

N+1 SINGER

Nplus1 Singer Capital Markets Limited is Corporate Broker to the Company.

Shareholders, or intermediaries, wishing to sell or purchase Chrysalis VCT plc shares will need to appoint a broker. To obtain the latest price, please contact Nplus1 Singer Capital Markets Limited:

Sam Greatrex 0203 205 7528

Nplus1 Singer Capital Markets Limited
One Hanover Street | London | W1S 1YZ

Important note:

Shareholders are advised to seek advice from their tax adviser, before selling shares, particularly if they took part in the Share Realisation and Reinvestment Programme (“SRRP”), purchased new shares in 2013, or deferred the payment of capital gains tax in respect of shares acquired prior to 6 April 2004.

Share price

The Company’s share price can be found on 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) and on Downing’s website (www.downing.co.uk).

Share scam warning

We have become 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. If you have any concerns, please contact Downing on 020 7416 7780.

SHAREHOLDER INFORMATION

Recent performance summary

	30 April 2016 pence	30 April 2015 pence	31 October 2015 pence
Net asset value per share	83.50	85.10	81.30
Cumulative dividends paid per share	63.70	56.50	60.45
Total return (net asset value per share plus cumulative dividends)	147.20	141.60	141.75

Recent dividend

	Paid
Final dividend (3.25p)	26 February 2016

Next dividends

	Payable
Interim dividend (3.75p) (1.75p Interim and 2.0p Special)	29 July 2016

A full dividend history for the Company can be found at 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.capitaassetservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Capita Asset Services, 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 or, if you have opted in may be sent by email to your registered email address. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Asset Services, under the signature of the registered holder. Notification of change of address can also be undertaken by contacting Downing LLP, who's details are located on the back page of these accounts.

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. Financial information is also available on Chrysalis's website (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.capitaassetservices.com and click on "Share Portal".

CHAIRMAN'S STATEMENT

- **3.75p dividend to be paid July 2016**
- **6.7% increase in net asset value since year end**
- **£579,000 of realised gains in the period**
- **£1.1 million of unrealised gains in the period**

Introduction

I am pleased to present my report for the six months ended 30 April 2016. The period has seen a steady performance from the investment portfolio and a relatively low level of investment activity, partly attributable to the uncertainty created by the new VCT rules.

Net asset value and results

At 30 April 2016, the net asset value per share ("NAV") stood at 83.5p, an increase of 5.45p (6.7%) since the previous year end of 31 October 2015 (after adding back the 3.25p dividend paid on 26 February 2016).

The Total Return to Shareholders who invested at the launch of the Company in 2000 (NAV plus cumulative dividends) is now 147.2p compared to the original cost (net of income tax relief) of 80.0p per share.

The return on activities after taxation for the Company for the period was £1.6 million, comprising a revenue return of £141,000 and a capital return of £1.5 million.

Dividends

The Board is proposing to pay an interim dividend at the same level as last year of 1.75p per share. In addition, as a result of the deferred consideration received, as highlighted below, we will also pay a further special dividend of 2.0p per share. The total dividend of 3.75p will be paid on 29 July 2016 to Shareholders on the register at 1 July 2016.

Following the payment of the dividend on 29 July 2016, Shareholders who invested at launch will have received distributions totalling 67.45p per share.

Venture capital portfolio

The Company invested £605,000 in the period in one new and two follow on investments. At the end of the period, the Company held a portfolio comprising 25 investments with a total value of £17.6 million.

The largest addition was a further investment of £500,000 in Coolabi Group Limited plc, the children's and family entertainment brand management group. The company owns brands such as The Clangers and Bagpuss and the new funds will support the production of new TV series.

In March 2016 the Company invested £75,000 in a new venture, Fusion Catering Solutions Limited, a wedding and event caterer. The management team are known to the Company from an existing portfolio company, Life's Kitchen Limited.

Finally, an additional £30,000 was also invested in Cambridge Mechatronics Limited as part of a rights issue undertaken by the company to fund its continuing growth.

In terms of realisations, a further £440,000 of deferred consideration was received in the period in respect of the sale of Wessex Advanced Switching Products Limited ("WASP"), which took place in 2015. £125,000 of deferred consideration was also received in respect of Autocue Group Limited which was also sold in 2015.

There were also five full or partial redemptions of loan stock from various investee companies totalling £983,000 and one liquidation receipt of £14,000. Total proceeds received in the period were £1.6 million giving rise to a gain of £579,000.

CHAIRMAN'S STATEMENT (continued)

Venture capital portfolio (continued)

The Board has reviewed the valuations of all the unquoted portfolio and there have a number of relatively minor adjustments both up and down. The two most significant movements were both valuation increases. We have now been invested in Driver Require Limited for over a year and so are no longer valuing it at cost and, due to its strong trading performance, there has been an upward valuation of £413,000. Cambridge Mechatronics Limited raised a significant amount of money at a higher price than we originally paid and valuing our investment at that price resulted in an increase of £343,000.

Overall, there was a net unrealised gain of £1.1 million across the portfolio.

Fixed income securities

The Company continues to hold a portfolio of fixed income bonds, which was valued at £2.1 million at the period end. The unrealised losses on the portfolio over the period was £50,000.

Shares

The Board continues to monitor the market in the Company's shares and remains of the view that the Company's liquid resources are best reserved to ensure that the Company is able to maintain a strong dividend stream. The Board believes that this makes the shares attractive to potential buyers in the secondary market.

As a result of this strategy, the Company will not usually buy in its own shares for cancellation.

The Company retains Nplus1 Singer Capital Markets to act as its corporate broker. Nplus1 is usually aware of parties who are looking to trade and should be able to assist investors looking to buy or sell Chrysalis VCT shares.

VCT rules

As Shareholders will be aware from previous reports, there have been some major changes to the VCT rules over the last year. In May, HMRC published the long awaited guidance on the new rules, however the full impact of the changes is probably still unknown.

What is clear is that your Company is now not ordinarily able to support all existing portfolio companies with a further investment should they need it, despite the fact these businesses were within the VCT rules at the time of the original investment. This is understandably frustrating for the Board, the Manager and the relevant investee companies. We are however hopeful that we will be able to continue to provide support in one way or another to all portfolio companies to help further drive their growth and deliver rewards for our Shareholders.

Outlook

Your Board remains satisfied with the progress made by your Company. As with any investment activity of this nature, there will always be challenges, however I believe that your Company is as well placed as it can be to address issues that arise and we continue to hold a portfolio that can deliver further good results to Shareholders in the future.

I look forward to updating Shareholders in my Statement in the Annual Report to 31 October 2016.



Peter Harkness
Chairman
3 June 2016

SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2016

	Cost £'000	Valuation £'000	Valuation movement in the period £'000	% of portfolio by value
Top ten venture capital investments				
Coolabi Group Limited	3,456	3,830	(154)	15.4%
Locale Enterprises Limited	2,513	2,663	286	10.7%
Internet Fusion Limited	800	1,485	167	6.0%
Precision Dental Laboratories Limited	1,110	1,482	192	5.9%
K10 (London) Limited	950	1,117	36	4.5%
Driver Require Limited	520	933	413	3.7%
MyTime Media Holdings Limited	351	926	32	3.7%
Electrobase RP Holdings Limited	1,001	900	(100)	3.6%
Cambridge Mechatronics Limited	366	843	343	3.4%
Zappar Limited	25	775	-	3.1%
	<u>11,092</u>	<u>14,954</u>	<u>1,215</u>	<u>60.0%</u>
Other venture capital investments	4,516	2,619	(80)	10.5%
Fixed income securities	<u>2,210</u>	<u>2,137</u>	<u>(50)</u>	<u>8.6%</u>
	<u>17,818</u>	<u>19,710</u>	<u>1,085</u>	<u>79.1%</u>
Cash at bank and in hand		<u>5,214</u>		<u>20.9%</u>
Total investments		<u>24,924</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 2016

Additions

	£'000
New investments	
Fusion Catering Solutions Limited	75
Follow-on investments	
Coolabi Group Limited	500
Cambridge Mechatronics Limited	30
	<u>605</u>

Disposals

	Cost £'000	Value at 1 Nov 2015* £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain £'000
Venture capital investments					
<i>Loan stock redemptions</i>					
MyTime Media Holdings Limited	400	400	400	-	-
Internet Fusion Limited	200	244	244	44	-
Precision Dental Laboratories Limited	200	200	200	-	-
Livvakt Limited	129	129	129	-	-
Locale Enterprises Limited	10	10	10	-	-
<i>Dissolution, liquidation and retention</i>					
Wessex Advanced Switching Products Limited	-	-	440	440	440
Autocue Group Limited	-	-	125	125	125
Newquay Helicopter Limited	-	-	14	14	14
	<u>939</u>	<u>983</u>	<u>1,562</u>	<u>623</u>	<u>579</u>

* Adjusted for purchases in the period where applicable

UNAUDITED INCOME STATEMENT for the six months ended 30 April 2016

	Six months ended 30 Apr 2016			Six months ended 30 Apr 2015			Year ended 31 Oct 2015
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	365	-	365	350	-	350	733
Net gains on investments							
- realised	-	579	579	-	431	431	438
- unrealised	-	1,085	1,085	-	1,512	1,512	1,533
	<u>365</u>	<u>1,664</u>	<u>2,029</u>	<u>350</u>	<u>1,943</u>	<u>2,293</u>	<u>2,704</u>
Investment management fees	(50)	(151)	(201)	(50)	(152)	(202)	(412)
Performance incentive fees	-	(46)	(46)	-	(24)	(24)	(35)
Other expenses	(139)	-	(139)	(132)	-	(132)	(263)
	<u>(189)</u>	<u>(197)</u>	<u>(386)</u>	<u>(182)</u>	<u>(176)</u>	<u>(358)</u>	<u>(710)</u>
Return on ordinary activities before taxation	176	1,467	1,643	168	1,767	1,935	1,994
Tax on total comprehensive income and ordinary activities	(35)	35	-	(32)	32	-	-
	<u>(35)</u>	<u>35</u>	<u>-</u>	<u>(32)</u>	<u>32</u>	<u>-</u>	<u>-</u>
Return attributable to equity shareholders	141	1,502	1,643	136	1,799	1,935	1,994
Return per share	0.5p	5.0p	5.5p	0.5p	6.0p	6.5p	6.7p

The total column within the Income Statement represents the profit and loss account of the Company. No operations were acquired or discontinued during the period.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as noted above.

UNAUDITED BALANCE SHEET as at 30 April 2016

	30 Apr 2016	30 Apr 2015	31 Oct 2015
Note	£'000	£'000	£'000
Fixed assets			
Investments	19,710	19,051	19,003
Current assets			
Debtors	161	3,597	153
Cash at bank and in hand	5,214	3,053	5,223
	5,375	6,650	5,376
Creditors: amounts falling due within one year	(102)	(251)	(67)
Net current assets	5,273	6,399	5,309
Net assets	24,983	25,450	24,312
Capital and reserves			
Called up share capital	8 299	299	299
Capital redemption reserve	89	89	89
Share premium	1,478	1,478	1,478
Merger reserve	9 1,357	1,357	1,357
Special reserve	9 2,383	3,252	1,926
Capital reserve - realised	9 14,367	15,243	15,022
Capital reserve - unrealised	9 4,391	3,189	3,439
Revenue reserve	9 619	543	702
Equity shareholders' funds	7 24,983	25,450	24,312
Net asset value per share	7 83.5p	85.1p	81.3p

STATEMENT OF CHANGE IN EQUITY for the six months ended 30 April 2016

	Share Capital £'000	Capital Redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve -realised £'000	Capital reserve -unrealised £'000	Revenue reserve £'000	Total £'000
At 1 November 2015	299	89	1,478	1,357	1,926	15,022	3,439	702	24,312
Expenses capitalised	-	-	-	-	-	(197)	-	-	(197)
Tax on capital expenses	-	-	-	-	-	35	-	-	35
Gains on investments	-	-	-	-	-	579	1,085	-	1,664
Realisation of revaluations from previous years	-	-	-	-	-	44	(44)	-	-
Realisation of impaired valuations	-	-	-	-	-	89	(89)	-	-
Transfer between reserves	-	-	-	-	457	(457)	-	-	-
Retained net revenue for the period	-	-	-	-	-	-	-	141	141
Dividends paid	-	-	-	-	-	(748)	-	(224)	(972)
At 30 April 2016	299	89	1,478	1,357	2,383	14,367	4,391	619	24,983

UNAUDITED CASH FLOW STATEMENT for the six months ended 30 April 2016

	Six months ended 30 Apr 2016	Six months ended 30 Apr 2015	Year ended 31 Oct 2015
Note	£'000	£'000	£'000
Cash inflow/(outflow) from operating activities and returns on investments	10 <u>6</u>	<u>62</u>	<u>(146)</u>
Capital expenditure			
Purchase of investments	(605)	(1,907)	(2,483)
Proceeds on disposal of investments	<u>1,562</u>	<u>932</u>	<u>5,083</u>
Net cash inflow/(outflow) from capital expenditure	957	(975)	2,600
Equity dividends paid	<u>(972)</u>	<u>(972)</u>	<u>(2,169)</u>
Net cash (outflow)/inflow before financing	(9)	(1,885)	285
	<u> </u>	<u> </u>	<u> </u>
(Decrease)/increase in cash	11 <u><u>(9)</u></u>	<u><u>(1,885)</u></u>	<u><u>285</u></u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General information

Chrysalis VCT plc (“the Company”) is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

2. Accounting policies

Basis of accounting

The unaudited half-yearly results cover the six months to 30 April 2016 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 October 2015 and in accordance with the Financial Reporting Standard 102 (“FRS102”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” revised November 2014 (“SORP”).

This is the first period in which the financial statements have been prepared under FRS102, however, it has not been necessary to restate comparatives as the treatment previously applied aligns with the requirements of FRS102. As a result, there are no reconciling differences between the previous financial reporting framework and the current financial reporting framework and the comparative figures represent the position under both current and previous financial reporting frameworks.

The Company implements new Financial Reporting Standards issued by the Financial Reporting Council when required.

The financial statements are presented in Sterling (£).

Presentation of Income Statement

In order to better reflect the activities of a Venture Capital Trust, and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

Fixed asset investments

Investments are designated as “fair value through profit or loss” assets, upon acquisition, due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company's documented investment policy.

Key sources of estimation uncertainty

Of the Company's assets measured at fair value, it is possible to determine their fair values within a reasonable range of estimates. The fair value of an investment upon acquisition is deemed to be cost. Thereafter, investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV”) together with FRS102 sections 11 and 12.

Listed fixed income investments and investments quoted on AIM and the Main Market are measured using bid prices in accordance with the IPEV.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

For unquoted instruments, fair value is established using the IPEV. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

Where an investee company has gone into receivership, liquidation, or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised. Permanent impairments in the value of investments are deemed to be realised losses and held within the Capital Reserve – Realised.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment expensed.

It is not the Company's policy to exercise significant influence over investee companies. Therefore the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP and FRS102 sections 14 and 15 that do not require portfolio investments to be accounted for using the equity method of accounting.

Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the acquisition of an investment are deducted as a capital item.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The Company has adopted the policy of allocating investment manager's fees, 75% to capital and 25% to revenue as permitted by the SORP. The allocation is in line with the Board's expectation of long term returns from the Company's investments in the form of capital gains and income respectively.
- Performance incentive fees arising are treated as a capital item.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

Taxation

The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arise.

Deferred taxation is not discounted and is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost.

Issue costs

Issue costs in relation to the shares issued are deducted from the share premium account.

3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures were in respect of the six months ended 30 April 2015 and the year ended 31 October 2015 respectively.
5. **Basic and diluted return per share**

	Six months ended 30 Apr 2016	Six months ended 30 Apr 2015	Year ended 31 Oct 2015
Return per share based on:			
Net revenue return for the period (£'000)	<u>141</u>	<u>136</u>	<u>296</u>
Capital return per share based on:			
Net capital gain for the period (£'000)	<u>1,502</u>	<u>1,799</u>	<u>1,698</u>
Weighted average number of shares	<u>29,917,025</u>	<u>29,917,025</u>	<u>29,917,025</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

6. Dividends paid

		Six months ended 30 Apr 2016			Year ended 31 Oct 2015
	Pence per share	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in period					
2015 Final	3.25p	224	748	972	-
2015 Interim	1.75p	-	-	-	524
2015 Special	2.25p	-	-	-	673
2014 Final	3.25p	-	-	-	972
		<u>224</u>	<u>748</u>	<u>972</u>	<u>2,169</u>

7. Basic and diluted net asset value per share

	Six months ended 30 Apr 2016	Six months ended 30 Apr 2015	Year ended 31 Oct 2015
Net asset value per share based on:			
Net assets (£'000)	<u>24,983</u>	<u>25,450</u>	<u>24,312</u>
Number of shares in issue at the period end	<u>29,917,025</u>	<u>29,917,025</u>	<u>29,917,025</u>
Net asset value per share	<u>83.5p</u>	<u>85.1p</u>	<u>81.3p</u>

8. Called up share capital

	Shares in issue	£'000
Period ended 30 April 2016	29,917,025	<u>299</u>
Period ended 30 April 2015	29,917,025	<u>299</u>
Year ended 31 October 2015	29,917,025	<u>299</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Reserves

The special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends and also allows the Company to make transfers between reserves to offset realised capital losses arising on disposals and impairments.

Distributable reserves are calculated as follows:

	Six months ended 30 Apr 2016 £'000	Six months ended 30 Apr 2015 £'000	Year ended 31 Oct 2015 £'000
Special reserve	2,383	3,252	1,926
Capital reserve - realised	14,367	15,243	15,022
Revenue reserve	619	543	702
Merger reserve – distributable element	275	275	275
Unrealised losses – excluding unrealised unquoted gains	(306)	(850)	(283)
	<u>17,338</u>	<u>18,463</u>	<u>17,642</u>

10. Reconciliation of return on ordinary activities before taxation to net cash flow from operating activities

	Six months ended 30 Apr 2016 £'000	Six months ended 30 Apr 2015 £'000	Year ended 31 Oct 2015 £'000
Return on ordinary activities before taxation	1,643	1,935	1,994
Gains on investments	(1,664)	(1,943)	(1,971)
(Increase)/decrease in other debtors	(7)	88	33
Increase/(decrease) in other creditors	34	(18)	(202)
	<u>6</u>	<u>62</u>	<u>(146)</u>
Net cash inflow/(outflow) from operating activities	<u>6</u>	<u>62</u>	<u>(146)</u>

11. Reconciliation of net cash flow to movement in net funds

	Net funds at 1 Nov 2015 £'000	Cash flows £'000	Net funds at 30 Apr 2016 £'000
Cash at bank and in hand	<u>5,223</u>	<u>(9)</u>	<u>5,214</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

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 Philip Hare and Associates LLP 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. 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)

15. 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 2015 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.

16. 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.

Directors

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Julie Baddeley
Martin Knight

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