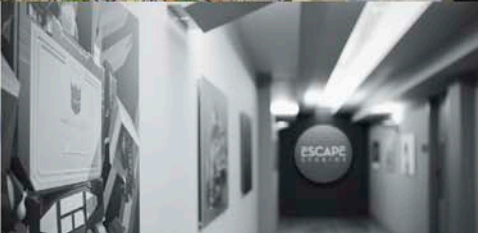
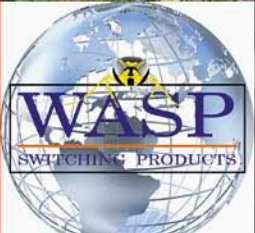




# Chrysalis VCT plc

Half Yearly Report  
for the six months ended  
30 April 2011





## SHAREHOLDER INFORMATION

### Recent performance summary

	<b>30 April 2011 pence</b>	<b>31 Oct 2010 pence</b>	<b>30 April 2010 pence</b>
<b>Ordinary Shares</b>			
Net asset value per share	83.70	83.00	82.80
Cumulative dividends paid per share	<u>29.95</u>	<u>28.45</u>	<u>26.95</u>
Total return	<u>113.65</u>	<u>111.45</u>	<u>109.75</u>
(Net asset value per share plus cumulative dividends)			
Mid market share price at period end	<u>50.00</u>	<u>50.00</u>	<u>58.00</u>

### Dividend history (since launch)

The table below shows the dividends paid by the Company since inception to 30 April 2011:

#### Ordinary Shares

<b>Year end (including interim dividends)</b>	<b>Gross pence per share</b>	<b>Year end (including interim dividends)</b>	<b>Gross pence per share</b>
2001	1.20	2006	3.00
2002	1.75	2007	3.50
2003	1.00	2008	6.00
2004	1.50	2009	4.00
2005	5.00	2010	3.00
		<b>Cumulative dividends paid to date</b>	29.95
		2011 interim - payable 29 July 2011	1.50

Dividends are paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose (form can be downloaded from [www.capitaregistrars.com](http://www.capitaregistrars.com)). Queries relating to dividends and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

### Share price

The Company's share price can be found in various financial websites with the TIDM/EPIC code CYS. A link to the share price is also available on Chrysalis's website ([www.chrysalisvct.co.uk](http://www.chrysalisvct.co.uk)) and on Downing's website ([www.downing.co.uk](http://www.downing.co.uk)).

Latest share price (28 June 2011):

53.75p per share

## CHAIRMAN'S STATEMENT

I am pleased to present the half yearly report for the Company, covering another successful period. It is pleasing to note that, since April 2009, the performance of the Fund has enabled us to pay out a total of £2.1 million in dividends to Shareholders and spend £451,000 buying back shares in the market, whilst slightly increasing the value of your portfolio.

We continue to identify promising opportunities and your Directors believe we currently have a healthy portfolio of investments.

During the half year, we have made further progress, in co-operation with our brokers, in improving the price which Shareholders who wish to exit, can achieve. At the same time, we have begun to see new shareholders buying in the market and we attribute this interest to the Board's dividend policy and successful investment strategy.

### Net Asset Value

At 30 April 2011, the Net Asset Value per Ordinary Share ("NAV") stood at 83.7p, an increase of 2.2p (2.7%) since the previous year end of 31 October 2010 (after adjusting for the 1.5p per Ordinary Share dividend paid in the period).

Total Return (NAV plus cumulative dividends paid since launch) now stands at 113.65p per share, compared to an original net of income tax relief cost of 80p per share.

### Venture Capital Investments

#### *Unquoted investments*

The Company has added three new investments to the portfolio during the period. £1 million was invested in Knowledge Pool Group, a training outsourcer, and £750,000 into My HobbyStore Holding, a publishing company developing e-commerce opportunities in specialist hobby activities. An investment of £250,000 has been made in Livvakt, a property development company.

We have also invested a further £150,000, by way of equity and loan stock, into VEEMEE, bringing our total investment to £500,000.

In December 2010, the investment in Centre Design was sold for £1.4 million. In addition to this disposal, Ensign Communication Holdings repaid our loan stock some four and a half years before the actual redemption date. The remaining investment in Ensign is now purely in equity holdings.

At the period end, the Company held a portfolio of 25 unquoted investments which were valued at £16.9 million. This portfolio continues to trade well, with the overall valuation being uplifted by £373,000.

#### *AIM quoted investments*

The AIM portfolio, which represents 3.4% of the total investment portfolio and comprises five investments, was valued at £872,000 at the period end. During the period, the Company disposed of its holding in YouGov plc. The AIM portfolio has performed well recently, with net unrealised gains over the period being £247,000 (an increase of 38%) and with realised gains amounting to £3,000.

### Listed fixed income securities

The Company continues to hold a portfolio of fixed income securities, which was valued at £3.8 million at the period end. The unrealised loss on the portfolio over the period was £30,000, with realised losses arising thereon of £19,000.

### Results and dividend

The return after taxation for the Company for the period was £594,000, comprising a revenue return of £167,000 and a capital return of £427,000.

The Company intends to pay a 1.5p dividend on 29 July 2011 to Shareholders on the register at 8 July 2011 in respect of the year to 31 October 2011. This will bring the total distributions paid to Ordinary Shareholders since inception to 31.45p per Ordinary Share.

## CHAIRMAN'S STATEMENT (continued)

### Share buybacks

The Company does not operate a fixed-price policy when purchasing its own shares. If shares are offered to the Company via its brokers, Singer Capital Markets, a decision is made on a case-by-case basis whether to buy and at what price. The overriding criterion will be that the purchase represents good value to remaining Shareholders.

During the period, the Company purchased 248,444 Ordinary Shares for an aggregate price of £123,000, being an average price of 49.0p per share. These shares were subsequently cancelled.

Since the appointment of Singers, the Board has worked to increase the exit price received by any shareholders, or deceased estate, wishing to sell shares. The success of this strategy has seen a considerable narrowing of the spread on our shares which has produced an increase of 33% in the sale price achieved. In addition, new investors have emerged from time to time and the Board sees this as an endorsement of our investment performance and our dividend policy.

### Risks and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half year results to report on principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) investment risk associated with investing in small and immature businesses; and
- (ii) failure to maintain approval as a VCT.

In both cases, the Board is satisfied with the Company's approach to these risks. As a VCT, the Company is forced to have significant exposure to relatively immature businesses. This risk is mitigated to some extent by holding a well-diversified portfolio.

The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who regularly reports to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

### Going concern

The Company has sufficient financial resources at the period end, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

### Outlook

The Board is committed to providing value to the investors in the Company and we anticipate that the remaining months of the financial year will continue the steady performance that has been achieved in recent years.



**Peter Harkness**  
Chairman

28 June 2011

## UNAUDITED INCOME STATEMENT for the six months ended 30 April 2011

	Six months ended 30 April 2011		
	Revenue £'000	Capital £'000	Total £'000
Income	378	-	378
Net gains on investments	-	572	572
	<hr/>	<hr/>	<hr/>
	378	572	950
Investment management fees	(53)	(158)	(211)
Performance incentive fees	-	(15)	(15)
Other expenses	(128)	(2)	(130)
	<hr/>	<hr/>	<hr/>
<b>Return on ordinary activities before taxation</b>	197	397	594
Taxation	(30)	30	-
	<hr/>	<hr/>	<hr/>
<b>Return attributable to equity shareholders</b>	167	427	594
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Return per Ordinary Share</b>	<b>0.5p</b>	<b>1.4p</b>	<b>1.9p</b>

Six months ended 30 April 2010			Year ended 31 October 2010
Revenue £'000	Capital £'000	Total £'000	Total £'000
395	-	395	713
-	503	503	1,077
<hr/> 395	<hr/> 503	<hr/> 898	<hr/> 1,790
(53)	(160)	(213)	(425)
-	(5)	(5)	(8)
(147)	(1)	(148)	(323)
<hr/> 195	<hr/> 337	<hr/> 532	<hr/> 1,034
(33)	33	-	-
<hr/> 162	<hr/> 370	<hr/> 532	<hr/> 1,034
<b>0.5p</b>	<b>1.2p</b>	<b>1.7p</b>	<b>3.3p</b>

## UNAUDITED SUMMARISED BALANCE SHEET as at 30 April 2011

	As at 30 Apr 2011 £'000	As at 30 Apr 2010 £'000	As at 31 Oct 2010 £'000
<b>Fixed assets</b>			
Investments	21,642	22,798	20,662
<b>Current assets</b>			
Debtors	186	178	1,672
Current investments	2,000	-	2,000
Cash at bank and in hand	1,914	2,893	1,463
	4,100	3,071	5,135
<b>Creditors: amounts falling due within one year</b>	(93)	(193)	(159)
<b>Net current assets</b>	4,007	2,878	4,976
<b>Net assets</b>	25,649	25,676	25,638
<b>Capital and reserves</b>			
Called up share capital	306	310	309
Capital redemption reserve	81	77	78
Share premium	1,064	1,064	1,064
Merger reserve	2,186	2,832	2,832
Special reserve	7,037	7,455	6,599
Capital reserve - realised	11,086	11,423	11,333
Revaluation reserve	3,208	1,839	2,679
Revenue reserve	681	676	744
<b>Equity shareholders' funds</b>	25,649	25,676	25,638
<b>Net asset value per Ordinary Share</b>	83.7p	82.8p	83.0p

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the six months ended 30 April 2011

	As at 30 Apr 2011 £'000	As at 30 Apr 2010 £'000	As at 31 Oct 2010 £'000
	<b>Total</b>	<b>Total</b>	<b>Total</b>
Opening shareholders' funds	25,638	25,858	25,858
Purchase of own shares	(123)	(92)	(167)
Total recognised gains in the period	594	532	1,034
Dividends paid	(460)	(622)	(1,087)
Closing shareholders' funds	25,649	25,676	25,638



## UNAUDITED CASH FLOW STATEMENT for the six months ended 30 April 2011

	Six months ended 30 April 2011 £'000	Six months ended 30 April 2010 £'000	Year ended 31 October 2010 £'000	
<b>Cash (outflow)/inflow from operating activities and returns on investments</b>	1	(50)	32	(8)
<b>Taxation</b>	-	-	-	(10)
<b>Capital expenditure</b>				
Purchase of investments	(2,929)	(1,074)	(5,391)	
Proceeds on disposal of investments	4,013	3,494	9,030	
Net cash inflow from capital expenditure	1,084	2,420	3,639	
<b>Management of liquid resources</b>				
Purchase of current investments	-	-	(2,000)	
<b>Net cash outflow from liquid resources</b>	-	-	(2,000)	
<b>Equity dividends paid</b>	(460)	(620)	(1,083)	
<b>Net cash inflow before financing</b>	574	1,832	538	
<b>Financing</b>				
Purchase of own shares	(123)	(76)	(212)	
Net cash outflow from financing	(123)	(76)	(212)	
<b>Increase in cash</b>	2	451	1,756	326

### Notes to the cash flow statement:

#### 1 Cash inflow from operating activities and returns on investments

Return on ordinary activities before taxation	594	532	1,034
Gains on investments	(572)	(503)	(1,077)
(Increase)/decrease in other debtors	(5)	45	40
Decrease in other creditors	(67)	(42)	(5)
Net cash (outflow)/inflow from operating activities	(50)	32	(8)

#### 2 Analysis of net funds

Beginning of period	3,463	1,137	1,137
Net cash inflow	451	1,756	326
Purchase of liquidity fund	-	-	2,000
End of period	3,914	2,893	3,463

## SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2011

	Cost £'000	Valuation £'000	Movement in the period £'000	% of portfolio by value
<b>Top ten venture capital investments</b>				
Wessex Advanced Switching Products Limited	704	2,612	(511)	10.2%
Precision Dental Laboratories Limited	2,110	2,187	26	8.6%
Locale Enterprises Limited	1,500	2,152	(3)	8.4%
British International Holdings Limited	908	1,868	149	7.3%
Ensign Communication Holdings Limited	292	1,736	310	6.8%
Escape Studio Limited	750	1,243	253	4.9%
My HobbyStore Holding Limited	750	1,053	303	4.1%
Knowledge Pool Group Limited	1,000	1,000	-	3.9%
London Italian Restaurants Limited	1,000	875	-	3.4%
The Capital Pub Company plc *	505	782	242	3.1%
	<u>9,519</u>	<u>15,508</u>	<u>769</u>	<u>60.7%</u>
<b>Other venture capital investments</b>	5,127	2,296	(149)	9.0%
<b>Listed fixed income securities</b>	<u>3,788</u>	<u>3,838</u>	<u>(30)</u>	<u>15.0%</u>
	<u>18,434</u>	<u>21,642</u>	<u>590</u>	<u>84.7%</u>
<b>Royal Bank of Scotland 3.41% fixed term deposit account</b>		2,000		7.8%
<b>Cash at bank and in hand</b>		1,914		7.5%
<b>Total investments</b>		<u>25,556</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

\* Quoted on AIM

## SUMMARY OF INVESTMENT MOVEMENTS for the six months ended 30 April 2011

### Additions

	Total £'000
<b>New investments</b>	
Knowledge Pool Group Limited	1,000
Livvakt Limited	250
My HobbyStore Holding Limited	750
<b>Bonds</b>	
United Kingdom Gilt 2% 22/01/2016	929
	2,929

### Disposals

	Cost £'000	Market value at 1 November 2010* £'000	Disposal Proceeds £'000	Gain/ (loss) against cost £'000	Total realised gain/ (loss) £'000
<i>Venture Capital disposals</i>					
BreakingViews Limited	-	18	18	18	-
Centre Design Limited	1,350	1,386	1,384	34	(2)
Ensign Communication Holdings Ltd	230	230	230	-	-
You Gov plc	20	30	33	13	3
<b>Bonds</b>					
United Kingdom Bonds 4.5% 07/03/2013	878	876	857	(21)	(19)
	2,478	2,540	2,522	44	(18)

\* Adjusted for purchases in the period

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

- The unaudited half yearly financial results cover the six months to 30 April 2011 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 October 2010 which were prepared under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised January 2009.
- All revenue and capital items in the Income Statement derive from continuing operations.
- The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
- The comparative figures were in respect of the six months ended 30 April 2010 and the year ended 31 October 2010 respectively.

### 5. Basic and diluted return per share

	30 Apr 2011	30 Apr 2010	31 Oct 2010
<b>Return per share based on:</b>			
Net revenue loss for the period (£'000)	167	162	230
<b>Capital return per share based on:</b>			
Net capital gain for the period (£'000)	427	370	804
Weighted average number of Ordinary Shares	30,780,243	31,154,376	31,060,084

### 6. Dividends

	30 April 2011			31 Oct 2010	
	Pence per share	Revenue £'000	Capital £'000	Total £'000	Total £'000
<b>Paid in period</b>					
2010 final	1.5	230	230	460	-
2010 interim	1.5	-	-	-	465
2009 final	2.0	-	-	-	622
		230	230	460	1,087

### 7. Basic and diluted Net Asset Value per share

	30 Apr 2011	30 Apr 2010	31 Oct 2010
Net Asset Value per share based on:			
Net Assets (£'000)	25,649	25,676	25,638
Number of Ordinary Shares in issue at the period end	30,655,065	31,025,509	30,903,509
Net Asset Value per share	83.7p	82.8p	83.0p

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

### 8. Called up share capital

	Ordinary Shares	
	Shares	£'000
As at 1 November 2010: Ordinary Shares of 1p each	30,903,509	309
Shares bought back and cancelled	(248,444)	(3)
As at 30 April 2011: Ordinary Shares of 1p each	<u>30,655,065</u>	<u>306</u>

### 9. Reserves

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve realised £'000	Revaluation reserve £'000	Revenue reserve £'000
At 1 November 2010	78	1,064	2,832	6,599	11,333	2,679	744
Shares repurchased	3	-	-	(123)	-	-	-
Expenses capitalised	-	-	-	-	(175)	-	-
Tax on capital expenses	-	-	-	-	30	-	-
(Losses)/gains on investments	-	-	-	-	(18)	590	-
Realisation of revaluations from previous years	-	-	-	-	61	(61)	-
Realisation of assets acquired through historic merger	-	-	(646)	-	646	-	-
Transfer between reserves	-	-	-	561	(561)	-	-
Retained net revenue for the period	-	-	-	-	-	-	167
Dividends paid	-	-	-	-	(230)	-	(230)
At 30 April 2011	<u>81</u>	<u>1,064</u>	<u>2,186</u>	<u>7,037</u>	<u>11,086</u>	<u>3,208</u>	<u>681</u>

The special reserve is a distributable reserve, which was created to enable the Company to purchase its own shares in the market without affecting its ability to pay dividends/capital distributions.

Distributable reserves comprise the special reserve, capital reserve – realised, revenue reserve, and investment holding losses of £2,692,000 (31/10/2010: £2,711,000). £275,000 of the merger reserve is also deemed to be distributable. At the period end there were £16,387,000 (31/10/2010: £16,240,000) of reserves available for distribution.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

10. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
  - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
11. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 October 2010 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Independent Auditors' Report on those financial statements was unqualified.
12. Copies of the unaudited half yearly report will be sent to Shareholders shortly. Further copies can be obtained from the Company's Registered Office and will be available for download from [www.downing.co.uk](http://www.downing.co.uk).



**Directors**

Peter Harkness (Chairman)  
Julie Baddeley  
Martin Knight

**Secretary and Registered Office**

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Registered No. 4095791

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**Administration Manager**

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Tel No: 020 7416 7780  
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**Registrar**

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34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel No: 0871 664 0324  
(calls cost 10p per minute plus network extras.  
Lines open Mon to Fri 8:30am to 5:30pm)  
[www.capitaregistrars.com](http://www.capitaregistrars.com)

**Corporate Broker and Share Buybacks Contact**

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