



# Chrysalis VCT plc

Half Yearly Report  
for the six months ended  
30 April 2012





Singer Capital Markets Limited is Corporate Broker to the Company.

Shareholders, or intermediaries, wishing to discuss the sale or purchase of Chrysalis VCT plc shares should contact:

Sam Greatrex

0203 205 7528

**Singer Capital Markets Limited** | One Hanover Street | London | W1S 1YZ

#### Share price

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

#### Selling shares

Shareholders are advised to seek advice from their tax adviser before selling shares, particularly if they deferred the payment of capital gains tax in respect of shares acquired prior to 6 April 2004. Shareholders wishing to sell their shares, or purchase further holdings in the Company, should contact Sam Greatrex at Singer Capital Markets Ltd on 0203 205 7528.

#### Share scam warning

We are aware that a significant number of shareholders of VCTs have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam".

**Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

## SHAREHOLDER INFORMATION

### Recent performance summary

	30 April 2012 pence	31 October 2011 pence	30 April 2011 pence
Net asset value per share	81.9	84.9	83.7
Cumulative dividends paid per share	<u>34.0</u>	<u>31.5</u>	<u>30.0</u>
Total Return	<u>115.9</u>	<u>116.4</u>	<u>113.7</u>
(Net asset value per share plus cumulative dividends)			

### Forthcoming dividends

	Payable 31 July 2012	Pence per share 1.75p
Interim dividend		

A full dividend history for the Company can be found at [www.downing.co.uk](http://www.downing.co.uk).

### Dividends

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 (forms can be downloaded from [www.capitaregistrars.com](http://www.capitaregistrars.com)). Queries relating to dividends, shareholdings, 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, lines open 8:30am to 5:30pm), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

### Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address, or other amendment, this should be notified to the Company's registrar, Capita Registrars, under the signature of the registered holder.

### Other information for Shareholders

Up-to-date Company information (including financial statements, share price, and dividend history) may be obtained from Downing's website at [www.downing.co.uk](http://www.downing.co.uk). Financial information is also available on Chrysalis' website ([www.chrysalisvct.co.uk](http://www.chrysalisvct.co.uk)) under "Shareholder Info".

If you have any queries regarding your shareholding in Chrysalis VCT plc, please contact the registrar on the above number or visit Capita's website at [www.capitaregistrars.com](http://www.capitaregistrars.com) and click on "Shareholders and employees".

## CHAIRMAN'S STATEMENT

Shareholders will not need me to tell them that we are going through an almost unprecedented period of economic uncertainty and confusion. Against this background, Chrysalis VCT - and the majority of our investee companies - can report a half year of relative stability.

Our existing portfolio of private equity investments, regularly reviewed by the Board, remains heartening in its resilience when compared with the uncomfortable ride being experienced on stock markets.

We continue to believe that attractive investments can be found and, just a couple of days after the close of the reporting period, we completed a £525,000 investment in a growth capital opportunity, Internet Fusion Limited, which has established an interesting business in the fast-growing e-commerce sector.

The stability of our portfolio, and the fact that we have sufficient resources for new investments in the medium term, has enabled your Board to increase the half year dividend to 1.75p – an improvement of more than 16% on last year. We feel that Shareholders will welcome this significant improvement in dividend yield.

### Net asset value

At 30 April 2012, the net asset value per share ("NAV") stood at 81.9p, a decrease of 0.5p (0.6%) since the previous year end of 31 October 2011 (after adjusting for the 2.5p dividend paid on 30 March 2012).

Total Return (NAV plus cumulative dividends paid since launch) now stands at 115.9p per share, compared to an original net of income tax relief cost of 80.0p per share.

The Company's net assets are now £24.5 million, which is a decrease of £1.1 million since the last year end, however, £900,000 of that decrease is due to the payment of dividends and share buybacks.

### Venture capital investments

As might be expected, the current troubled economic climate has had a mixed effect on the portfolio held by the Company. Unfortunately, Aerialcell Ltd, an early stage investment, found that its business model was not sustainable and has gone into liquidation resulting in a provision of £325,000. However, the remainder of the portfolio has continued to adapt to the tough environment and, overall, has shown an increase in value of £102,000.

I would particularly like to highlight Life's Kitchen which has recently signed agreements to become the in-house caterer for two more Livery Halls which should mean that its revenue this year will be five times greater than in 2009. We are also pleased with the profitable growth being achieved by MyHobbyStore and VEEMEE. All three investments have seen an uplift in value over the period.

Less encouraging has been the performance of London Italian Restaurants whose restaurants in South London are suffering from weak trading and, consequently, a provision of £219,000 has been made.

The Company has not made any significant disposals over the period but the few additions and disposals that were made are shown on page 10.

### Listed fixed income securities

The Company continues to hold a portfolio of fixed income securities, which was valued at £3.2 million at the period end. The unrealised loss on the portfolio over the period was £4,000.

## CHAIRMAN'S STATEMENT (continued)

### Results and dividend

The loss after taxation for the Company for the period was £216,000 comprising a revenue return of £133,000 and a capital loss of £349,000.

The interim dividend of 1.75p per share will be paid on 31 July 2012 to Shareholders on the register at 6 July 2012 in respect of the year to 31 October 2012. This will bring the total distributions paid to Ordinary Shareholders since inception to 35.7p per Ordinary Share.

### 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. One very pleasing statistic is that the discount to NAV has been cut yet again, improving by approximately five percentage points since the end of the financial year. Shareholders, and potential holders, seem to have noted the value and yield we offer and demand for shares is much firmer than it has been.

During the period, the Company purchased 253,448 shares for an aggregate consideration of £124,000 and these shares were subsequently cancelled.

### Outlook

We remain cautious about the remainder of the financial year – and beyond. Even well run businesses are affected in a general downturn, however, we foresee no unpleasant news from within the portfolio – but neither do we expect any significant value boost from exits.

We're keeping calm and we're carrying on with the job in hand – which seems to me to be exactly the right approach in such peculiar times.



**Peter Harkness**

Chairman  
22 June 2012

## UNAUDITED INCOME STATEMENT

for the six months ended 30 April 2012

	Six months ended 30 April 2012			Six months ended 30 April 2011			Year ended 31 Oct 2011
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	345	-	345	378	-	378	781
Net (losses)/gains on investments							
- realised	-	12	12	-	(18)	(18)	263
- unrealised	-	(227)	(227)	-	590	590	944
	<u>345</u>	<u>(215)</u>	<u>130</u>	<u>378</u>	<u>572</u>	<u>950</u>	<u>1,988</u>
Investment management fees	(53)	(159)	(212)	(53)	(158)	(211)	(423)
Performance incentive fees	-	(1)	(1)	-	(15)	(15)	(27)
Other expenses	<u>(133)</u>	<u>-</u>	<u>(133)</u>	<u>(128)</u>	<u>(2)</u>	<u>(130)</u>	<u>(271)</u>
<b>Return on ordinary activities before taxation</b>	<b>159</b>	<b>(375)</b>	<b>(216)</b>	<b>197</b>	<b>397</b>	<b>594</b>	<b>1,267</b>
Taxation	<u>(26)</u>	<u>26</u>	<u>-</u>	<u>(30)</u>	<u>30</u>	<u>-</u>	<u>-</u>
<b>Return attributable to equity shareholders</b>	<b><u>133</u></b>	<b><u>(349)</u></b>	<b><u>(216)</u></b>	<b><u>167</u></b>	<b><u>427</u></b>	<b><u>594</u></b>	<b><u>1,267</u></b>
<b>Return per share</b>	<b>0.4p</b>	<b>(1.1p)</b>	<b>(0.7p)</b>	<b>0.5p</b>	<b>1.4p</b>	<b>1.9p</b>	<b>4.1p</b>

## UNAUDITED SUMMARISED BALANCE SHEET

### as at 30 April 2012

	Note	As at 30 Apr 2012 £'000	As at 30 Apr 2011 £'000	As at 31 Oct 2011 £'000
<b>Fixed assets</b>				
Investments		<u>21,139</u>	<u>21,642</u>	<u>21,876</u>
<b>Current assets</b>				
Debtors		123	186	222
Current investments		2,000	2,000	2,000
Cash at bank and in hand		<u>1,396</u>	<u>1,914</u>	<u>1,680</u>
		3,519	4,100	3,902
<b>Creditors: amounts falling due within one year</b>		<u>(110)</u>	<u>(93)</u>	<u>(138)</u>
<b>Net current assets</b>		<u>3,409</u>	<u>4,007</u>	<u>3,764</u>
<b>Net assets</b>		<u>24,548</u>	<u>25,649</u>	<u>25,640</u>
<b>Capital and reserves</b>				
Called up share capital	8	299	306	302
Capital redemption reserve	9	88	81	85
Share premium	9	1,064	1,064	1,064
Merger reserve	9	2,106	2,186	2,128
Special reserve	9	6,150	7,037	6,377
Capital reserve - realised	9	10,447	11,086	10,897
Revaluation reserve	9	3,702	3,208	3,927
Revenue reserve	9	<u>692</u>	<u>681</u>	<u>860</u>
<b>Equity shareholders' funds</b>	7	<u>24,548</u>	<u>25,649</u>	<u>25,640</u>
<b>Net asset value per share</b>	7	<b>81.9p</b>	<b>83.7p</b>	<b>84.9p</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

### for the six months ended 30 April 2012

	Note	As at 30 Apr 2012 £'000	As at 30 Apr 2011 £'000	As at 31 Oct 2011 £'000
Opening Shareholders' funds		25,640	25,638	25,638
Purchase of own shares		(124)	(123)	(346)
Total recognised (losses)/gains in the period		(216)	594	1,267
Dividends paid		<u>(752)</u>	<u>(460)</u>	<u>(919)</u>
Closing Shareholders' funds	7	<u>24,548</u>	<u>25,649</u>	<u>25,640</u>

## UNAUDITED CASH FLOW STATEMENT

### for the six months ended 30 April 2012

	Six months ended 30 April 2012 £'000	Six months ended 30 April 2011 £'000	Year ended 31 October 2011 £'000
<b>Cash inflow/(outflow) from operating activities and returns on investments</b>	<b>a</b> 66	(50)	(14)
<b>Capital expenditure</b>			
Purchase of investments	(500)	(2,929)	(3,579)
Proceeds on disposal of investments	<u>1,021</u>	<u>4,013</u>	<u>5,063</u>
Net cash inflow from capital expenditure	<u>521</u>	<u>1,084</u>	<u>1,484</u>
<b>Equity dividends paid</b>	<u>(752)</u>	<u>(460)</u>	<u>(919)</u>
<b>Net cash (outflow)/inflow before financing</b>	(165)	574	551
<b>Financing</b>			
Purchase of own shares	<u>(119)</u>	<u>(123)</u>	<u>(334)</u>
Net cash outflow from financing	<u>(119)</u>	<u>(123)</u>	<u>(334)</u>
<b>(Decrease)/increase in cash</b>	<b>b</b> <u>(284)</u>	<u>451</u>	<u>217</u>
<b>Notes to the cash flow statement:</b>			
<b>a) Cash inflow/(outflow) from operating activities and returns on investments</b>			
(Loss)/return on ordinary activities before taxation	(216)	594	1,267
Losses/(gains) on investments	215	(572)	(1,207)
Decrease/(increase) in other debtors	98	(5)	(40)
Decrease in other creditors	<u>(31)</u>	<u>(67)</u>	<u>(34)</u>
Net cash inflow/(outflow) from operating activities	<u>66</u>	<u>(50)</u>	<u>(14)</u>
<b>b) Analysis of net funds</b>			
Beginning of period	3,680	3,463	3,463
Net cash (outflow)/inflow	<u>(284)</u>	<u>451</u>	<u>217</u>
End of period	<u>3,396</u>	<u>3,914</u>	<u>3,680</u>



## SUMMARY OF INVESTMENT PORTFOLIO

as at 30 April 2012

	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	2,250	33	9.2%
Locale Enterprises Limited	1,338	2,019	(71)	8.2%
Precision Dental Laboratories Limited	2,110	1,955	117	8.0%
British International Holdings Limited	908	1,919	(71)	7.8%
Ensign Communication Holdings Limited	292	1,614	(30)	6.6%
MyHobbyStore Holding Limited	750	1,366	130	5.6%
Escape Studios Limited	750	1,364	(238)	5.6%
VEEMEE Limited	500	1,019	202	4.1%
KnowledgePool Group Limited	1,000	1,000	-	4.1%
Triaster Limited	707	922	78	3.8%
	<u>9,059</u>	<u>15,428</u>	<u>150</u>	<u>63.0%</u>
<b>Other venture capital investments</b>	5,385	2,560	(373)	10.4%
<b>Listed fixed income securities</b>	<u>2,993</u>	<u>3,151</u>	<u>(4)</u>	<u>12.8%</u>
	<u>17,437</u>	21,139	<u>(227)</u>	86.2%
<b>Royal Bank of Scotland 3.41% fixed term deposit account</b>		2,000		8.1%
<b>Cash at bank and in hand</b>		<u>1,396</u>		<u>5.7%</u>
<b>Total investments</b>		<u>24,535</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

## SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 April 2012

### Additions

	£'000
<b>Follow-on investments</b>	
Aerialcell Limited	50
Livvakt Limited	300
<b>Bonds</b>	
S&W Investment Funds Cash Funds	150
	500

### Disposals

	Cost £'000	Market value at 1 November 2011 * £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
<b>Venture capital disposals</b>					
Best of the Best plc	16	4	16	-	12
Triaster Limited	51	51	51	-	-
<b>Bonds</b>					
United Kingdom Bonds 2.75% 22/01/2015	944	954	954	10	-
	1,011	1,009	1,021	10	12

\* 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 2012 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 October 2011 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 2011 and the year ended 31 October 2011 respectively.
- Basic and diluted return per share**

	30 Apr 2012	30 Apr 2011	31 Oct 2011
<b>Return per share based on:</b>			
Net revenue return for the period (£'000)	<u>133</u>	<u>167</u>	<u>346</u>
<b>Capital return per share based on:</b>			
Net capital (loss)/gain for the period (£'000)	<u>(349)</u>	<u>427</u>	<u>921</u>
Weighted average number of Ordinary Shares	<u>30,576,806</u>	<u>30,780,243</u>	<u>30,655,950</u>

### 6. Dividends

	30 April 2012				30 Apr 2011	31 Oct 2011
	Pence per share	Revenue £'000	Capital £'000	Total £'000	Total £'000	Total £'000
<b>Paid in period</b>						
2011 final	2.5	301	451	752	-	-
2011 interim	1.5	-	-	-	-	459
2010 final	1.5	-	-	-	460	460
		<u>301</u>	<u>451</u>	<u>752</u>	<u>460</u>	<u>919</u>

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

### 7. Basic and diluted net asset value per share

	30 Apr 2012	30 Apr 2011	31 Oct 2011
Net asset value per share based on:			
Net assets (£'000)	<u>24,548</u>	<u>25,649</u>	<u>25,640</u>
Number of Ordinary Shares in issue at the period end	<u>29,958,849</u>	<u>30,655,065</u>	<u>30,212,297</u>
Net asset value per share	<u>81.9p</u>	<u>83.7p</u>	<u>84.9p</u>

### 8. Called up share capital

	No. of shares	£'000
As at 1 November 2011: ordinary shares of 1p each	30,212,297	302
Shares bought back and cancelled	<u>(253,448)</u>	<u>(3)</u>
As at 30 April 2012: ordinary shares of 1p each	<u>29,958,849</u>	<u>299</u>

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

### 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 2011	85	1,064	2,128	6,377	10,897	3,927	860
Shares repurchased	3	-	-	(124)	-	-	-
Expenses capitalised	-	-	-	-	(160)	-	-
Tax on capital expenses	-	-	-	-	26	-	-
Gains/(losses) on investments	-	-	-	-	12	(227)	-
Realisation of revaluations from previous years	-	-	-	-	(2)	2	-
Realisation of assets acquired through historic merger	-	-	(22)	-	22	-	-
Transfer between reserves	-	-	-	(103)	103	-	-
Retained net revenue for the period	-	-	-	-	-	-	133
Dividends paid	-	-	-	-	(451)	-	(301)
At 30 April 2012	88	1,064	2,106	6,150	10,447	3,702	692

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 include investment holding losses of £3.1 million (31/10/2011: £2.6 million). £275,000 of the merger reserve is also deemed to be distributable. At the period end there were £14 million (31/10/2011: £16 million) of reserves available for distribution.

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.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

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 2011 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Independent Auditor's Report on those financial statements was unqualified.

### 12. 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.

### 13. 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.

14. 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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(calls cost 10p per minute plus network extras.  
Lines open Mon to Fri 8:30am to 5:30pm)  
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