Chrysalis VCT PLC

*Report & Accounts
for the year ended
31 October 2006*

SHAREHOLDER INFORMATION

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. Queries relating to dividends and requests should be directed to the Company's Registrar, Capita Registrars, on 0870 162 3124, or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA.

Ordinary Share Dividend History

Date Paid		**Pence per share**	**Date Paid**		**Pence per share**
28 February 2002	2001 Final	1.20	15 July 2005	2005 Interim	3.00
21 February 2003	2002 Final	1.75	4 April 2006	2005 Final	2.00
20 April 2004	2003 Final	1.00			
3 September 2004	2004 Interim	1.50	**Cumulative dividends paid to date**		10.45
			2007 interim (payable 2 March 2007)		3.00
'D' Share			2006 final (proposed)		1.25
'E' Share			2006 final (proposed)		1.25

Share price

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

	Ordinary Shares	**'D' Ordinary Shares**	**'E' Ordinary Shares**
TIDM/EPIC Code	CYS	CYSD	CYSE
Latest share price (5 February 2007):	76.0p per share	87.0p per share	87.0p per share

In view of the availability of the Company's share price on the internet and the relatively high costs involved, the Company no longer publishes its share price in the Financial Times.

Selling Shares

The Company's Ordinary shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. Shareholders who invested in the 'D' and 'E' Ordinary share issue should be aware that they need to hold their shares for a minimum period of three years to retain the Income Tax relief they received on investment. There may be tax implications in respect of this, therefore you should contact your independent financial adviser if you have any queries.

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. Contact details are shown on page 1 of this document.

Financial calendar

2 March 2007	Payment of interim dividend on Ordinary Shares
22 March 2007	Annual General Meeting
27 March 2007	Payment of final dividend on 'D' and 'E' Shares
July 2007	Announcement of interim results to 30 April 2007

Merger Information

The merger of Chrysalis VCT plc with Chrysalis A VCT plc, Chrysalis B VCT plc and Chrysalis C VCT plc (the "Chrysalis Companies") was announced in January 2005 and completed in June 2005. The number of shares issued to each Chrysalis Company shareholder is summarised as follows:

	Number of New Chrysalis Shares issued per 1,000 shares
Chrysalis A	607
Chrysalis B	482
Chrysalis C	614

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 by clicking on "VCT Information and Accounts".

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 and click on "Shareholders".

Chrysalis VCT plc

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Chrysalis VCT plc

COMPANY INFORMATION

Company number	4095791
Directors	Robert Drummond (Chairman) Julie Baddeley Peter Harkness
Secretary and registered office	Grant Whitehouse 69 Eccleston Square London SW1V 1PJ Tel No: 020 7416 7780
Investment manager	Chrysalis VCT Management Limited 46 Dorset Street London W1U 7NB Tel No: 020 7486 7454 www.chrysalisvct.co.uk
Administrator	Downing Management Services Limited 69 Eccleston Square London SW1V 1PJ Tel No: 020 7416 7780 www.downing.co.uk
Listed fixed income securities manager	Smith & Williamson Investment Management Limited 25 Moorgate London EC2R 6AY
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
VCT status advisers	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6NN
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA Tel No: 0870 162 3124 www.capitaregistrars.com
Bankers	Bank of Scotland West End Office St James's Gate 14-16 Cockspur Street London SW1Y 5BL

INVESTMENT STRATEGY

Ordinary Shares

It is intended that well over 70% of the Company's investments will be held in a portfolio of Qualifying Companies each of which, in the opinion of the Directors, have, or are expected to have:

- a strong management team and board;
- good opportunities for growth in value; and
- realistic prospects of achieving a stock market flotation or being sold within three to five years.

'D' Shares

It is intended that the 'D' Share pool will be invested in a general portfolio of qualifying businesses to fund expansion, acquisitions, management buy-outs or turnaround opportunities. The businesses invested in will need to have the potential for attractive growth and a clear exit strategy. The investment emphasis will be on unquoted, established and profitable businesses with proven management teams, although a small proportion of investments in established companies quoted on AIM will also be considered.

'E' Shares

The 'E' Share pool will be invested alongside the Ordinary and 'D' Share pools, with emphasis being giving to low risk investment opportunities and, should suitable opportunities arise, investments in the art and antiques sector.

FINANCIAL HIGHLIGHTS

	2006 pence	2005 pence (restated)
Ordinary Shares		
Net asset value per share	84.70	76.20
Cumulative distributions paid since launch	10.45	8.45
Total return	95.15	84.65
(Net asset value per share plus cumulative dividends)		
Distributions in respect of financial year		
Interim dividend paid per Ordinary share	-	3.00
Final proposed dividend per Ordinary share	-	2.00
	-	5.00
Interim dividend per Ordinary share (to be paid on 2 March 2007)	3.00	-
Net asset value and total return per 'D' Ordinary share	96.50p	N/A
Final proposed dividend per 'D' Ordinary share	1.25p	N/A
Net asset value and total return per 'E' Ordinary share	95.40p	N/A
Final proposed dividend per 'E' Ordinary share	1.25p	N/A

DIRECTORS

Robert Drummond (61) (Chairman) has approximately 25 years experience in the venture capital industry. He worked at 3i plc from 1972 to 1984 by which time he was regional director. He was managing director of NatWest Ventures Limited from 1985 to 1989, deputy chairman of Electra Kingsway Limited from 1989 to 1990 and managing director of Grosvenor Development Capital plc from 1991 to 1994. He is chairman of Acta SpA (AIM quoted) and a former chairman of the British Venture Capital Association. He is also a director of Chrysalis VCT Management Limited, the subsidiary of Chrysalis VCT plc.

Julie Baddeley (55) (Non Executive Director) is a non-executive director of the Greggs plc and Yorkshire Building Society. She is also a director of the Government Pensions Group and an associate fellow of Templeton College, Oxford. Previously she was a member of the Audit Commission and a director of Woolwich plc (now Woolwich Limited) where she was responsible for e-commerce and information technology. Earlier in her career she was partner in charge of a substantial part of Accenture's change management practice in Europe and was managing director of Sema Group plc's consulting group in the UK.

Peter Harkness (57) (Non Executive Director) is a serial entrepreneur who has significant experience working closely with institutional investors. He is Chairman of the on-line publishing group, Magicalia, and a non-executive Director of Datamonitor plc, the specialist analyst and forecasting group listed on the London Stock Exchange. He has been involved in a number of successful deals with the media sector, particularly in association with 3i plc, and holds directorships of several private publishing and information companies.

CHAIRMAN'S STATEMENT

The year to 31 October 2006 has been another busy one for your Company with some excellent developments within the investment portfolio.

Net Asset Value

At 31 October 2006, the Net Asset Value ("NAV") of the Ordinary Shares had increased to 84.7p, a rise of 10.5p or 14.1% over the year after adjusting for the dividend of 2p per share paid during the year.

Total Return (NAV plus cumulative dividends paid since launch) to Ordinary Shareholders that invested at the Company's outset (when it was known as Downing Classic VCT 3 plc) now stands at 95.15p per Ordinary Share compared to an original investment (net of income tax relief) of 80p per Share. Although the numbers are different for those that became Shareholders in the Company through the various mergers with the other Chrysalis VCTs, it represents a very strong recovery since the Company became self-managed in April 2004.

At the year end, the NAV of the 'D' Shares and 'E' Shares stood at 96.5p and 95.4p respectively compared to the original NAV immediately after the fundraising of 94.5p.

Venture capital investments

Within the Ordinary Share pool, a strong focus of the investment manager's role throughout the year has continued to be working towards exits on some of the Company's more mature investments.

The Company achieved a successful exit from Strainstall Group Limited in October of this year, generating proceeds of £2.9 million, equivalent to a gain of £1.2 million against original cost or £700,000 against the valuation at the previous year end. The sale is also likely to generate further proceeds as a result of earn-out arrangements. We have valued these likely additional proceeds at £347,000.

The Company also disposed of part of its holding in AIM-quoted Computer Software Group plc, producing gains of £513,000 against cost or £352,000 against previous valuation.

The Company was also active throughout the year in adding to its portfolio, with the Ordinary Share pool investing a total of £3.2 million in seven new and four follow-on investments.

Of the investments held throughout the period, a number justified significant increases in their valuations. In particular, Protx Limited accounted for an increase of £1.2 million and was sold shortly after the year end and ILG Digital Limited (formerly i-Level Group) justified an increase of £634,000 as the business continues to show very strong growth.

The reduction in the valuation of the investment in Ma Potters reflects, in part, an offer to buy the company at 31 October 2005 which subsequently did not materialise. Its prospects, however, remain good.

The 'D' Share pool made four investments totalling £200,000 during the year, one of which was subsequently realised. The 'E' Share pool had not yet made any investments as at 31 October 2006.

A full review of the investment management activities can be found in the Investment Manager's report on page 6.

Listed fixed income securities

The Company continues to hold a portfolio of fixed income securities. At 31 October 2006, this portfolio was valued at £4.6 million. During the year this portfolio produced a small unrealised loss of £89,000.

Results and dividend

The return after tax for the Company was £3,512,000 (2005: £6,105,000) comprising a revenue loss of £5,000 and a capital surplus of £3,517,000.

In view of the profitable realisations made during the year by the Ordinary Share pool and the further profitable realisation of the investment in ProtX Limited made since the year end, the Board does not intend to declare a final dividend in respect of the year ended 31 October 2006 but instead will pay an interim capital dividend of 3p per share on 2 March 2007 to Shareholders on the register at 16 February 2007. In practice, this means the dividend can be paid to Shareholders before the Company's Annual General Meeting ("AGM"), which will not take place until 22 March 2007.

In respect of the 'D' Shares and 'E' Shares, the Board is proposing to pay a final revenue dividend of 1.25p for each 'D' and 'E' Share. Subject to Shareholder approval at the AGM, these dividends will be paid on 27 March 2007, to Shareholders on the register at 16 February 2007.

CHAIRMAN'S STATEMENT (continued)

'D' and 'E' Share issue
During the year, the Company undertook two offers for subscriptions to give investors the opportunity to take advantage of the 40% income tax relief that was available for investments in VCTs up until 5 April 2006. Ultimately the outcome of the offers was a disappointment, with the 'D' Share offer raising net proceeds of £507,000 and the 'E' Share offer raising £568,000 and the excess costs of the offers of £520,000 being met by the Ordinary Share pool.

Format of accounts
As a result of changes to accounting standards and the circumstances of the Company, there have been a number of adjustments to the format of the accounts this year.

For this accounting period, your Company is required to adopt FRS 21 (Events after the balance sheet date), under which dividends are required to be accounted for in the period in which they are liable to be paid rather than the period in respect of which they are declared.

The comparative figures presented in these financial statements have been restated to bring them in line with the new standards. This has resulted in the NAV at the last year end of 31 October 2005 being increased from 74.2p per share to 76.2p.

The Company has also adopted the new Statement of Recommended Practice for Investment Trusts ("SORP"), which came into effect in December 2005. The main noticeable change arising is that the "Statement of Total Return" has been renamed as the "Income Statement".

In order to best present the Company's results clearly to each class of Shareholder, the main statements within the accounts (the Income Statement, Reconciliation of Movements in Shareholder's Funds, Balance Sheet and Cash Flow Statement) have been presented to show the position of the Company as a whole and also analysed by each share pool.

Share repurchase
The Company operates a policy of buying in shares that become available in the market for cancellation at approximately a 10% discount to NAV. During the year the Company purchased 1,681,757 Ordinary Shares for cancellation at an average price of 68.2p per share.

Annual General Meeting
The next Annual General Meeting of the Company will be held at 69 Eccleston Square, London SW1V 1PJ at 11:00 am on 22 March 2007.

Outlook
The progress made by your Company since becoming self-managed in April 2004, has been extremely encouraging. A number of profitable exits, as well as improved results from many portfolio companies that continue to be held, has produced very satisfactory results.

The current portfolio still contains a number of exciting prospects which may lead to further successful realisations in the short and medium term. However, over the next year the investment manager's focus will shift more towards new investments as suitable opportunities are sought for the 'D' Share and 'E' Share pools, as well as the additional funds available as a result of the realisations in the Ordinary Share pool.

Robert Drummond
Chairman

5 February 2007

INVESTMENT MANAGEMENT REPORT

We are pleased to note that, based on the Net Asset Value per share of 60.7p when we took over management of the fund on 30 April 2004, after adding back total dividends of 5p per share that have been paid since that date, there has been an increase in Net Asset Value of approximately 48%. This increase is not just the result of valuation uplifts but is also the result of some good realisations.

Looking at this year's results it is clear that the portfolio has performed well. If we examine those investments where the valuation change is in excess of £25,000, we can see that there were 11 companies gaining value against just four losing value.

Equally pleasing has been the improved liquidity of our investments, both unquoted and AIM. Given the size of companies a VCT is obliged to invest in, the ability to sell an investment is limited. Consequently when an opportunity does arise it is necessary to take it very seriously. We therefore took advantage of considerably enhanced dealing volumes in Computer Software Group Plc ("CSG") to sell just over half our holding and realise £513,000 profit.

In addition, as mentioned in the Chairman's statement, Strainstall Group Limited was sold to James Fisher Plc generating a £1.2m profit with a good prospect of further sums from an earn out. Since the year end Protx Group Limited was sold to Sage Plc at the current valuation but crystallising a further £1.8m profit over cost. Interestingly although the original investments in these companies were made some time ago all three have regularly received additional funds (at Protx we participated in six rounds of funding, at CSG five rights issues and at Strainstall we invested three times) and usually, at the time of further investment, it was not 100% certain that the company was going to be a success. This demonstrates the value in keeping close to the portfolio which we have achieved by Board participation and close monitoring. This also helps us to make the difficult decision sometimes not to invest because a lot of money can be saved by not investing further in companies that do not make it.

The onerous nature of the VCT regulations, especially the fact that a VCT must be 70% invested at all times, means that a time of increased realisations, it is necessary to increase the level of investments. This has been done this year with 11 new investments being made, three of which we would like to highlight. Shareholders may recall that we invested as part of a three VCT syndicate in Henry J Beans Limited ("HJB"). That Company was sold last year producing a satisfactory return. The former Managing Director of HJB, Douglas Smillie together with his Operations Director, Mark Elphicke are now building a chain of Italian restaurants, "Loco Locale". We were the only VCT to be asked to help fund the holding company Mentorion Limited and we provided £750,000. The early signs are encouraging and it is likely that an additional investment will be made this year.

In November 2005 we invested £500,000 to fund the management buy in of Ensign Communications Limited, a wireless systems integrator, backing a successful serial entrepreneur with whom we have had previous dealings. The trading performance has been good and we expect to be able to report a mark up in value in the April 2007 interim accounts.

We also made a further investment in Advance Media Information Limited. Although the amount was relatively small (£113,500) it did enable our shareholding percentage to increase and, more importantly, unlocked a difficult management situation. Since the reorganisation the company has traded well and we are now hopeful about a successful realisation from this investment.

We also invested, as part of a syndicate, in the buy-out of British International Holdings Limited, who, amongst other services, operate the Penzance to Scilly Isles helicopter route. We are pleased to say that we have negotiated a discount for VCT shareholders, details of which will be sent to Shareholders with this Annual Report.

We would also like to mention our investment in YouGov which was made at the time of the company's flotation in April 2005. Due to considerable over subscription we only received £54,000 worth of shares. However in just 18 months since float the value of that £54,000 had increased nearly six-fold to over £300,000. The only regret is that since only new share issues count as qualifying investments, it is not prudent for VCTs to purchase in the after market.

INVESTMENT MANAGEMENT REPORT (continued)

A complete summary of disposals made by the Company during the year is presented below.

	Cost £'000	Proceeds £'000	MV at 31/10/05 * £'000	Realised profit/ (loss) £'000	Profit/ (loss) vs cost £'000
Full					
Milkround	61	82	61	21	21
Strainstall	1,744	2,920	2,240	680	1,176
Partial					
Computer Software Grp	602	1,115	762	353	513
Glisten	35	141	134	7	106
YouGov	10	55	18	37	45
Sundry	-	21	-	21	21
	2,452	**4,334**	**3,215**	**1,119**	**1,882**

* Including cost if purchased in year

Obviously, not all our investee companies are performing well and we are working closely with several to try and turn around the position but, generally, the outlook is quite favourable and one or two further realisations are in the pipeline.

A couple of new investments are also nearing completion but, with £750 million of new VCT money raised in the last tax year, it is true that there is a lot of money chasing the better opportunities.

Chris Kay
Chrysalis VCT Management Ltd

5 February 2007

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 October 2006:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
ORDINARY SHARE POOL				
Ten largest venture capital investments (by value)				
Babel Media Limited	1,405	2,636	389	9.1%
Protx Group Limited	438	2,261	1,154	7.8%
Ma Potter's Limited	1,000	1,529	(810)	5.3%
ILG Digital Limited	600	1,234	634	4.2%
Computer Software Group plc *	398	1,214	581	4.2%
Centre Design Limited	1,350	1,205	-	4.1%
Wessex Advanced Switching Products Limited	694	1,172	-	4.0%
Precision Dental Laboratories Limited	1,100	1,167	-	4.0%
Triaster Ltd	758	921	234	3.2%
Glisten plc *	189	908	182	3.1%
	7,932	14,247	2,364	49.0%
Other venture capital investments				
British International Holdings Limited	700	700	-	2.4%
Mentorion Limited	700	700	-	2.4%
Advance Media Information Limited	615	696	84	2.4%
Core Control International Limited	325	612	286	2.1%
The Capital Pub Company Limited	505	580	39	2.0%
Ensign Communications Limited	500	500	-	1.7%
Strainstall Group Limited	-	355	355	1.2%
Forward Media Limited	440	252	-	0.9%
IX Group plc	250	250	-	0.9%
YouGov plc *	45	239	160	0.8%
Planet Sport (Holdings) Limited	250	225	(25)	0.8%
The Mission Marketing Group plc *	150	140	(10)	0.5%
ILX Group plc *	100	119	19	0.4%
Best of the Best plc *	98	88	(9)	0.3%
Blooms of Bressingham Holdings plc *	68	86	16	0.3%
Hat Pin plc *	75	82	7	0.3%
Berkeley Scott Group plc *	379	72	(58)	0.2%
Global Investor Relations Limited	67	67	-	0.2%
Tellings Golden Miller plc *	75	27	(11)	0.1%
Henry J Bean's Group plc	-	9	-	-
ART VPS Limited	358	-	(216)	-
Avionic Services plc	325	-	-	-
Kids Safteynet Limited	637	-	(281)	-
Patterning Technologies Limited	286	-	-	-
Shopcreator Limited	255	-	-	-
	7,203	5,799	356	19.9%
Listed fixed income securities				
Treasury 7 ½% 2006 Stock	1,074	952	(30)	3.3%
Treasury 7 ¼% 2007 Stock	1,068	951	(33)	3.3%
Treasury 4 ½% 2007 Stock	795	789	(4)	2.7%
Treasury 4% 2009 Stock	795	781	(9)	2.7%
Treasury 5 % 2008 Stock	794	778	(12)	2.6%
Nucleus cash trust	326	324	(1)	1.1%
	4,852	4,575	(89)	15.7%
Total	19,987	24,621	2,631	84.6%
Cash at bank and in hand		4,481		15.4%
Total investments		29,102		100.0%

All investments are unquoted unless otherwise stated.

* Quoted on AIM

Investments with a cost and valuation of nil are not included above.

REVIEW OF INVESTMENTS (continued)

'D' ORDINARY SHARE POOL	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Hat Pin plc *	50	55	5	10.6%
British International Holdings Limited	50	50	-	9.7%
Mentorion Limited	50	50	-	9.7%
	150	155	5	30.0%
Cash at bank and in hand		361		70.0%
Total Investments		516		100.0%

'E' ORDINARY SHARE POOL		
Cash at bank and in hand	576	100.0%
Total Investments	576	100.0%

All investments are unquoted unless otherwise stated.

* Quoted on AIM

Further details of the ten largest investments (by value) follow:

Babel Media Limited

Cost:	£1,405,000	Latest audited accounts:	31 May 2005
Investment comprises:		Turnover:	£6.5 million
Ordinary Shares:	£405,000	Loss before tax:	(£157,000)
Loan Stock:	£1,000,000	Retained loss:	(£177,000)
Valuation method:	Third party investment	Net liabilities:	(£606,000)
Valuation at 31/10/06:	£2,636,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£1,997,000	Proportion of equity held:	22.2%

Babel Media is a leading provider of specialist services to the global computer games and interactive entertainment industries. The business operates across console, PC, online, handheld and wireless platforms. Clients include many of the biggest names in interactive entertainment.

www.babelmedia.com

Protx Group Limited

Cost:	£438,000	Latest audited accounts:	31 March 2006
Investment comprises:		Turnover:	£1,906,000
Ordinary Shares:	£438,000	Loss before tax:	(£163,000)
		Retained loss:	(£163,000)
Valuation method:	Third party offer	Net assets:	£360,000
Valuation at 31/10/06:	£2,261,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£1,107,000	Proportion of equity held:	12.5%

Protx provides secure internet payment facilities. It was sold to Sage plc in November 2006. Chrysalis received £2,261,000 for its shares.

www.protx.com

REVIEW OF INVESTMENTS (continued)

Ma Potter's Limited

Cost:	£1,000,000	Latest audited accounts:	27 November 2005
Investment comprises:		Turnover:	£13 million
Ordinary Shares:	£300,000	Profit before tax:	£979,000
Loan Stock:	£700,000	Retained profit:	£714,000
Valuation method:	Third party offer	Net assets:	£2.5 million
Valuation at 31/10/06:	£1,529,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£2,339,000	Proportion of equity held:	14.6%

Ma Potters is a chain of chargrill restaurants with 14 sites throughout the UK in metropolitan areas including some of the foremost shopping centres. It has recently launched a new brand "Coal" in Cardiff. The Company invested in Ma Potters in January 2003 to support a roll out plan.

www.mapotters.com

ILG Digital Limited

Cost:	£600,000	Latest audited accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£600,000	Profit before tax:	N/A
		Retained profit:	N/A
Valuation method:	Earnings multiple	Net assets:	N/A
Valuation at 31/10/06:	£1,234,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£600,000	Proportion of equity held:	4.9%

ILG Digital (formerly i-Level) is Europe's leading specialist digital communications agency. The company operates in a fast growing market and its clients include a number of industry blue chip companies. ILG Digital has won a number of industry awards in 2006. The Company's investment in ILG Digital was made in October 2005 when a new company was established to acquire the business of i-Level which, in the year ended 31 March 2005, had turnover of £31 million and a profit before tax of £821,000.

www.i-level.com

Computer Software Group plc

Cost:	£398,000	Latest audited accounts:	28 February 2006
Investment comprises:		Turnover:	£25 million
Ordinary Shares:	£398,000	Profit before tax:	£2.3 million
		Retained profit:	£1.6 million
Valuation method:	Bid Price	Net assets:	£22 million
Valuation at 31/10/06:	£1,214,000	Market capitalisation:	£69 million
Valuation at 31/10/05:	£1,395,000	Proportion of equity held:	1.8%

The group is a leading UK software house focussing on the development of fully integrated solutions for British and International companies across a wide range of sectors. The group has continued to grow both organically and by way of acquisition.

www.computersoftware.com

Centre Design Limited

Cost:	£1,350,000	Latest audited accounts:	31 January 2006
Investment comprises:		Turnover:	£6.0 million
Ordinary Shares:	£145,000	Profit before tax:	£56,000
Loan Stock:	£1,205,000	Retained profit:	£43,000
Valuation method:	Fair value	Net assets:	£525,000
Valuation at 31/10/06:	£1,205,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£1,205,000	Proportion of equity held:	45.8%

Centre Design Limited is the market leader in the provision of Christmas displays to shopping centres in the UK, where clients include the Metro Centre and the Mall Corporation.

www.centredesign.co.uk

REVIEW OF INVESTMENTS (continued)

Wessex Advanced Switching Products Limited

Cost:	£694,000	Latest audited accounts:	31 December 2005
Investment comprises:		Turnover:	£5.5 million
Ordinary Shares:	£694,000	Profit before tax:	£695,000
		Retained profit:	£491,000
Valuation method:	Earnings multiple	Net assets:	£1.8 million
Valuation at 31/10/06:	£1,172,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£1,172,000	Proportion of equity held:	22.5%

WASP manufactures rotary switches for military communications systems, membrane switches and touch screens for electronic control panels. The company continues to make good progress with a further improved performance expected for the year to 31 December 2006.

www.waspswitches.co.uk

Precision Dental Laboratories Group Limited

Cost:	£1,100,000	Latest audited accounts:	30 September 2005
Investment comprises:		Turnover:	£9.0 million
Ordinary Shares:	£1,100,000	Profit before tax:	£405,000
		Retained profit:	£233,000
Valuation method:	Earnings multiple	Net assets:	£1.7 million
Valuation at 31/10/06:	£1,167,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£1,167,000	Proportion of equity held:	36.3%

Precision Dental is one of the UK's leading dental laboratory groups, manufacturing a full range of dental products such as crowns, bridges and replacement teeth. The group has five operating companies.

www.precisiondentalstudio.co.uk

Triaster Ltd

Cost:	£758,000	Latest audited accounts:	31 March 2006
Investment comprises:		Turnover:	£1.1 million
Ordinary Shares:	£71,000	Profit before tax:	£167,000
Loan Stock:	£687,000	Retained profit:	£167,000
Valuation method:	Earnings multiple	Net liabilities:	(£733,000)
Valuation at 31/10/06:	£921,000	Market capitalisation:	N/A
Valuation at 31/10/05:	£687,000	Proportion of equity held:	31.7%

Triaster is a developer of easy to use process-mapping software, and has developed an add-on product to Microsoft Visio - called Process Navigator. A joint marketing agreement has been signed with Microsoft, and the product is being promoted by the BSI. Triaster has moved into profit for the first time this year.

www.triaster.co.uk

Glisten plc

Cost:	£189,000	Latest audited accounts:	30 June 2006
Investment comprises:		Turnover:	£56 million
Ordinary Shares:	£189,000	Profit before tax:	£3.2 million
		Retained loss:	£2.2 million
Valuation method:	Bid price	Net assets:	£21 million
Valuation at 31/10/06:	£908,000	Market capitalisation:	£53 million
Valuation at 31/10/05:	£860,000	Proportion of equity held:	1.7%

Since its formation in June 2002, Glisten has developed into a confectionery, snack foods and specialist ingredients group. It serves a wide variety of customers including many high street retailers, major food manufacturers, the food service sector and global export markets.

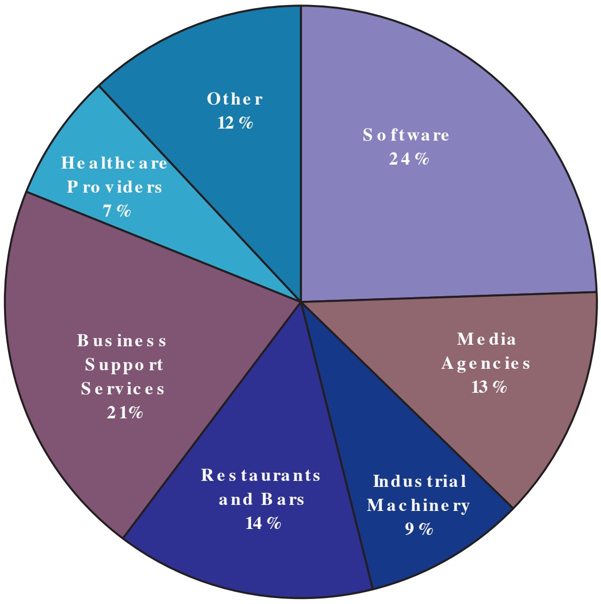
www.glisten.plc.uk

Note:
The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

REVIEW OF INVESTMENTS (continued)

Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by value at 31 October 2006) is as follows:



REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 October 2006.

Principal activity and status

The Directors initially obtained approval for the Company to act as a venture capital trust from HM Revenue & Customs and have continued to meet the standards set out by HM Revenue & Customs.

The Company revoked its status as an investment Company on 3 September 2004 upon the payment of a capital distribution, however, the Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Section 842AA of the Income and Corporation Taxes Act 1988.

Business review

The Company's business and developments during the year are reviewed in the Chairman's Statement, Investment Management Report and the Review of Investments.

Results and distributions

Return on ordinary activities after tax for the year ended 31 October 2006 split as:	£'000	Per share
Ordinary shares	3,496	9.9p
'D' Ordinary shares	10	1.9p
'E' Ordinary shares	6	0.9p
	3,512	

Your Board is proposing to pay the following dividends on 27 March 2007 to respective shareholders on the register at 16 February 2007.

	Per share
'D' Ordinary shares	1.25p
'E' Ordinary shares	1.25p

The Company will pay an interim dividend to Ordinary Shareholders of 3.0p per Ordinary Share on 2 March 2007 to respective shareholders on the register at 16 February 2007.

Directors

The Directors of the Company during the year and their beneficial interests in the issued ordinary shares of 1p of the Company at each year end and the date of this report were as follows:

At 31 October 2006

	Ordinary Shares	'D' Shares	'E' Shares
Robert Drummond	80,700	Nil	20,600
Julie Baddeley	16,543	Nil	10,300
Peter Harkness	Nil	5,150	5,150

At 31 October 2005

	Ordinary Shares	'D' Shares	'E' Shares
Robert Drummond	80,700	N/A	N/A
Julie Baddeley	16,543	N/A	N/A
Peter Harkness	Nil	N/A	N/A

Robert Drummond retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The remainder of the Board believe that he has made a considerable contribution since his appointment and remains committed to his role. The Board therefore recommends that shareholders re-elect him at the forthcoming AGM.

Each of the Directors has entered into a consultancy agreement which are terminable on 12 months notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Share capital

The Company allotted 536,072 'D' Ordinary shares ("'D' Shares") and 601,376 'E' Ordinary shares ("'E' Shares") of 1p each at £1 each, net of issue costs of £62,000, under the terms of the offer document dated 2 February 2006.

During the year the Company repurchased 1,681,757 ordinary 1p shares at an average price of 68.2p each, which represented 4.7% of the issued share capital at the time of repurchase.

Fixed interest investment management

Smith & Williamson Investment Management Limited provided investment management services to the Company in respect of fixed income securities for a fee of 0.15% per annum (plus VAT) of the amount invested in fixed income securities subject to a maximum of £10,000 per annum (plus VAT).

Investment Management fees

Chrysalis VCT Management Limited, the Company's wholly owned subsidiary, provides investment management services to the Company for a fee of 1.65% of net assets per annum.

In addition to the basic management fee, with effect from 1 May 2006, the Board has introduced an incentive scheme under which additional fees are paid to Chrysalis VCT Management Limited based on achieving exits from investments. The exit fees are calculated as the greater of 1% of the cash proceeds of any exit or 5% of the gain to the Company after all exit costs for investments made after 30 April 2004 or 2½% of the gain in respect of investments made prior to 30 April 2004.

Administration fees

Downing Management Services Limited provides administration services to the Company for a fee of 0.5% of gross proceeds raised, subject to a maximum of £60,000 per annum, increasing each year in line with RPI (plus VAT).

Trail commission

The Company has an agreement to pay trail commission annually to Downing Corporate Finance Limited in connection with the Company's original fund raising of Ordinary Shares. This is calculated at 0.25% of the Net Asset Value per share of the Company at each year end multiplied by 21,388,768, being the number of shares in issue on 28 January 2005, the day that the merger with the Chrysalis VCTs was announced.

REPORT OF THE DIRECTORS (continued)

Trail commission (continued)

The Company also has an agreement to pay commission annually to authorised financial intermediaries at the rate of 0.25% per annum on the value of ‘D’ Shares and ‘E’ Shares at the offer price subscribed by investors whose applications were submitted through them and who continue to hold ‘D’ Shares and ‘E’ Shares.

VCT monitoring

The Company has retained PricewaterhouseCoopers LLP (“PwC”) to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate and regular review of the portfolio.

Creditor payment policy

The Company’s payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the year-end.

Financial Instruments

The material risks arising from the Company’s financial instruments are investment and interest rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised in note 19. These policies have remained unchanged since the beginning of the financial period.

As a venture capital trust, it is the Company’s specific business to evaluate and control the investment risk in its portfolio.

The Company’s interest rate risk is as follows:

- “floating rate assets”, which include financial assets and liabilities, bear interest at rates based predominantly on quarterly LIBOR.
- “fixed rate assets” represent investments with predetermined yield targets.
- “no interest rate” assets include investments in ordinary shares with no attributable fixed distribution rate.

Annual General Meeting

The Annual General Meeting will be held at 69 Eccleston Square, London SW1V 1PJ at 11:00am on 22 March 2007. One item of special business is proposed. Resolution 6 seeks to renew the authority for the Company to make market purchases of its own shares. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Auditors

A resolution to re-appoint PKF (UK) LLP as the Company’s auditor will be proposed at the forthcoming Annual General Meeting.

Substantial interests

As at 31 October 2006 and the date of this report, the Company had not been notified of any beneficial interest exceeding 3 per cent of the issued ordinary share capital.

Statement of Directors’ responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice). The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary
69 Eccleston Square
London SW1V 1PJ

5 February 2007

DIRECTORS' REMUNERATION REPORT

The Board have prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. A resolution to approve this report will be put to the members at the Annual General Meeting to be held on 22 March 2007.

Under the requirements of Schedule 7A, the Company's Auditors are required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditors' Report on page 19.

Directors' remuneration policy

Directors' remuneration is calculated in accordance with the Company's articles of association as follows:

(i) The ordinary remuneration of the Directors (other than an executive director appointed under the Articles) shall be such amount as the Directors shall from time to time determine (provided that, unless otherwise approved by the Company in general meeting, the aggregate of the ordinary remuneration of such Directors shall not exceed £75,000 per year, to be divided among them in such proportion and manner as the Directors may determine). The Directors shall also be paid by the Company all travelling, hotel and other expenses they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

(ii) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.

(iii) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants or, apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

Director's remuneration is set by the remuneration committee whose terms are set out in the Corporate Governance report on page 17.

Consultancy agreements

Each of the Directors is engaged on twelve month termination notice by either side, subject to retirement by rotation.

Directors' remuneration (audited)

Directors' remuneration for the Company and its subsidiaries for the year under review was as follows:

	Current fee £	2006 Annual fee £	2005 Annual fee £
Robert Drummond	37,500	35,625	24,119
Julie Baddeley	18,750	17,812	12,887
Peter Harkness	18,750	17,812	8,750
Chris Kay	Nil	Nil	4,011
Nicholas Lewis	Nil	Nil	2,068
	75,000	71,249	51,835

Robert Drummond received £10,000 (plus VAT) during 2005 in respect of additional services rendered directly relating to the merger.

No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

2006/2007 Remuneration

The remuneration levels for the forthcoming year will be based on the current annual fee as highlighted in the above table

Insurance cover

Directors' and Officers' liability insurance cover is held by the Company in respect of the Directors.

DIRECTORS' REMUNERATION REPORT (continued)

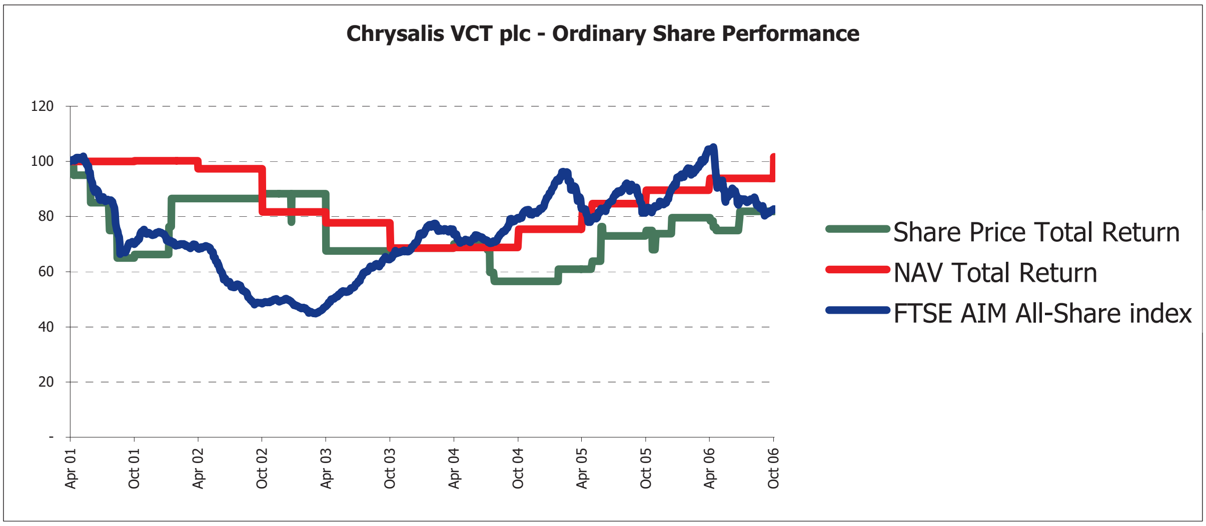
Performance graph

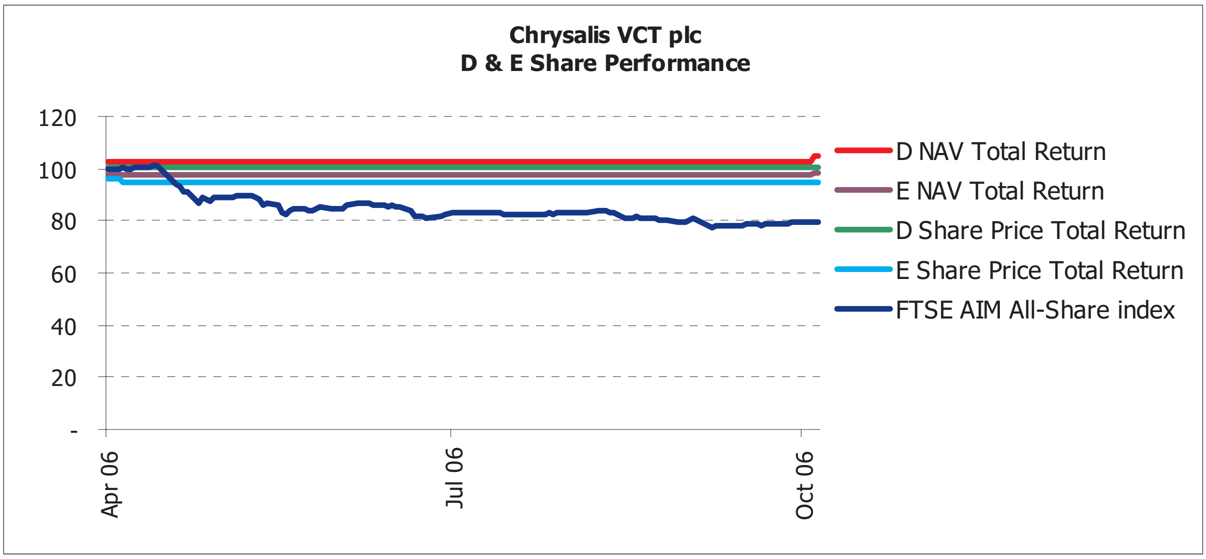
The following chart represents the Company's performance over the reporting periods since incorporation, and compares the Total Return of the Company (Net Asset Value plus dividends) to a rebased FTSE AIM All-share index including reinvested dividends. The FTSE AIM All-share index has been chosen as a comparison as it best represents the spread of investments held by the Company and has been rebased to 100 at November 2000, 30 April 2006 and 28 March 2006, the respective launch dates of each fund.

By order of the Board

Grant Whitehouse
Secretary
69 Eccleston Square
London SW1V 1PJ

5 February 2007





CORPORATE GOVERNANCE

The Directors support the relevant principles of the new Combined Code issued in July 2003, being the principles of good governance and the code of best practice, as set out in Section 1 of the Combined Code annexed to the Listing Rules of the UK Listing Authority.

The Board

The Company has a Board comprising of three non-executive Directors. The Chairman and senior director is Robert Drummond. Biographical details of all Board members (including significant commitments of the chairman) are shown on page 3.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with the Combined Code, one Director was re-elected during the year. A further Director is offering himself for re-election at the next AGM.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and reviews, periodically, the terms of engagement of all third party advisers (including investment managers and administrators). All the members of the Board attended each full board meeting held during the year, as well as the appropriate committee meetings. The board has a formal schedule of matters specifically reserved for its decision.

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

As the Company has a small Board of non-executive Directors, all three Directors sit on all committees. The Chairman of the audit committee is Peter Harkness, and the chairman of the nomination and remuneration committees is Julie Baddeley. All committees have defined terms of reference and duties.

Audit Committee

The Audit Committee is responsible for reviewing the half yearly and annual accounts before they are presented to the Board, the terms of appointment of the Auditors, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

Any non-audit services provided by the auditors are reviewed and approved by the Committee prior to being undertaken, to ensure that auditor objectivity and independence is safeguarded. The Committee is satisfied with the performance of the auditors and recommends to Shareholders that they be re-appointed as auditors for the forthcoming year.

The Committee reviewed the internal financial controls and recommended that, although still appropriate to the Company, they be updated. They also considered the need for an internal audit function and concluded that this function would not be an appropriate control for a venture capital trust.

As the Company has had no staff, other than Directors, there are no procedures in place in respect of C3.4 of the Combined Code.

Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance, and meets as required.

Remuneration Committee

The Remuneration Committee meets once a year and on other occasions as required, to discuss the existing levels of remuneration for the non-executive Directors, and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards. Where deemed necessary, they will recommend adjustments to the remuneration levels.

The Board reviewed the level of Directors fees and adjusted them such that they reflect the time commitment and level of responsibility of each of the Board members.

The Board also reviewed the level of fees paid by other companies of a similar size and type and confirmed that the Company's Directors fees are in line with the Industry standards.

Relations with shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by shareholders during the course of the year, or to meet with major shareholders if so requested.

CORPORATE GOVERNANCE (continued)

Relations with shareholders (continued)

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrars collate proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM and proxy form can be found at the end of these financial statements.

The terms of reference of the Audit Committee and terms and conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial Reporting

The Directors statement of responsibilities for preparing the accounts is set out in the Directors' Report on page 14, and a statement by the auditors about their reporting responsibilities is set out in the Auditors' Report on page 19.

Internal control

The Board has adopted an Internal Control Manual ("Manual"), for which they are responsible, which has been compiled in order to comply with the Combined Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

Although the Board are ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company to the following advisers:

Investment Management	Chrysalis VCT Management Ltd
Administration	Downing Management Services Ltd
Listed Fixed Income Securities Management	Smith & Williamson Investment Management Limited

Going Concern

The Directors are of the opinion that at the time of approving the financial statements, 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 continue to apply the going concern basis in preparing the financial statements.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 October 2006 with the provisions set out in Section 1 of the Combined Code.

a) New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also the Company has no major shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting. (A5-1, A3-3)

b) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B1-6) The Directors do have consultancy agreements in place.

c) Due to the size of the Board, a formal performance evaluation of the Board, its committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (A6, A7-2)

d) The Company does not have a majority of independent Directors as defined by the Combined Code issued in July 2003 as a result of non-executive Directors holding a place on the board in excess of nine years. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code. (A3-2, A3-3). (Consequently the composition of the Audit Committee does not comply with B2-1 and C3-1.)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHRYSALIS VCT PLC

We have audited the financial statements of Chrysalis VCT plc for the year ended 31 October 2006 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement, Investment Management Report and review of investments that is cross referenced from the business review section of the Directors' Report. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' Remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Management Report, the Review of Investments and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 October 2006 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors
London UK

5 February 2007

INCOME STATEMENT
for the year ended 31 October 2006

Company position

	Note	Year ended 31 October 2006 Revenue £'000	Capital £'000	Total £'000	Year ended 31 October 2005 (as restated) Revenue £'000	Capital £'000	Total £'000
Income	3	1,149	-	1,149	725	-	725
Gains on investments	11	-	3,755	3,755	-	6,048	6,048
		1,149	3,755	4,904	725	6,048	6,773
Investment management fees	4	(116)	(349)	(465)	(78)	(236)	(314)
Other expenses	5	(333)	-	(333)	(351)	(5)	(356)
Return on ordinary activities		700	3,406	4,106	296	5,807	6,103
Share issue costs	7	(520)	-	(520)	-	-	-
Return on ordinary activities before tax		180	3,406	3,586	296	5,807	6,103
Tax on ordinary activities	8	(185)	111	(74)	2	-	2
Return attributable to equity shareholders		(5)	3,517	3,512	298	5,807	6,105
Return per Ordinary share	10	(0.1p)	10.0p	9.9p	1.0p	19.1p	20.1p
Return per 'D' share	10	1.5p	0.4p	1.9p	N/A	N/A	N/A
Return per 'E' share	10	1.4p	(0.5p)	0.9p	N/A	N/A	N/A

Split as:
Ordinary shares

	Year ended 31 October 2006 Revenue £'000	Capital £'000	Total £'000	Year ended 31 October 2005 (as restated) Revenue £'000	Capital £'000	Total £'000
Income	1,122	-	1,122	725	-	725
Gains on investments	-	3,750	3,750	-	6,048	6,048
	1,122	3,750	4,872	725	6,048	6,773
Investment management fees	(114)	(342)	(456)	(78)	(236)	(314)
Other expenses	(328)	-	(328)	(351)	(5)	(356)
Return on ordinary activities	680	3,408	4,088	296	5,807	6,103
Share issue costs	(520)	-	(520)	-	-	-
Return on ordinary activities before tax	160	3,408	3,568	296	5,807	6,103
Tax on ordinary activities	(181)	109	(72)	2	-	2
Return attributable to equity shareholders	(21)	3,517	3,496	298	5,807	6,105

INCOME STATEMENT (continued)
for the year ended 31 October 2006

'D' Ordinary shares

	Year ended 31 October 2006			Year ended 31 October 2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	13	-	13	-	-	-
Gains on investments	-	5	5	-	-	-
	13	5	18	-	-	-
Investment management fees	(1)	(4)	(5)	-	-	-
Other expenses	(2)	-	(2)	-	-	-
Return on ordinary activities before tax	10	1	11	-	-	-
Tax on ordinary activities	(2)	1	(1)	-	-	-
Return attributable to equity shareholders	8	2	10	-	-	-

'E' Ordinary shares

	Year ended 31 October 2006			Year ended 31 October 2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	14	-	14	-	-	-
Gains on investments	-	-	-	-	-	-
	14	-	14	-	-	-
Investment management fees	(1)	(3)	(4)	-	-	-
Other expenses	(3)	-	(3)	-	-	-
Return on ordinary activities before tax	10	(3)	7	-	-	-
Tax on ordinary activities	(2)	1	(1)	-	-	-
Return attributable to equity shareholders	8	(2)	6	-	-	-

The revenue and capital movements in the year for the Ordinary Shares, D Shares and E Shares relate to continuing operations.

A Statement of Total Recognised Gains and Losses relating to each class of share has not been prepared as all gains and losses are recognised in the relevant Income Statements as shown on page 20 and above.

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 October 2006

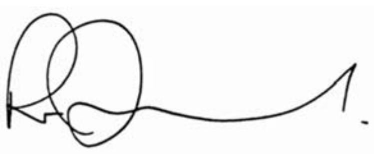
	Notes	Year ended 31 October 2006 Ordinary shares £'000	D shares £'000	E shares £'000	Total £'000	Year ended 31 October 2005 (as restated) Ordinary Shares and Total £'000
Opening shareholders' funds (as originally stated)		26,683	-	-	26,683	14,220
Adjustment for dividends provided	2	718	-	-	718	-
Opening shareholders' funds (as restated)		27,401	-	-	27,401	14,220
Issue of shares		-	536	601	1,137	8,851
Share issue costs	7	-	(29)	(33)	(62)	-
Purchase of own shares		(1,153)	-	-	(1,153)	(685)
Total recognised gains for the year		3,496	10	6	3,512	6,105
Distributions	9	(711)	-	-	(711)	(1,090)
Closing shareholders' funds		29,033	517	574	30,124	27,401

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET
at 31 October 2006

	Notes	Year ended 31 October 2006 Ordinary shares £'000	D shares £'000	E shares £'000	Total £'000	Year ended 31 October 2005 (as restated) Ordinary Shares and Total £'000
Fixed assets						
Investments	**11**	24,621	155	-	24,776	21,721
Current assets						
Debtors	**12**	180	3	-	183	156
Cash at bank and in hand		4,481	361	576	5,418	5,642
		4,661	364	576	5,601	5,798
Creditors: amounts falling due within one year	**13**	(249)	(2)	(2)	(253)	(118)
Net current assets		4,412	362	574	5,348	5,680
Net assets		29,033	517	574	30,124	27,401
Capital and reserves						
Called up share capital	**14**	343	5	6	354	360
Capital redemption reserve	**15**	33	-	-	33	16
Share premium	**15**	-	502	562	1,064	-
Merger reserve	**15**	8,694	-	-	8,694	8,694
Special reserve	**15**	9,436	-	-	9,436	11,791
Capital reserve – realised	**15**	5,787	(3)	(2)	5,782	3,880
Capital reserve – unrealised	**15**	4,634	5	-	4,639	2,266
Revenue reserve	**15**	106	8	8	122	394
Equity shareholders' funds		29,033	517	574	30,124	27,401
Net asset value per share	**16**	84.7p	96.5p	95.4p		76.2p

The financial statements on pages 20 to 34 were approved and authorised for issue by the Board of Directors on 5 February 2007 and were signed on its behalf by:



Robert Drummond
Chairman

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENT
for year ended 31 October 2006

	Notes	Year ended 31 October 2006				Year ended 31 October 2005
		Ordinary shares £'000	D shares £'000	E shares £'000	Total £'000	Ordinary Shares and Total £'000
Net cash inflow from operating activities	**17**	337	4	8	349	108
Taxation		-	-	-	-	-
Capital expenditure						
Purchase of investments		(3,471)	(200)	-	(3,671)	(5,256)
Sale of investments		4,287	50	-	4,337	11,881
Net cash inflow/(outflow) from capital expenditure		816	(150)	-	666	6,625
Acquisitions						
Purchase of subsidiary undertakings		(18)	-	-	(18)	(362)
Net cash transferred from subsidiary undertakings		-	-	-	-	992
		(18)	-	-	(18)	630
Equity distributions paid		(711)	-	-	(711)	(1,088)
Net cash inflow/(outflow) before financing		424	(146)	8	286	6,275
Financing						
Shares issued in period		-	536	601	1,137	-
Share issue costs		(465)	(29)	(33)	(527)	-
Shares repurchased		(1,120)	-	-	(1,120)	(696)
		(1,585)	507	568	(510)	(696)
(Decrease)/increase in cash	**18**	(1,161)	361	576	(224)	5,579

The accompanying notes are an integral part of the financial statements.

NOTES ON THE ACCOUNTS
for the year ended 31 October 2006

1. Accounting policies

Basis of accounting
The Company has prepared its financial statements 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"). Except as stated in note 2, consistent accounting polices have been applied to both this year and the prior years' accounts.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial instruments and on the basis that it is not appropriate to prepare consolidated accounts as explained in note 11.

Presentation of Income Statement
In order to better reflect the activities of venture capital trust and in accordance with guidance issued by the Association of Investment Companies ("AIC"), 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 Section 842 Income and Corporation Taxes Act 1988.

Investments
All investments are designated as "fair value through profit or loss" assets and are initially measured at cost, equivalent to their fair value. Thereafter the investments are measured at subsequent reporting dates at fair value.

Listed fixed income investments and investments quoted on AIM are measured using bid prices with illiquidity discounts applied where deemed appropriate.

In respect of unquoted instruments, fair value is established by using International Private Equity and Venture Capital Valuation Guidelines. Where no reliable fair value can be estimated for such unquoted equity investments they are carried at cost, subject to any provision for impairment. Where an investee company has gone into receivership or liquidation the investment, although not physically disposed of, is treated as being 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 either significant or controlling influence over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

Income
Dividend income from investments is recognised when the shareholders' rights to receive payment has 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, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount, 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 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 managers fees, 75% to the capital reserve and 25% to the revenue account 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 from the disposal of investments are deducted from the capital account.

Issue costs
Issue costs have been deducted from the share premium account.

Deferred taxation
Deferred taxation 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 financial statements.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

2. Changes in accounting policies

The Company is required to comply with a number of new UK Financial Reporting Standards (FRS), which now represents UK Generally Accepted Accounting Practice (UK GAAP), in preparing its financial statements for the year ended 31 October 2006. These Standards have been introduced as part of the process of aligning UK accounting principles with International Accounting Standards.

As required by FRS 21 "Events after the Balance Sheet Date", dividends to shareholders are accounted for in the period in which the Company is liable to pay them rather than in the period in respect of which they are declared. The results for the year ended 31 October 2006 are not affected by the adoption of FRS 21 but the comparative figures for the year ended 31 October 2005 have been restated accordingly. The effect of the adoption of FRS 21 on the reported net assets of the Company at 31 October 2005 is as follows:

	2005 Net Assets £'000
As previously reported	26,683
Add: proposed dividends not accounted for until paid	718
As restated	27,401

FRS 25 and 26 were also adopted during the year but these had no effect on the company's accounting policies.

3. Income

	2006 £'000	2005 £'000
Income from investments		
Loan stock interest	625	224
Dividend income	111	116
Listed fixed income security interest	246	214
	982	554
Other income	-	1
Monitoring and Directors' fees	-	57
Deposit interest	167	113
	1,149	725

4. Investment management fees

	2006 £'000	2005 £'000
Basic fees	465	314
Exit fees	-	-
	465	314

Exit fees are payable quarterly to Chrysalis VCT Management Limited (with effect from 1 May 2006) based on cash realisations from all investments excluding quoted loan notes, redemptions of loan notes in the normal course of business and other treasury functions. The exit fee is the greater of 1% of the cash proceeds of any exit or 5% of the gain to the Company after all exit costs for investments made after 30 April 2004 or 2½% of the gain on investments made prior to 30 April 2004. No exit fees were paid during the year.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

5. Other expenses

			2006 £'000	2005 £'000
Directors' fees			71	69
Other wages and salaries			-	18
Social security costs			5	6
Pension contributions			-	1
Administration services			78	76
Auditors' remuneration for	-	audit	17	14
	-	other services	6	3
Trail commission			46	40
Office running costs			-	5
Other expenses			110	124
			333	356

6. Directors' fees

Details of remuneration of the Directors can be found in the Directors' Remuneration Report on page 15.

The Company had no employees (other than the Directors) for the year ended 31 October 2006. In the year ended 31 October 2005, the Company had two employees during for the two months ended 31 December 2004. Costs in respect of the Directors are set out in note 5.

No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director.

7. Share issue costs

Share issue costs in relation to the 'D' and 'E' Ordinary shares have been accounted in accordance with the 'D' and 'E' Ordinary share offer for subscription as follows:

	2006 £'000
Total costs in respect of 'D' and 'E' ordinary shares in issue	582
Allocated as:	
Set off against 'D' Share Premium (representing 5.5% of share issue proceeds)	29
Set off against 'E' Share Premium (representing 5.5% of share issue proceeds)	33
Set off against Ordinary Shareholders' Revenue Reserve	520
	582

8. Taxation on ordinary activities

		2006 £'000	2005 £'000
(a)	**Tax charge for year**		
	Current year:		
	UK Corporation tax (charged to the Revenue Account)	185	-
	Tax credited to capital account	(111)	-
		74	-
	Prior year:		
	Over provision from prior years	-	(2)
	Charge for year	74	(2)
(b)	**Factors affecting tax charge for year**		
	Revenue return on ordinary activities before tax	180	296
	Tax at effective rate of 27.3% (2005: 19.0%)	49	56
	Effects of: Expenses disallowed for taxation purposes	155	9
	UK dividend income	(30)	(22)
	Capital expenses	(95)	(45)
	Excess management fees utilised/ (carried forward)	(5)	2
		74	-

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

8. Taxation on ordinary activities (continued)

Excess management fees which are available to be carried forward and set off against future taxable income amount to £Nil (2005: £13,000). Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

9. Distributions

Attributable to Ordinary Shareholders

Year ended 31 October 2006

		Pence per share			£'000		
	Paid/Due	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Paid in year							
2005 final	04/04/2006	0.75	1.25	2.00	267	444	711
Proposed							
2006 final	-	-	-	-	-	-	-

Year ended 31 October 2005

		Pence per share			£'000		
	Paid/Due	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Paid in year							
2005 interim	15/07/2005	-	3.00	3.00	-	1,089	1,089
Proposed							
2005 final	04/04/2006	0.75	1.25	2.00	267	444	711

Attributable to 'D' Shareholders
Year ended 31 October 2006

		Pence per share			£'000		
	Paid/Due	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Proposed							
2006 final	27/03/2007	1.25	-	1.25	7	-	7

Attributable to 'E' Shareholders
Year ended 31 October 2006

		Pence per share			£'000		
	Paid/Due	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Proposed							
2006 final	27/03/2007	1.25	-	1.25	7	-	7

10. Return per share

	Ordinary shares	**'D' Shares**	**'E' Shares**
Return per share based on:			
Net (loss)/ revenue after taxation for the financial year (£'000)	(21)	8	8
Weighted average number or shares in issue	35,101,057	534,778	594,783
Capital return per share based on:			
Net capital gain/(loss) for the financial year (£'000)	3,517	2	(2)
Weighted average number of shares in issue	35,101,057	534,778	594,783

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

11. Investments

	Subsidiaries £'000	Unquoted £'000	Quoted on AIM £'000	Listed fixed income securities £'000	Total £'000
Opening cost at 1 November 2005	11,126	13,058	1,800	4,597	30,581
Gains/(losses) at 1 November 2005	-	1,665	789	(188)	2,266
Amounts due to subsidiary undertakings	(11,126)	-	-	-	(11,126)
Opening fair value at 1 November 2005	-	14,723	2,589	4,409	21,721
Movement in year					
Purchased at cost	-	2,905	474	258	3,637
Sales - proceeds	-	(3,023)	(1,311)	(3)	(4,337)
- realised gains on sales	-	722	397	-	1,119
Unrealised gains/(losses) in the income statement	-	1,843	882	(89)	2,636
Closing fair value at 31 October 2006	-	17,170	3,031	4,575	24,776
Closing cost at 31 October 2006	-	13,658	1,627	4,852	20,137
Gains/(losses) at 31 October 2006	-	3,512	1,404	(277)	4,639
	-	17,170	3,031	4,575	24,776

"Subsidiaries" includes investments in Chrysalis A VCT plc, Chrysalis B VCT plc and Chrysalis C VCT plc (together "the Chrysalis VCTs") and Chrysalis VCT Management Limited.

The Chrysalis VCTs were dormant with their only asset being inter-company debtors due from Chrysalis VCT plc from 1 November 2005 to 13 April 2006 when they were put into liquidation. As part of the liquidation process, the inter-company debtors in the Chrysalis VCTs were distributed *in specie* to Chrysalis VCT plc with the result that the credit for the release of the inter-company balances equalled the impairment of the investments to reduce their value to nil on the completion of the liquidations.

The Company also holds 100% of the issued share capital of Chrysalis VCT Management Limited at a cost of £1.

Results of the subsidiary undertaking for the year ended 31 October 2006 is as follows:

	Country of registration	Nature of Business	Turnover £,000	Retained Loss £,000	Net Liabilities £,000
Chrysalis VCT Management Ltd	England and Wales	Investment Manager	465	(1)	(1)

Consolidated Group Financial Statements have not been prepared as the subsidiary undertaking is not considered to be material. The Financial Statements therefore present only the results of Chrysalis VCT plc, which the Directors also consider is the most useful presentation for Shareholders.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

11. Investments (continued)

Chris Kay who is the executive Director of Chrysalis VCT Management Limited, also acts as a non-executive director with responsibility for unquoted investments held by The Ethical AIM VCT plc. Details of common investments made by this fund and by the Company are summarised below (shown at cost as at 31 October 2006).

	The Ethical AIM VCT plc £'000
Advance Media Information Limited	172
BreakingViews Limited	150
Business Meetings ASP Limited	13
Core Control International Limited	114
DC Interact Limited	38
Global Investor Relations Limited	233
Lamda Polytech Limited	217
Shopcreator Limited	116

12. Debtors

	2006 £'000	2005 £'000
Income tax recoverable	-	4
Other debtors	2	13
Prepayments and accrued income	181	139
	183	156

13. Creditors: amounts falling due within one year

	2006 £'000	2005 (as restated) £'000
Corporation tax	66	-
Other creditors	34	34
Other taxes and social security	7	6
Accruals and deferred income	146	78
	253	118

14. Called up share capital

	2006 £'000	2005 £'000
Authorised:		
50,000,000 (2005: 100,000,000) ordinary shares of 1p each	500	1,000
25,000,000 (2005: Nil) 'D' Ordinary shares of 1p each	250	-
25,000,000 (2005: Nil) 'E' Ordinary shares of 1p each	250	-
	1,000	1,000
Allotted, called up and fully paid:		
34,265,759 (2005: 35,947,516) ordinary shares of 1p each	343	360
536,072 (2005: Nil) 'D' Ordinary shares of 1p each	5	-
601,376 (2005: Nil) 'E' Ordinary shares of 1p each	6	-
	354	360

On 5 January 2006 a resolution was passed to re-designate 50,000,000 of the un-issued Ordinary shares of 1p each into 25,000,000 'D' Ordinary shares and 25,000,000 'E' Ordinary shares.

Between 28 March 2006 and 5 April 2006, 536,072 'D' Ordinary shares and 601,376 'E' Ordinary shares of 1p each were issued at £1 per share, respectively, pursuant to the offer for subscription by way of a prospectus. The aggregate consideration for the 'D' Ordinary shares was £536,072 which excluded share issue costs of £29,484 and for the 'E' Ordinary shares was £601,376 which excluded share issue costs of £33,076.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

14. Called up share capital (continued)

During the year the Company repurchased 1,681,757 Ordinary 1p shares for an aggregate consideration of £1,153,000 being an average price of 68.2p per ordinary 1p share and representing 4.7% of the issued share capital. These shares were subsequently cancelled.

15. Reserves

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
At 1 November 2005	16	-	8,694	11,791	3,431	2,266	125
Prior year adjustment *	-	-	-	-	449	-	269
At 1 November 2005 (as restated)	16	-	8,694	11,791	3,880	2,266	394
Shares issued in year	-	1,126	-	-	-	-	-
Costs of share issue	-	(62)	-	-	-	-	-
Shares repurchased	17	-	-	(1,153)	-	-	-
Expenses capitalised	-	-	-	-	(349)	-	-
Tax on capital expenses	-	-	-	-	111	-	-
Gains on investments	-	-	-	-	1,119	2,636	-
Realisation of revaluation from previous years	-	-	-	-	263	(263)	-
Distributions paid	-	-	-	-	(444)	-	(267)
Transfer between reserves	-	-	-	(1,202)	1,202	-	-
Retained net revenue for the year	-	-	-	-	-	-	(5)
At 31 October 2006	33	1,064	8,694	9,436	5,782	4,639	122

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. During the year the Special Reserve was utilised to eliminate realised losses on the Capital Reserve – Realised. The Special Reserve and Revenue Reserve are distributable reserves. In addition, the Capital Reserve – Realised held by the Ordinary shares is a distributable reserve.

* see Note 2

Split as:
Ordinary Shares

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
At 1 November 2005	16	-	8,694	11,791	3,431	2,266	125
Prior year adjustment *	-	-	-	-	449	-	269
At 1 November 2005 (as restated)	16	-	8,694	11,791	3,880	2,266	394
Shares repurchased	17	-	-	(1,153)	-	-	-
Expenses capitalised	-	-	-	-	(342)	-	-
Tax on capital expenses	-	-	-	-	109	-	-
Gains on investments	-	-	-	-	1,119	2,631	-
Realisation of revaluation from previous years	-	-	-	-	263	(263)	-
Distributions paid	-	-	-	-	(444)	-	(267)
Transfer between reserves	-	-	-	(1,202)	1,202	-	-
Retained net revenue for the year	-	-	-	-	-	-	(21)
At 31 October 2006	33	-	8,694	9,436	5,787	4,634	106

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

15. Reserves (continued)

'D' Ordinary Shares

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
At 1 November 2005	-	-	-	-	-	-	-
Shares issued in year	-	531	-	-	-	-	-
Costs of share issue	-	(29)	-	-	-	-	-
Expenses capitalised	-	-	-	-	(4)	-	-
Tax on capital expenses	-	-	-	-	1	-	-
Gains on investments	-	-	-	-	-	5	-
Retained net revenue for the year	-	-	-	-	-	-	8
At 31 October 2006	-	502	-	-	(3)	5	8

'E' Ordinary Shares

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
At 1 November 2005	-	-	-	-	-	-	-
Shares issued in year	-	595	-	-	-	-	-
Costs of share issue	-	(33)	-	-	-	-	-
Expenses capitalised	-	-	-	-	(3)	-	-
Tax on capital expenses	-	-	-	-	1	-	-
Retained net revenue for the year	-	-	-	-	-	-	8
At 31 October 2006	-	562	-	-	(2)	-	8

16. Net asset value per ordinary share

	Shares in issue		2006 Net Asset Value		2005 Net Asset Value (as restated)	
	2006	**2005**	**Pence per share**	**£'000**	**Pence per share**	**£'000**
Ordinary shares	34,265,759	35,947,516	84.7p	29,033	76.2p	27,401
'D' Ordinary shares	536,072	Nil	96.5p	517	-	-
'E' Ordinary shares	601,376	Nil	95.4p	574	-	-
				30,124		27,401

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

17. Reconciliation of net revenue return before taxation to net cash flow from operating activities

	2006 £'000	2005 £'000
Revenue return on ordinary activities before taxation	700	296
Expenses charged to capital	(349)	(241)
Provision against bad debts	8	-
Costs relating to prior year merger	21	-
Decrease in accrued income and prepayments	(39)	58
Decrease in other debtors	-	13
(Decrease)/increase in other creditors and accruals	8	(18)
Net cash inflow from operating activities	349	108

18. Analysis of changes in cash during the year

	2006 £'000	2005 £'000
Beginning of year	5,642	63
Net cash (outflow)/inflow	(224)	5,579
End of year	5,418	5,642

19. Financial instruments and derivatives

The Company's financial instruments comprise investments in listed fixed income investments, quoted companies, unquoted companies, cash and liquid resources and are all designated as "fair value through profit or loss". The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations.

The Company has not entered into any derivative transactions.

The main risks arising from the Company's financial instruments are interest rate and investment risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

Interest rate risk profile of financial assets and financial liabilities
Financial assets and liabilities
The Company's financial assets and liabilities, other than investments, are at floating rate. Investments in listed securities are fixed rate and those in unquoted companies comprise equity and fixed rate preference shares and loan stock. With the exception of the equity holdings, the investments are fixed rate, with the equity holdings having no interest rate attached to them.

	Average interest rate	Average period until maturity	2006 £'000	2005 £'000
Fixed rate	6.8%	1,009 days	10,813	10,113
Floating rate	4.6%		5,672	5,750
No interest rate			13,639	11,538
			30,124	27,401

- "Fixed rate assets" bear interest at rates based on predetermined yield targets.
- "Floating rate assets" and liabilities bear interest at rates based predominately on quarterly LIBOR.
- "No interest rate assets" includes investments in ordinary shares with no fixed dividend rate.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2006

19. Financial instruments and derivatives (continued)

Financial liabilities
The Company has no financial liabilities or guarantees other than as stated in the Balance Sheet.

Currency exposure
As at 31 October 2006, the Company had one American investment which was valued at £Nil (2005: Nil).

Borrowing facilities
The Company had no committed borrowing facilities as at 31 October 2006.

Investment risk
As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio of unquoted companies, the results of which are detailed in the Chairman's Statement.

Market risk
Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

The investments the Company holds are, in the main, thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

The Board (or a nominated Director) considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Company's policy to use derivative instruments to mitigate market risk, as the Board believes that the effectiveness of such instruments does not justify the cost involved.

20. Contingencies, guarantees and financial commitments

The Company had no contingencies or guarantees at the year end. At 31 October 2006 the Company had committed £12,000 for the purchase of one new investment.

21. Related party transactions

The Company appointed Chrysalis VCT Management Limited, a wholly owned subsidiary, as its Investment Manager on 1 January 2005, for a fee of 1.65% of net assets per annum. During the period £465,000 (2005: £314,000) was paid to Chrysalis VCT Management Limited in respect of these fees. No amounts were outstanding at the year end.

An exit fee is payable quarterly to Chrysalis VCT Management Limited (with effect from 1 May 2006) based on cash realisations from all investments excluding quoted loan notes, redemptions of loan notes in the normal course of business and other treasury functions. The exit fee is the greater of 1% of the cash proceeds of any exit or 5% of the gain to the Company after all exit costs for investments made after 30 April 2004 reduced to 2½% of investments made prior to 30 April 2004. No exit fees were paid to Chrysalis VCT Management Limited during the year.

22. Controlling party

In the opinion of the Directors there is no immediate or ultimate controlling party.

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING of Chrysalis VCT plc

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of Chrysalis VCT plc will be held at 69 Eccleston Square, London, SW1V 1PJ at 11:00 am on 22 March 2007 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 31 October 2006, together with the report of the Auditors thereon;

2. To approve the payment of a final dividends of 1.25p per ‘D’ share and 1.25p per ‘E’ share;

3. To approve the Directors’ Remuneration Report;

4. To reappoint PKF (UK) LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration;

5. To re-elect as Director, Robert Drummond, who retires and, being eligible, offers himself for re-election;

As **Special Business**, to consider and, if thought fit, pass the following Special Resolution:

6. That, the Company be and is generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary shares of 1p each, ‘D’ Ordinary shares of 1p each and ‘E’ Ordinary shares of 1p in the capital of the Company provided that:

   (i) the maximum number of Ordinary shares hereby authorised to be purchased is 5,105,598, representing approximately 14.9% of the present issued Ordinary share capital of the Company, the maximum number of ‘D’ Ordinary shares hereby authorised to be purchased is 79,874, representing approximately 14.9% of the present issued ‘D’ Ordinary share capital of the Company and the maximum number of ‘E’ Ordinary shares hereby authorised to be purchased is 89,605, representing approximately 14.9% of the present issued ‘E’ Ordinary share capital of the Company;

   (ii) the minimum price which may be paid for an Ordinary share, ‘D’ Ordinary share or ‘E’ Ordinary share is 1p, exclusive of all expenses;

   (iii) the maximum price which may be paid for an Ordinary share, ‘D’ Ordinary share or ‘E’ Ordinary share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations for the Ordinary shares, ‘D’ Ordinary shares or ‘E’ Ordinary shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

   (iv) the Company may make a contract to purchase Ordinary shares, ‘D’ Ordinary shares or ‘E’ Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of ordinary shares in pursuance of any such contract.

NOTICE OF THE ANNUAL GENERAL MEETING
(continued)

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or if earlier, on the expiry of 15 months from the passing of this Resolution.

By order of the Board

G Whitehouse

Grant Whitehouse
Secretary

5 February 2007

Registered Office:
69 Eccleston Square
London SW1V 1PJ

Notes

(a) Any member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote instead of that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.

(b) To be valid the instrument appointing a proxy and authority under which it is executed must be deposited at Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Meeting.

(c) Completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person.

(d) Copies of the Directors' consultancy agreements and the Register of Directors' interests in the ordinary shares of the Company kept in accordance with Section 325 of the Companies Act 1985 will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the Annual General Meeting and for at least 15 minutes prior to and during the meeting.

CHRYSALIS VCT PLC
FORM OF PROXY

For use at the Annual General Meeting of the above-named Company to be held on 22 March 2007, at 69 Eccleston Square, London, SW1V 1PJ at 11:00 am.

I/We* ……………………………………………………………………………………………………...
(in BLOCK CAPITALS please)

of ……………………………………………………………………………………………………….

being the holder(s) of Ordinary share/'D' Ordinary shares/'E' Ordinary shares* of 1p each in the capital of the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or ……………………………………………………………………………………………………….

of ……………………………………………………………………………………………………….

as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 69 Eccleston Square, London, SW1V 1PJ on 22 March 2007 or at any adjournment thereof.

I/We* desire to vote on the Resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the Resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Report of the Directors and Accounts	☐	☐	☐
2. To approve the payment of the proposed final dividends	☐	☐	☐
3. To approve the Directors' Remuneration Report.	☐	☐	☐
4. To re-appoint the Auditors and authorise the Directors to determine their remuneration.	☐	☐	☐
5. To re-elect Robert Drummond as a Director.	☐	☐	☐
SPECIAL BUSINESS			
6. To authorise the Directors to make market purchases of its shares.	☐	☐	☐

Dated this ………………… day of …………………………………………………………………… 2007

Signature(s) ………………………………………..………………………………………………………..

Notes:
1. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the meeting" and insert the name and address of the person whom you wish to appoint in the space provided. A proxy need not be a member of the Company.
2. In the case of a corporation this form must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the corporation.
3. In the case of joint shareholders any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
4. If you do not indicate the way you desire your proxy to vote, you will be deemed to have authorised your proxy to vote or abstain from voting at his/her discretion.
5. To be valid this form of proxy must be completed and deposited (together with any power of attorney, or other authority under which it is signed) with Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
6. Completion of this form will not preclude you from attending and voting at the meeting if you so wish.
7. Any alteration made to the form of proxy must be initialled.

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Business Reply Service
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CAPITA REGISTRARS
Registrars for
CHRYSALIS VCT plc
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

Second Fold

First fold