

# Chrysalis VCT PLC

*Half Yearly Report  
for the six months  
ended 30 April 2008*



# SHAREHOLDER INFORMATION

## Recent Performance Summary

	<b>30 April 2008 pence</b>	<b>31 Oct 2007 pence</b>	<b>30 April 2007 pence</b>
<b>Ordinary Shares</b>			
Net asset value per share	91.10	91.50	88.70
Cumulative dividends paid per share	<u>16.95</u>	<u>13.45</u>	<u>13.45</u>
Total return	<u><u>108.05</u></u>	<u><u>104.95</u></u>	<u><u>102.15</u></u>
<b>'D' Shares</b>			
Net asset value per share	81.50	106.10	104.30
Cumulative dividends paid per share	<u>3.25</u>	<u>1.25</u>	<u>1.25</u>
Total return	<u><u>84.75</u></u>	<u><u>107.35</u></u>	<u><u>105.55</u></u>
<b>'E' Shares</b>			
Net asset value per share	67.30	95.30	95.00
Cumulative dividends paid per share	<u>3.25</u>	<u>1.25</u>	<u>1.25</u>
Total return	<u><u>70.55</u></u>	<u><u>96.55</u></u>	<u><u>96.25</u></u>

## Dividend History (since launch)

<b>Ordinary Shares</b>	<b>Pence</b>	<b>'D' Shares</b>	<b>Pence</b>
<b>Date Paid</b>	<b>per share</b>	<b>Date Paid</b>	<b>per share</b>
28 February 2002	1.20	27 March 2007	1.25
21 February 2003	1.75	20 March 2008	2.00
20 April 2004	1.00	<b>Cumulative dividends paid to date</b>	<u><u>3.25</u></u>
3 September 2004	1.50		
15 July 2005	3.00		
4 April 2006	2.00	<b>'E' Shares</b>	
2 March 2007	3.00	27 March 2007	1.25
20 March 2008	<u>3.50</u>	20 March 2008	2.00
<b>Cumulative dividends paid to date</b>	<u><u>16.95</u></u>	<b>Cumulative dividends paid to date</b>	<u><u>3.25</u></u>
25 July 2008	2.00		

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. Queries relating to dividends and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras), or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA.

## Share Price

The Company's share price can be found in various financial websites with the TIDM/EPIC codes shown below:

<b>TIDM/EPIC Code</b>	<b>Ordinary Shares</b>	<b>'D' Shares</b>	<b>'E' Shares</b>
	<b>CYS</b>	<b>CYSD</b>	<b>CYSE</b>
Latest share price (30 June 2008):	75.0p per share	73.0p per share	59.0p per share

## Selling Shares

Any Shareholders who are considering selling some or all of their shares should ensure they are fully aware of any tax consequences. If you are in any doubt, please contact your financial adviser.

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. Downing Management Services Limited is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares for cancellation. Contact details are shown on the back cover of this document.

## CHAIRMAN'S STATEMENT

### Introduction

The period to 30 April 2008 has been notable for the sharp deterioration in the economic climate and general investor confidence. Against this backdrop, it is very pleasing to be able to report a further improvement in the performance of the Company's Ordinary Share pool. Unfortunately, the younger and more immature investments which make up the 'D' Share and 'E' Share pools have been much more vulnerable to the challenging conditions.

### Net Asset Value

#### Ordinary Shares

At 30 April 2008, the Net Asset Value per Ordinary Share ("NAV") had risen to 91.1p, an increase of 3.1p (3.5%) since the previous year end of 31 October 2007 (after adjusting for the 3.5p per Ordinary Share dividend paid in the period).

Total Return (NAV plus cumulative dividends paid since launch) to original Ordinary Shareholders now stands at 108.05p per share, compared to an original net of income tax relief cost of 80p per share.

#### 'D' Shares

The NAV of the 'D' Shares stood at 81.5p per share at 30 April 2008. This represents a significant fall since 31 October 2007, when the 'D' Share NAV stood at 106.1p (although a dividend of 2p per share was paid in the period).

#### 'E' Shares

At 30 April 2008, the NAV of the 'E' Shares had fallen to 67.3p. As with the 'D' Share pool, this is a significant fall compared to at 31 October 2007 when the NAV stood at 95.3p per share, with a 2p per share dividend paid in the period.

### Venture Capital Investments

#### Ordinary Share pool

The Ordinary Share pool achieved two notable exits during the period. The investment in AMI was sold for approximately £1.2 million against an original cost of £615,000, producing a gain in the period against previous carrying value of £241,000.

Even more satisfying was the disposal of ILG Digital, an investment made in October 2005, which produced proceeds of £2.6 million against an original cost of £805,600. The gain against the previous carrying value was £536,000.

The Ordinary Share pool also made two new investments and two follow-on investments with a total value of £433,000.

Overall, the Ordinary Share portfolio showed net realised gains of £301,000 for the period. Of the investments held at the period end, the Ordinary Share pool showed unrealised gains of £1.1 million on its unquoted investments. Unfortunately much of this was cancelled out by unrealised losses on the AIM-quoted investments of £852,000, leaving net unrealised gains of £313,000.

#### 'D' Share and 'E' Share pool

As 'D' and 'E' Shareholders will be aware, both pools are very small and as a result, comprise of a reasonably low number of investments. In the period, both pools have had investments which have either failed or required full provisions.

Two full provisions were required in the 'D' Share pool, which produced net unrealised losses of £130,000 over the period, while there was one failure and two full provisions required within the 'E' Share pool, which produced net unrealised losses of £96,000 over the period and realised losses of £70,000.

## CHAIRMAN'S STATEMENT (continued)

### Results and dividend

The return after taxation for the Company for the period amounted to a gain of £597,000 comprising a revenue return of £512,000 and a capital surplus of £85,000.

Following the successful disposals from the Ordinary Share pool during the period, the Company will pay an interim dividend of 2.0p per Ordinary Share on 25 July 2008 to Ordinary Shareholders on the register at 11 July 2008. This brings the total distributions paid to Ordinary Shareholders since inception, to 18.95p per Ordinary Share.

### Share buybacks

The Company continues to operate a share buyback policy in order to provide liquidity in the market for its shares. Any Shareholders wishing to sell their holding should consult their financial adviser to ensure they understand the potential tax implications of such a disposal. Shares cannot be sold directly to the Company but must be sold via the Stock Market through a stockbroker.

During the period, the Company purchased 773,599 Ordinary Shares, at an average price of 76.1p per share, for cancellation. These purchases were generally undertaken at a 15% discount to the last published NAV.

The Company also purchased 3,090 'D' Shares for cancellation, at a price of 81.5p per share, which was a 10% discount to the last published NAV.

### Risks and uncertainties

Under the Disclosure and Transparency Directive, the Board is now 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.

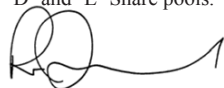
The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who regularly reports to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach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

### Outlook

The impact of the "credit crunch" has already spread far and wide and the short term prospects for the economy are bleak. The unavailability of bank finance and the more aggressive approach now being taken by banks towards their customers will provide a challenging period for small, developing businesses.

The Ordinary Share pool, which includes more mature businesses, has continued to fare well. Since the period end, this pool has achieved another profitable disposal. Its investment in Babel Media Limited was sold in June at an uplift of £1.6 million over cost and £253,000 over the valuation at 31 October 2007. This is another excellent result, which comes after several years of intensive support from the investment management team.

With exits from many of the Ordinary Share pool's best performing investments in recent years, it is not realistic to expect to see further substantial growth in NAV in the short term. In the current conditions, the immediate goal will be preservation of value for the Ordinary, 'D' and 'E' Share pools.



**Robert Drummond**  
Chairman

30 June 2008

## UNAUDITED SUMMARISED BALANCE SHEET as at 30 April 2008

	As at 30 Apr 2008	As at 30 Apr 2007	As at 31 Oct 2007
	Total £'000	Total £'000	Total £'000
<b>Investments</b>	23,510	24,337	26,724
<b>Net current assets</b>	6,379	6,438	4,316
<b>Net assets</b>	<u>29,889</u>	<u>30,775</u>	<u>31,040</u>
<b>Capital and reserves</b>			
Called up share capital	330	346	338
Capital redemption reserve	57	41	49
Share premium	1,064	1,064	1,064
Merger reserve	8,694	8,694	8,694
Special reserve	6,304	8,007	7,318
Capital reserve - realised	11,211	9,518	9,870
Capital reserve - unrealised	1,513	2,784	2,993
Revenue reserve	716	321	714
<b>Total equity</b>	<u>29,889</u>	<u>30,775</u>	<u>31,040</u>
<b>Net asset value per:</b>			
<b>Ordinary share</b>	<b>91.1p</b>	<b>88.7p</b>	<b>91.5p</b>
<b>'D' share</b>	<b>81.5p</b>	<b>104.3p</b>	<b>106.1p</b>
<b>'E' share</b>	<b>67.3p</b>	<b>95.0p</b>	<b>95.3p</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the period ended 30 April 2008

	30 Apr 2008			30 Apr 2007	31 Oct 2007
	Ordinary shares £'000	'D' Shares £'000	'E' Shares £'000	Total £'000	Total £'000
Opening shareholders' funds	29,898	569	573	31,040	30,124
Purchase of own shares	(591)	(3)	-	(594)	(619)
Total recognised gains/ (losses) in the period	874	(121)	(156)	597	2,305
Distributions	(1,131)	(11)	(12)	(1,154)	(1,035)
	<u>29,050</u>	<u>434</u>	<u>405</u>	<u>29,889</u>	<u>30,775</u>
					<u>31,040</u>

## UNAUDITED SUMMARISED BALANCE SHEET as at 30 April 2008

### Analysed by share pool

<b>Ordinary Shares</b>	<b>As at 30 Apr 2008 £'000</b>	<b>As at 30 Apr 2007 £'000</b>	<b>As at 31 Oct 2007 £'000</b>
Investments	23,130	23,789	26,068
Net current assets	<u>5,920</u>	<u>5,856</u>	<u>3,830</u>
<b>Net assets</b>	<b><u>29,050</u></b>	<b><u>29,645</u></b>	<b><u>29,898</u></b>
<b>Capital and reserves</b>			
Called up share capital	319	335	327
Reserves	<u>28,731</u>	<u>29,310</u>	<u>29,571</u>
<b>Total equity</b>	<b><u>29,050</u></b>	<b><u>29,645</u></b>	<b><u>29,898</u></b>
<b>Net asset value per Ordinary Share</b>	<b>91.1p</b>	<b>88.7p</b>	<b>91.5p</b>
<b>'D' Shares</b>	<b>As at 30 Apr 2008 £'000</b>	<b>As at 30 Apr 2007 £'000</b>	<b>As at 31 Oct 2007 £'000</b>
Investments	280	448	410
Net current assets	<u>154</u>	<u>111</u>	<u>159</u>
<b>Net assets</b>	<b><u>434</u></b>	<b><u>559</u></b>	<b><u>569</u></b>
<b>Capital and reserves</b>			
Called up share capital	5	5	5
Reserves	<u>429</u>	<u>554</u>	<u>564</u>
<b>Total equity</b>	<b><u>434</u></b>	<b><u>559</u></b>	<b><u>569</u></b>
<b>Net asset value per 'D' Share</b>	<b>81.5p</b>	<b>104.3p</b>	<b>106.1p</b>
<b>'E' Shares</b>	<b>As at 30 Apr 2008 £'000</b>	<b>As at 30 Apr 2007 £'000</b>	<b>As at 31 Oct 2007 £'000</b>
Investments	100	100	246
Net current assets	<u>305</u>	<u>471</u>	<u>327</u>
<b>Net assets</b>	<b><u>405</u></b>	<b><u>571</u></b>	<b><u>573</u></b>
<b>Capital and reserves</b>			
Called up share capital	6	6	6
Reserves	<u>399</u>	<u>565</u>	<u>567</u>
<b>Total equity</b>	<b><u>405</u></b>	<b><u>571</u></b>	<b><u>573</u></b>
<b>Net asset value per 'E' Share</b>	<b>67.3p</b>	<b>95.0p</b>	<b>95.3p</b>

## UNAUDITED INCOME STATEMENT for the six months ended 30 April 2008

Company Total	Six months ended 30 April 2008		
	Revenue £'000	Capital £'000	Total £'000
Income	848	-	848
Gains on investments			
- Realised	-	232	232
- Unrealised	-	84	84
	<u>848</u>	<u>316</u>	<u>1,164</u>
Investment management fees	(64)	(192)	(256)
Performance incentive fees	-	(114)	(114)
Other expenses	(143)	(17)	(160)
<b>Return on ordinary activities before taxation</b>	<u>641</u>	<u>(7)</u>	<u>634</u>
Taxation	(129)	92	(37)
<b>Return attributable to equity shareholders</b>	<u>512</u>	<u>85</u>	<u>597</u>
<b>Return per Ordinary share</b>	<b>1.5p</b>	<b>1.2p</b>	<b>2.7p</b>
<b>Return per 'D' share</b>	<b>1.6p</b>	<b>(24.3p)</b>	<b>(22.7p)</b>
<b>Return per 'E' share</b>	<b>1.7p</b>	<b>(27.7p)</b>	<b>(26.0p)</b>

Ordinary Shares	Six months ended 30 April 2008		
	Revenue £'000	Capital £'000	Total £'000
Income	820	-	820
Gains on investments			
- Realised	-	302	302
- Unrealised	-	310	310
	<u>820</u>	<u>612</u>	<u>1,432</u>
Investment management fees	(64)	(192)	(256)
Performance incentive fees	-	(114)	(114)
Other expenses	(143)	(17)	(160)
<b>Return on ordinary activities before taxation</b>	<u>613</u>	<u>289</u>	<u>902</u>
Taxation	(120)	92	(28)
<b>Return attributable to equity shareholders</b>	<u>493</u>	<u>381</u>	<u>874</u>

Six months ended 30 April 2007			Year ended 31 October 2007
Revenue £'000	Capital £'000	Total £'000	Total £'000
522	-	522	1,294
-	1,207	1,207	1,436
-	1,195	1,195	1,556
<u>522</u>	<u>2,402</u>	<u>2,924</u>	<u>4,286</u>
(62)	(188)	(250)	(502)
-	(219)	(219)	(228)
(150)	-	(150)	(308)
<u>310</u>	<u>1,995</u>	<u>2,305</u>	<u>3,248</u>
(97)	97	-	(65)
<u>213</u>	<u>2,092</u>	<u>2,305</u>	<u>3,183</u>
<b>0.6p</b>	<b>6.0p</b>	<b>6.6p</b>	<b>9.3p</b>
<b>1.1p</b>	<b>8.0p</b>	<b>9.1p</b>	<b>10.9p</b>
<b>1.3p</b>	<b>(0.5p)</b>	<b>0.8p</b>	<b>1.1p</b>

Six months ended 30 April 2007			Year ended 31 October 2007
Revenue £'000	Capital £'000	Total £'000	Total £'000
496	-	496	1,239
-	1,207	1,207	1,409
-	1,150	1,150	1,534
<u>496</u>	<u>2,357</u>	<u>2,853</u>	<u>4,182</u>
(60)	(180)	(240)	(484)
-	(219)	(219)	(228)
(144)	-	(144)	(296)
<u>292</u>	<u>1,958</u>	<u>2,250</u>	<u>3,174</u>
(93)	95	2	(56)
<u>199</u>	<u>2,053</u>	<u>2,252</u>	<u>3,118</u>

## UNAUDITED INCOME STATEMENT for the six months ended 30 April 2008 (continued)

'D' Shares	Six months ended 30 April 2008		
	Revenue £'000	Capital £'000	Total £'000
Income	12	-	12
Gains on investments	-	-	-
- Realised	-	(130)	(130)
- Unrealised	-	-	-
	<u>12</u>	<u>(130)</u>	<u>(118)</u>
Investment management fees	-	-	-
Other expenses	-	-	-
<b>Return on ordinary activities before taxation</b>	<u>12</u>	<u>(130)</u>	<u>(118)</u>
Taxation	(3)	-	(3)
<b>Return attributable to equity shareholders</b>	<u>9</u>	<u>(130)</u>	<u>(121)</u>

'E' Shares	Six months ended 30 April 2008		
	Revenue £'000	Capital £'000	Total £'000
Income	16	-	16
Gains on investments	-	(70)	(70)
- Realised	-	(96)	(96)
- Unrealised	-	-	-
	<u>16</u>	<u>(166)</u>	<u>(150)</u>
Investment management fees	-	-	-
Other expenses	-	-	-
<b>Return on ordinary activities before taxation</b>	<u>16</u>	<u>(166)</u>	<u>(150)</u>
Taxation	(6)	-	(6)
<b>Return attributable to equity shareholders</b>	<u>10</u>	<u>(166)</u>	<u>(156)</u>

Six months ended 30 April 2007			Year ended 31 October 2007
Revenue £'000	Capital £'000	Total £'000	Total £'000
11	-	11	24
-	-	-	27
-	45	45	26
11	45	56	77
(1)	(3)	(4)	(9)
(2)	-	(2)	(6)
8	42	50	62
(2)	1	(1)	(3)
6	43	49	59

Six months ended 30 April 2007			Year ended 31 October 2007
Revenue £'000	Capital £'000	Total £'000	Total £'000
15	-	15	31
-	-	-	-
-	-	-	(4)
15	-	15	27
(1)	(5)	(6)	(9)
(4)	-	(4)	(6)
10	(5)	5	12
(2)	1	(1)	(6)
8	(4)	4	6

## UNAUDITED CASH FLOW STATEMENT for the six months ended 30 April 2008

	Note	Six months ended 30 April 2008 £'000	Six months ended 30 April 2007 £'000	Year ended 31 October 2007 £'000
<b>Cash inflow/(outflow) from operating activities and returns on investments</b>	<b>1</b>	369	(1,639)	164
<b>Taxation</b>		-	-	(73)
<b>Capital expenditure</b>				
Purchase of investments		(3,790)	(5,585)	(7,851)
Proceeds on disposal of investments		4,683	8,426	8,895
Net cash outflow from capital expenditure		893	2,841	1,044
<b>Equity dividends paid</b>		(1,154)	(1,035)	(1,035)
<b>Net cash inflow before financing</b>		108	167	100
<b>Financing</b>				
Share issue costs		-	(6)	(6)
Purchase of own shares		(604)	(588)	(1,254)
Net cash outflow from financing		(604)	(594)	(1,260)
<b>Decrease in cash</b>	<b>2</b>	(496)	(427)	(1,160)
<b>Notes to the cash flow statement:</b>				
<b>1 Cash inflow from operating activities and returns on investments</b>				
Return on ordinary activities before taxation		634	2,305	3,248
Gains on investments		(316)	(2,402)	(2,992)
Increase in other debtors		(21)	(1,608)	(106)
Increase in other creditors		72	66	14
Net cash inflow/(outflow) from operating activities		369	(1,639)	164
<b>2 Analysis of net funds</b>				
Beginning of period		4,258	5,418	5,418
Net cash outflow		(496)	(427)	(1,160)
End of period		3,762	4,991	4,258

## SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2008

### Ordinary Share pool

	Cost £'000	Valuation £'000	Movement in the period £'000	% of portfolio by value
<b>Top ten venture capital investments</b>				
Babel Media Limited	1,705	3,189	253	12.1%
Precision Dental Laboratories Group plc	2,100	3,072	905	11.6%
Wessex Advanced Switching Products Limited	699	2,861	1,435	10.8%
Triaster Limited	758	1,245	325	4.7%
Centre Design Limited	1,350	1,205	-	4.6%
Mentorion Limited	700	987	167	3.7%
British International Holdings Limited	700	807	106	3.0%
Ensign Communications Limited	500	704	19	2.7%
Mentorion II Limited	700	700	-	2.6%
Glisten plc *	149	604	(136)	2.3%
	9,361	15,374	3,074	58.1%
<b>Other venture capital investments</b>	7,105	2,815	(2,761)	10.7%
<b>Listed fixed income securities</b>	4,951	4,941	(3)	18.7%
<b>Subtotal</b>	21,417	23,130	310	87.5%
<b>Cash at bank and in hand</b>		3,297		12.5%
<b>Ordinary Share Pool - Total</b>		26,427		100.0%

## SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2008 (continued)

	Cost £'000	Valuation £'000	Movement in the period £'000	% of portfolio by value
<b>'D' Share pool</b>				
Mentorion Limited	50	70	11	16.1%
British International Holdings Limited	50	58	8	13.4%
Rhino Sport and Leisure Limited	50	52	2	12.0%
CPI Acquisition UK Limited	50	50	-	11.5%
Mentorion 2 Limited	50	50	-	11.5%
Hat Pin plc **	80	-	(105)	-
Spice Inns Limited	50	-	(46)	-
	<u>380</u>	<u>280</u>	<u>(130)</u>	<u>64.5%</u>
<b>Cash at bank and in hand</b>		154		35.5%
<b>'D' Share pool - Total</b>		<u>434</u>		<u>100.0%</u>
<b>'E' Share pool</b>				
CPI Acquisition UK Limited	50	50	-	12.2%
Optima Data Intelligence Services Limited	50	50	-	12.2%
Spice Inns Limited	50	-	(46)	-
Ultralon Holdings Limited	50	-	(50)	-
	<u>200</u>	<u>100</u>	<u>(96)</u>	<u>24.4%</u>
<b>Cash at bank and in hand</b>		311		75.6%
<b>'E' Share pool - Total</b>		<u>411</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

\* quoted on AIM

\*\* quoted on AIM (currently suspended)

## SUMMARY OF INVESTMENT MOVEMENTS for the six months ended 30 April 2008

### Additions

	Total	Ordinary	'D'	'E'
	£'000	Shares	Shares	Shares
	£'000	£'000	£'000	£'000
Babel Media Limited	100	100	-	-
Hat Pin plc	125	125	-	-
Nucleus Cash Trust	291	291	-	-
Treasury 4¼% 2011 Stock	1,883	1,883	-	-
Treasury 8% 2013 Stock	1,163	1,163	-	-
Ultralon Holdings Limited	28	28	-	-
Zest Juice Limited	200	180	-	20
	<u>3,790</u>	<u>3,770</u>	<u>-</u>	<u>20</u>

### Disposals

	Cost	Market	Disposal	Gain/	Total
	£'000	value at 1	Proceeds	(loss)	realised
	£'000	November	£'000	against	gain/
		2007 *		cost	(loss)
		£'000		£'000	£'000
<b>Ordinary Share pool</b>					
<i>Full disposals</i>					
Advance Media Information Limited	615	934	1,175	560	241
ILG Digital Limited	806	2,101	2,637	1,831	536
Tellings Golden Miller plc	75	30	48	(27)	18
<i>Partial disposals</i>					
BreakingViews Limited	-	45	56	56	11
You Gov plc	24	150	106	82	(44)
<i>Liquidation</i>					
Zest Juice Limited	630	630	-	(630)	(630)
<i>Retention monies from prior disposals</i>					
	-	-	169	169	169
<i>Fixed interest securities</i>					
Nucleus Cash Trust	2	2	2	-	-
Treasury 4¼% 2007 Stock	2,084	1,927	1,925	(159)	(2)
Treasury 5% 2008 Stock	1,218	1,200	1,203	(15)	3
	<u>5,454</u>	<u>7,019</u>	<u>7,321</u>	<u>1,867</u>	<u>302</u>
<b>'E' Share pool</b>					
<i>Liquidation</i>					
Zest Juice Limited	70	70	-	(70)	(70)
	<u>70</u>	<u>70</u>	<u>-</u>	<u>(70)</u>	<u>(70)</u>

\* Adjusted for purchases in the period

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half yearly financial results cover the six months to 30 April 2008 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 October 2007 which were prepared under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised December 2005 ("SORP").
2. All revenue and capital items in the Income Statement derive from continuing operations.
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 period ended 30 April 2007 and the year ended 31 October 2007 respectively.

5. Basic and diluted Net Asset Value per share calculations are based on the following:

	<b>Ordinary Shares</b>	<b>'D' Shares</b>	<b>'E' Shares</b>
Net Assets (£'000)	29,050	434	405
Number of shares in issue at period end	31,895,521	532,982	601,376

6. Basic and diluted return per share calculations are based on the following:

	<b>Ordinary Shares</b>	<b>'D' Shares</b>	<b>'E' Shares</b>
Revenue return per share based on:			
Net revenue return after taxation (£'000)	493	9	10
Capital return per share based on:			
Net capital gain/(loss) after taxation (£'000)	381	(130)	(166)
Weighted average number of shares in issue	32,427,098	535,002	601,376

### 7. Dividends

	30 April 2008		31 Oct 2007	
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>	<b>Total £'000</b>
<b>Paid in year</b>				
Ordinary shares 2007 final (paid 20 Mar 08)	484	647	1,131	-
'D' shares 2007 final (paid 20 Mar 08)	11	-	11	-
'E' shares 2007 final (paid 20 Mar 08)	12	-	12	-
Ordinary shares 2006 interim (paid 2 Mar 07)	-	-	-	1,021
'D' shares 2006 final (paid 27 Mar 07)	-	-	-	7
'E' shares 2006 final (paid 27 Mar 07)	-	-	-	7
	507	647	1,154	1,035
<b>Proposed</b>				
Ordinary shares 2008 interim (payable on 25 July 08)	-	638	638	-
Ordinary shares 2007 final	-	-	-	1,143
'D' shares 2007 final	-	-	-	11
'E' shares 2007 final	-	-	-	12
	-	638	638	1,166

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

(continued)

8. Reserves

	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Special reserve £'000	Capital reserve unrealised £'000	Capital reserve realised £'000	Revenue reserve £'000
At 1 November 2007	1,064	49	8,694	7,318	2,993	9,870	714
Shares repurchased	-	8	-	(591)	-	-	(3)
Expenses capitalised	-	-	-	-	-	(323)	-
Tax on capital expenses	-	-	-	-	-	92	-
Gains on investments	-	-	-	-	84	232	-
Transfer between reserves	-	-	-	(423)	(1,564)	1,987	-
Retained net revenue for the year	-	-	-	-	-	-	512
Distributions paid in year	-	-	-	-	-	(647)	(507)
At 30 April 2008	1,064	57	8,694	6,304	1,513	11,211	716

The above figures relate to the Company as a whole. The Special Reserve, Capital Reserve – Realised and Revenue Reserve are all distributable reserves.

9. 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.
10. 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 2007 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.
11. 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).





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Julie Baddeley  
Peter Harkness

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