Cash flows from financing activities			
Proceeds from issue of share capital	7	69,336	50
Net cash outflow from financing activities		69,336	50
Net increase/(decrease) in cash & cash equivalents		22,182	
Cash & cash equivalents at beginning of period		-	-
Cash & cash equivalents at end of period		22,182	-

Consolidated statement of changes in equity for the period ended 30 September 2016

	Issued Share Capital £'000s	Share Premium Account £'000s	Attributable to non-controlling interests £'000s	Retained Earnings £'000s	Total £'000s
Balance at 30 September 2015	-	-	-	-	-
Loss for the period	-	-	-	(3)	(3)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Transactions with share holders	-	50	-	-	50
Balance at 31 March 2016	-	50	-	(3)	47
Balance at 31 March 2016	-	50	-	(3)	47
Profit for the period	-	-	210	25,876	26,086
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	210	25,876	26,086
Acquired reserves due to minority interests	-	-	20	(20)	-
Amounts withdrawn by non-controlling interests	-	-	(69)	-	(69)
Transactions with share holders	407	116,861	-	-	117,268
Balance at 30 September 2016	407	116,911	161	25,853	143,332

Notes to the financial statements for the six months ended 30 September 2016

1. General information

Draper Esprit PLC is engaged in investment management activities. Draper Esprit PLC's registered address is 4 More London Riverside, London, SE1 2AU.

Information on the Draper Esprit Group's structure is given in note 3. Information on other related party relationships of the Draper Esprit Group is provided in note 10.

This condensed consolidated half-year financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the period ended 31 March 2016 were approved on 9 June 2016. Those accounts, which contained an unqualified audit report under Section 498 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

Going Concern

The Directors have assessed the current financial position of Draper Esprit PLC, along with future cash flow requirements to determine if the PLC has the financial resources to continue as a going concern for the foreseeable future. The conclusion of this assessment is that it is appropriate that the group be considered a going concern. For this reason, the Directors continue to adopt the going concern basis in preparing the Interim Financial Statements.

Basis of preparation

The condensed interim consolidated financial statements ("the interim financial statements") incorporate the Financial statements for the six months ended 30 September 2016 and are presented in sterling which is the functional currency of the parent company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' (IAS 34). They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS").

The Interim Financial Statements have also been prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The preparation of Interim Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Financial Information are disclosed later in these accounting policies.

The Interim Financial Statements are presented in sterling (£), rounded to the nearest thousand pounds.

2. Significant accounting policies

The significant accounting policies disclosed below are those observed in the periods ending 30 September 2016 and 31 March 2016, and those that will be observed in the year ending 31 March 2017.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. All revenue from services is generated within the United Kingdom and is stated exclusive of value added tax. Revenue from services comprises:

a. Fund management services

Fund management fees are either earned at a fixed annual rate or are set at a fixed percentage of funds under management, measured either by commitments or invested cost, depending on the stage of the fund being managed. Revenues are recognised as the related services are provided.

b. Arrangement fees

Occasionally Draper Esprit PLC may charge a fee as part of arranging an investment from one of the Funds it manages into a portfolio company. Such fees are charged at a rate determined on a case-by-case basis and are payable upon completion of the investment.

c. Portfolio directors' fees

Portfolio directors' fees are annual fees, charged in arrears, to an investee company and payable to Draper Esprit PLC as the fund manager. Draper Esprit PLC only charges directors' fees on a limited number of the investee companies.

d. Deferred income

The Fund management fees are typically billed either quarterly or half-yearly in advance. Where fees have been billed for an advance period the amounts are credited to deferred income, and then subsequently released through the income statement across the period the fees relate to.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefit costs

Draper Esprit PLC arranges private pension provision for its employees and makes a fixed monthly contribution as a percentage of agreed remuneration into each individuals' scheme. Payments to the schemes are recognised as an expense in the period when they are made.

Operating Expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax in Draper Esprit PLC and its corporate subsidiaries. Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following basis:

Leasehold improvements - over the term of the lease

Fixtures and equipment - 33%

Computer equipment - 33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Goodwill and intangible assets

Goodwill arising on the acquisition of a subsidiary represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is not amortised but is reviewed annually for impairment in accordance with IAS 36, 'Impairment of Assets'.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the rates of exchange at the reporting date and the gains and losses on translation are included in the income statement.

The individual financial statements of the Group's subsidiary undertakings are presented in their functional currency. For the purpose of these consolidated financial statements, the results and financial position of each subsidiary undertaking are expressed in pounds sterling, which is the functional currency of the PLC and the presentation currency for these consolidated financial statements.

Segmental reporting

The Group considers that it only has a single operating segment, investment management.

Basis of consolidation

The Group financial statements consolidate those of the parent entity and all of its subsidiaries as of 30 September 2016. Other than those listed below all of the groups' subsidiaries have a reporting date of 31 March.

Esprit Capital Holdings Limited – 30 June
Esprit Nominees Limited – 30 June
Esprit Capital I GP Limited – 31 December
DFJ Esprit II GP Limited – 31 December
Esprit Capital III Founder GP Limited – 31 December
Esprit Capital III GP LP – 31 December
Encore I GP Limited – 31 December
Encore I Founder GP Limited – 31 December
Esprit Capital I (CIP) Limited – 31 December [Dormant]
DFJE III MLP LLP – 31 December [Dormant]
Esprit Capital III GP Limited – 31 December [Dormant]

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the Draper Esprit Group's balance sheet when the Draper Esprit Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified by Draper Esprit into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial assets at FVTPL

A financial asset may be designated as at FVTPL upon initial recognition if:

- (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Draper Esprit Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Draper Esprit Group consider that the investment interests it holds in Esprit Capital III LP, Esprit Capital III Founder LP, DFJ Esprit II Founder LP, Esprit Capital IV LP and Esprit Investments(I) LP are appropriately designated as at FVTPL as they meet criteria (b) above.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial assets. This involves developing estimates and assumptions consistent with how market participants would price the assets. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 7).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Group's financial liabilities may include borrowings and trade and other payables.

All financial liabilities are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs.

Financial liabilities are measured subsequently at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3. Critical accounting judgements

In the application of the Draper Esprit Group's accounting policies, which are described in note 3, the board of Draper Esprit are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Critical judgements in applying the Draper Esprit Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the board of Draper Esprit PLC have made in the process of applying the Draper Esprit Group's accounting policies and that have the most significant effect on the amounts recognised in financial information.

Control assessment

The Group has a number of entities within its corporate structure and consideration has been made of which should be consolidated in accordance with IFRS 10. The Group consolidates all entities within this Interim Financial Statement 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. A summary of the conclusions from the Member's consideration of control and the relevant judgements and rationale are presented below.

Encore Ventures LLP

At 30 September 2016 and 31 March 2016 the Group held 71.2% of the capital in Encore Ventures LLP, which entitled it to control over the relevant activities of the LLP with no restriction arising from any contractual rights. The minority members in Encore Ventures LLP are entitled to a fixed proportion of the returns of the LLP, and as such the Group is fully exposed to variable returns arising from it. Consequently, the Directors consider Encore Ventures LLP to be controlled by the group at 30 September 2016 and 31 March 2016.

Esprit Capital Partners LLP

On 15 June 2016 Draper Esprit Plc acquired 100% of the capital of Esprit Capital Partners LLP. At 30 September 2016, the Group still held 100% of the capital in Esprit Capital Partners LLP, which entitled it to control over the relevant activities of the LLP with no restriction arising from any contractual rights. As such the Group is fully exposed to variable returns arising from it. Consequently, the Directors consider Esprit Capital Partners LLP to be controlled by the group at 30 September 2016.

Investment Entity

In accordance with the provisions of IFRS 10, Draper Esprit Plc considers itself to be an investment entity and that its wholly owned subsidiary, Draper Esprit Ireland Limited to be an investment company as its sole purpose is to hold investments on behalf of the group. Consequently, Draper Esprit Ireland is not included in the consolidation, with the investments it holds being brought onto the balance sheet of the Group at FVTPL instead.

General Partners

Where the Group holds 100% of the (share) capital of each of the General Partners and there are no contractual rights in place that limit the Group's power over the relevant activities of the entity or its exposure to variable returns arising from its ownership, the general partners are considered to be controlled. This is the case for all of the General Partners within the Group with the exception of Encore I GP LP, where the Group does not hold 100% of the capital and the limited partnership agreement places restrictions on the returns to members that cannot be removed by the Group acting alone.

Acquisition accounting

The group has accounted for the acquisition of Draper Esprit LLP as an acquisition and not a reverse acquisition having assessed the substance of the transaction, including control and changes in ownership.

Administrative companies

The Group holds 100% of the share capital of various entities that form part of the Group's administrative structure. There are no contractual rights in place that restrict exposure to variable returns arising from ownership, or that limit the group's power over the relevant activities of the entities or its ability to exercise that power. These entities are therefore considered to be controlled by the Group.

4. Taxation

The charge to tax, which arises in Draper Esprit PLC and the corporate subsidiaries included within these financial statements, is:

	30 Sept 2016	31 Mar 2016
	£'000s	£'000s
Deferred tax on investments gains on UK entities	424	-

5. Acquisition of Esprit Capital Partners LLP

On 15 June 2016 the Group acquired 100% of the member's capital of Esprit Capital Partners LLP, a Venture Capital Manager based in the United Kingdom. The business was acquired in order for Draper Esprit PLC to become a self-managed investment entity. From the date of acquisition to 30 September 2016, Esprit Capital Partners LLP group contributed revenue of £0.7 million and profits of £9.1 million towards the group results. Details of the business combination are as follows:

	£'000
Fair value of equity shares issued	24,000
	24,000
Recognised amounts of identifiable net assets:	
Property plant and equipment	5
Intangible assets	818
Investments	2,675
Trade and other receivables	1,165
Cash and cash equivalents	495
Deferred tax liabilities	(310)
Trade and other payables	(1,323)
Net identifiable assets and liabilities	3,525
Goodwill	20,475

Consideration transferred

The acquisition was settled by issuing 8,000,000 shares of Draper Esprit plc. The fair value of the equity shares issued was based on the market value of Draper Esprit plc's traded shares on the acquisition date.

Intangible assets

Upon acquisition, an intangible asset of £0.8m has been recognised in respect of profit anticipated from the participation in Encore Ventures LLP based on its current contract. A deferred tax provision of £0.2m has been made against the value.

Goodwill

Goodwill recognised on the acquisition is considered to represent the value of the acquired expertise and knowledge of the Esprit Capital Partners management team.

6. Investments

The Draper Esprit Group holds investments through co-investment vehicles of two of the Funds it manages, DFJ Esprit II LP and Esprit Capital III LP. The investments are predominantly unlisted securities and are carried at Fair Value Through Profit and Loss. The means of valuation of these investments is set out in the accounting policies above.

	Cost 31 Mar 2016 £'000	FMV 31 Mar 2016 £'000	Add/(Disp) in the period £'000	Adj. in FMV in the period £'000	Cost 30 Sept 2016 £'000	FMV 30 Sep 2016 £'000
Draper Esprit PLC						
Draper Esprit Ireland#	-	-	71,347	17,458	71,347	88,805
Esprit Capital I GP Limited						
Fund 2 Founder co-invest*	-	-	166	2	166	168
Fund 2 Founder 2 Carry*	-	-	479	(61)	479	418
Fund 3i Founder Carry~	-	-	526	1,014	526	1,540
Esprit Capital III GP LP						
Esprit Capital III Founder LP*	-	-	1,652	23	1,652	1,675
Esprit Capital III Founder GP Ltd						
Esprit Capital III Founder LP	-	-	-	3,349	-	3,349
Esprit Capital III Carried Interest LP	-	-	-	3,718	-	3,718
Esprit Capital III Founder LP	-	-	-	1,204	-	1,204
Other*	-	-	2	-	2	2
	-	-	74,172	26,707	74,172	100,879

Investments held through Draper Esprit Ireland were purchased with a mixture of cash (£47.5m) and shares issued by the Company (£23.9m).

* Investments acquired with Esprit Capital Partners LLP Group

~ £0.4m acquired with Esprit Capital Partners LLP Group, £150k additional cash invested.

7. Share Capital

<i>in thousands of shares</i>	Ordinary Shares	Management Shares
In issue as at 31 March 2016	-	50
Issued for cash	32,674	(50)
Issued in business combination	8,000	-
In issue at 30 September 2016 - fully paid	40,674	-
Authorised - par value £0.01	40,674	-

All ordinary shares rank equally with regard to the company's residual assets.

Issue of Ordinary Shares

On 15 June 2016, 40,673,909 shares were issued at £3 per share as part of a transaction to purchase Esprit Capital III LP, acquire the Esprit Capital Partners LLP Group and obtain an AIM listing for the Company shares. The shares were issued as follows:

23,829,017 shares were issued to investors for cash proceeds net of issuance costs, totalling £69.3 million.

8,844,892 shares (£23.9 million) were issued for the acquisition of investment interests in Esprit Capital III LP (note 6).

8,000,000 shares (£24.0 million) were issued for the acquisition of Esprit Capital Partners LLP (note 5).

8. Fair value measurements

The investment interests held by the Draper Esprit Group are held at FVTPL based on the underlying values of the Funds (Esprit Capital III, Esprit Capital III Founder LP, Esprit Investments (1), Encore I Fund LP and DFJ Esprit II LP) in which the Group directly or indirectly participates. The interests held yield a preferred return (a "hurdle") calculated against the cash invested, and subject to the underlying fund values being sufficient to meet or exceed the hurdle.

The Funds, Esprit Capital III Founder LP and DFJ Esprit II LP, invest in a number of early stage and growth companies, predominantly through unlisted securities. In the accounts of the Funds these investments are carried at fair value calculated as detailed below.

Unquoted investments are initially recognised at fair value adjusted for fees and transaction costs. Thereafter, investments are re-valued in accordance with the International Private Equity Valuation Guidelines ("IPEV") published by the European Venture Capital Association in December 2015. In line with the IPEV, the Manager may base valuations on earnings or revenues where applicable, market comparables, price of recent investments in the investee companies, or on net asset values inter alia.

Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business.

Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation. The length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment, and the Draper Esprit Group will consider whether the basis remains appropriate each time valuations are reviewed.

If the 'price of recent investment' methodology is no longer considered appropriate, the Draper Esprit Group then 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 Draper Esprit Group 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 Partnership 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.

Subsequent to their initial recognition, measurements of fair values of financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is based on observable inputs.

- 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.

The investments held by the Group are valued on the basis of the non-public reported financial performance of the underlying funds which themselves are valued principally using Level 3 inputs. As a consequence, the values of investments held within the group at 30 September 2016 are considered to be entirely based on Level 3 inputs and there were no transfers between Levels 1, 2 and 3 during the years.

The Group's unlisted investments are all classified as Level 3 investments. The fair values of the unlisted investments have been determined principally through reference to externally generated data such as investment round share prices, although a significant proportion are valued using an internally generated revenue multiple. A quantitative sensitivity analysis of the impact that changes to the weighted average revenue multiple would have on the value of investments held by the Group is shown below:

Sensitivity analysis – revenue multiple	Sept	March
	£'000s	£'000s
Value of Level 3 investments	100,879	-
Value sensitive to change in revenue multiple	32,600	-
Weighted average revenue multiple used	3.3x	-
Sensitivity (+/-)	10%	-
Effect on fair value (+/-)	3,260	-

9. 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 revenue, 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 EUR and GBP. Presented below is an analysis of the theoretical impact of 10% volatility in the exchange rate on equity.

A number of the investments held by the Group are denominated in Euros. The theoretical impact of a change in the exchange rate of +/-10% between EUR:GBP/USD:GBP would be as follows:

Foreign currency exposures - Investments			Sept	March
			£'000s	£'000s
Investments			100,878	-
10% increase in EUR:GBP/USD:GBP			94,884	-
10% decrease in EUR:GBP/USD:GBP			106,974	-

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

Foreign currency exposures - Cash			Sept	March
			£'000s	£'000s
Cash denominated in EUR			2,834	-
10% increase in EUR:GBP			2,576	-
10% decrease in EUR:GBP			3,117	-

The combined theoretical impact on Members' equity of the changes to investments and cash and cash equivalents of a change in the exchange rate of +/-10% between EUR:GBP/USD:GBP would be as follows

Foreign currency exposures - Equity			Sept	March
			£'000s	£'000s
Members' Equity			143,332	47
10% increase in EUR:GBP/USD:GBP			137,080	47
10% decrease in EUR:GBP/USD:GBP			149,711	47

Market risk - Price risk

The Draper Esprit Group is exposed to equity price risks arising from the limited number of listed investments it holds within its co-investment holdings. Such investments are held for strategic rather than trading purposes as part of the underlying managed investment portfolios. The Group does not actively trade these investments.

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.

All group payable balances at 30 September 2016 and 31 March 2016 fall due for payment within one year.

10. Related party transactions

Draper Esprit acts as manager to Esprit Capital III LP and charges a management fee which amounted to £312,000 in the period (March 2016: nil). This fee is included in revenue for the period.

Draper Esprit may require that one of its members is appointed to the board of an investee company in a non-executive role. In such circumstances Draper Esprit charges an administration fee to the investees for the provision of the director services. These fees which amounted to £7,000 (March 2016: nil) have been included in revenue for the period. Draper Esprit does not exercise control or management through any of these non-executive positions.

11. Post reporting date events

Draper Esprit PLC invested a further £1.6 million into Draper Esprit Ireland after the 30th September 2016 for investments outlined in the CEO Statement. Further commitments to invest in portfolio companies of £3.3 million were also made post period end.

On 24 October 2016, Draper Esprit announced that ENEA has signed an agreement to acquire portfolio company, Qosmos for a total cash consideration of approximately €52.7 million. The amount to be received by Draper Esprit on completion of sale will be approximately £6.0 million with a further €1.9 million expected in 24 months' time.

On 1 November 2016, Draper Esprit sold their stake in Datahug, a sales forecasting software company, to Callidus Software Inc for a cash consideration of approx \$13.0 million, resulting in a cash return to the Company of approximately £3.6 million, including funds held in escrow.

On 24 November 2016, Draper Esprit has acquired a 30.77% stake in Elderstreet Holdings Limited, the holding company of Elderstreet Investments Limited. The initial consideration has been satisfied by the issue of 73,667 new ordinary shares of one pence each in the capital of the Company.