

Chrysalis VCT PLC

*Report & Accounts
for the year ended
31 October 2007*

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.

Dividend History

Ordinary Shares

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	2 March 2007	2006 Interim	3.00
3 September 2004	2004 Interim	1.50			

Cumulative dividends paid to date 13.45

20 March 2008 2007 Final proposed 3.50

'D' Ordinary Shares

Date Paid

27 March 2007 2006 Final 1.25

20 March 2008 2007 Final proposed 2.00

'E' Ordinary Shares

27 March 2007 2006 Final 1.25

20 March 2008 2007 Final proposed 2.00

Share price

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

TIDM/EPIC Code	Ordinary Shares CYS	'D' Ordinary Shares CYSD	'E' Ordinary Shares CYSE
Latest share price (29 January 2008):	71.0p per share	94.0p per share	86.0p per share

A link to the share price is also available on Chrysalis's website (www.chrysalisvct.co.uk) and on Downing's website (www.downing.co.uk).

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. Selling your shares may have tax consequences so you should consult your independent financial adviser before making any decisions.

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

18 March 2008	Annual General Meeting
20 March 2008	Payment of final dividend
June 2008	Announcement of half yearly report to 30 April 2008

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". Financial information is also available on Chrysalis's website (www.chrysalisvct.co.uk) under "Shareholder Info".

If you have any queries regarding your shareholding in Chrysalis VCT plc, please contact the Registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

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COMPANY INFORMATION

Company number	4095791
Directors	Robert Drummond (Chairman) Julie Baddeley Peter Harkness
Secretary and registered office	Grant Whitehouse Kings Scholars House 230 Vauxhall Bridge Road London SW1V 1AU 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
Administration manager	Downing Management Services Limited Kings Scholars House 230 Vauxhall Bridge Road London SW1V 1AU 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 Ltd 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 OBJECTIVE

The Company's principal investment objectives are to:

- to achieve long term capital growth and generate income for its shareholders principally from private equity and AIM investments; and
- maintain its VCT status.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on page 13.

DIRECTORS



Robert Drummond (62) (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. He is also a director on the board of RFTRAQ Limited, representing the VCT's interests in the company.



Julie Baddeley (56) (Non Executive Director) is a non-executive director of Greggs plc and Yorkshire Building Society. She is also a director of the Department of Health and an associate fellow of Saïd Business School, 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. She is also a director on the board of ART VPS Limited, representing the VCT's interests in the company.



Peter Harkness (58) (Non Executive Director) is a serial media entrepreneur who has significant experience working closely with institutional investors. He is chairman of the on-line publishing group, Magicalia, and of Optima Data Intelligence Services Limited (an investee company), and non-executive Chairman of TMN plc, one of the UK's leading online marketing groups 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.

FINANCIAL HIGHLIGHTS

	2007 pence	2006 pence
Ordinary Shares		
Net asset value per share	<u>91.50</u>	<u>84.70</u>
Cumulative distributions paid since launch	<u>13.45</u>	<u>10.45</u>
Total return (Net asset value per share plus cumulative dividends)	<u>104.95</u>	<u>95.15</u>
Interim dividend per Ordinary Share	-	3.00
Final proposed dividend per Ordinary Share	<u>3.50</u>	<u>-</u>
	<u>3.50</u>	<u>3.00</u>
'D' Shares		
Net asset value per share	<u>106.10</u>	<u>96.50</u>
Cumulative distributions paid since launch	<u>1.25</u>	<u>-</u>
Total return (Net asset value per share plus cumulative dividends)	<u>107.35</u>	<u>96.50</u>
Final proposed dividend per 'D' Ordinary Share	<u>2.00</u>	<u>1.25</u>
'E' Shares		
Net asset value per share	<u>95.30</u>	<u>95.40</u>
Cumulative distributions paid since launch	<u>1.25</u>	<u>-</u>
Total return (Net asset value per share plus cumulative dividends)	<u>96.55</u>	<u>95.40</u>
Final proposed dividend per 'E' Ordinary Share	<u>2.00</u>	<u>1.25</u>

CHAIRMAN'S STATEMENT

I have pleasure in presenting the report and accounts for Chrysalis VCT plc for the year ended 31 October 2007. The year under review has seen the Company continue to perform well, particularly the Ordinary Share pool where a number of the profitable exits from the more mature investments have been achieved.

Net Asset Value

At 31 October 2007, the Net Asset Value ("NAV") per Ordinary Share had risen to 91.5p, an increase of 9.8p or 12.0% over the year (after adjusting for the dividend of 3p per share paid during the year).

The Total Return (NAV plus cumulative dividends paid since launch) to Ordinary Shareholders since the Company's launch (when it was known as Downing Classic VCT 3 plc) now stands at 104.95p per Ordinary Share compared to an original investment (net of income tax relief) of 80p per Ordinary Share.

At 31 October 2007, the NAV per 'D' Share had risen to 106.1p, an increase of 10.85p or 11.4% over the year after adjusting for the dividend of 1.25p per share paid during the year.

At 31 October 2007, the NAV per 'E' Share had risen to 95.3p, an increase of 1.15p or 1.2% over the year after adjusting for the dividend of 1.25p per share paid during the year.

Venture capital investments

There were three major disposals during the year within the Ordinary Share portfolio. The investment management team worked closely with ProTx Group and Ma Potters to secure exits producing gains against original cost totalling £3.3 million. Also, AIM-quoted Computer Software Group plc was the subject of a takeover bid which produced a gain against cost of £1.2 million. Total realised gains against previous carrying values for the Ordinary Share pool over the year amounted to £1.4 million and there were also unrealised gains of £1.5 million.

During the year the 'D' Share portfolio made unrealised gains £26,000 and realised gains of £27,000. The 'E' Share portfolio made a small unrealised loss of £4,000.

A full review of the additions, disposals and performance of the investment portfolios can be found within the Investment Manager's report on page 6.

Listed fixed income securities

The Ordinary Share pool continues to hold a portfolio of fixed income securities. At 31 October 2007, this portfolio was valued at £4.7 million. During the year this portfolio produced a small unrealised loss of £33,000 and realised loss of £1,000.

Results and dividend

The total return on ordinary activities for the year was as follows:

	Revenue £'000	Capital £'000	Total £'000
Ordinary Share	580	2,538	3,118
'D' Share	11	48	59
'E' Share	15	(9)	6
	606	2,577	3,183

Your Board is proposing to pay the following final dividends for the year:

Ordinary Shares	3.5p per share
'D' Shares	2.0p per share
'E' Shares	2.0p per share

Subject to shareholder approval at the Annual General Meeting ("AGM"), the dividends will be paid on 20 March 2008 to Shareholders on the register at 22 February 2008.

Share repurchase

In order to provide liquidity in the market for Shareholders wishing to sell part or all of their holding, the Company has operated a policy of buying in shares that become available for cancellation.

During the year the Company purchased 1,596,639 Ordinary Shares for cancellation at an average price of 76.8p per share, which was approximately equal to a 10% discount to the most recently published NAV. No 'D' or 'E' Shares were purchased during the year.

The Board intends to continue with the policy of buying in shares for cancellation and has decided to regularly review the price at which buybacks are undertaken, although expects to buy shares at between a 10% and 20% discount to the last published NAV. A special resolution to allow the Company to continue to repurchase shares in the market is proposed for the forthcoming AGM. The Board recommends that Shareholders vote in favour of Resolution 6.

CHAIRMAN'S STATEMENT (continued)


Annual General Meeting

The next AGM of the Company will be held at Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU at 11:00am on 18 March 2008.

One item of special business is proposed at the AGM in respect of the authority to repurchase shares as described above.

Outlook

The impact of the US sub-prime lending crisis appears to have been the catalyst for a change in the economic conditions, the extent of which is not yet clear. With a less buoyant climate, further profitable realisations will be more difficult to achieve, particularly in the short-term. However, with a well-diversified and balanced portfolio, the Board remains confident that the Company can continue to make good progress.



Robert Drummond
Chairman

29 January 2008

INVESTMENT MANAGEMENT REPORT

The year under review has been both a busy and successful year for your company continuing the trend of recent years. In the three and a half years since the change of management the VCT's Ordinary Share total return has risen from 66.1p to 104.95p a rise of nearly 59%.

This year has seen a considerable number of realisations with proceeds totalling £7.15 million, equivalent to 36% of the venture capital portfolio at the start of the year, and in addition £5.9 million was invested in 14 separate transactions. Five investments were to our existing portfolio to finance growth of their businesses and nine were to new companies.

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

	Cost £'000	Proceeds £'000	MV at 31/10/06 * £'000	Realised profit/ (loss) £'000	Profit/ (loss) vs cost £'000
Ordinary Share Pool					
Takeovers					
Blooms of Bressingham	68	107	87	20	39
Computer Software	399	1,557	1,214	343	1,158
	467	1,664	1,301	363	1,197
Full					
DC Interact	-	16	-	16	16
Ma Potters	1,000	2,445	1,530	915	1,445
ProTx Group	449	2,320	2,272	48	1,871
	1,449	4,781	3,802	979	3,332
Partial					
Berkeley					
Scott	59	50	12	38	(9)
Glisten	40	182	192	(10)	142
	99	232	204	28	133
Sundry					
Henry J Beans	-	9	9	-	9
Strainstall	-	394	355	39	394
	-	403	364	39	403
Liquidations					
Avionic Services	325	-	-	-	(325)
Ordinary Pool total	2,340	7,080	5,671	1,409	4,740
'D' Share Pool					
Brainjuicer	48	75	48	27	27
Total	2,388	7,155	5,719	1,436	4,767

* Including cost where purchased in year

The Chairman has already mentioned the three major disposals which produced a profit over cost of £4.5 million and it is worth repeating the comments made last year that a significant feature of our recent successful disposals is that typically the investee company had received additional financial support from us over the years. It is often one of the hardest decisions a venture capitalist has

to make, deciding whether to continue to back a company particularly if it has been underperforming but if you get it right you can reap large rewards. I am sure we will be faced with many such decisions during 2008.

A further example of this is AMI which received four rounds of funding, the last of which in February 2006 was effectively a rescue when the VCT was the only significant provider of funds. This enabled AMI to survive and it has now been sold subsequent to the year end producing a 72.4% uplift on the valuation as at October 2006. As well as cash our investment philosophy also demands that we do get fully involved with the investee companies often taking a seat on the board. This was particularly the case at AMI.

You will note from the realisation table that we took advantage of the then buoyancy of the AIM market to reduce our holdings in some of our AIM portfolio. With the benefit of hindsight we should have done more since the AIM market has performed very poorly over the last few months with liquidity drying up. Fortunately we took the strategic decision some time ago to limit our exposure to AIM with the result that just 8% of the fund is invested on AIM and thus any further price falls will not have a huge impact on your fund. Moreover the limited AIM investments we have made have largely been successful and even after the recent falls the AIM portfolio is trading well above cost.

Turning to the new investments, nearly a third by number and value has gone to support the existing portfolio, but we also backed nine new companies of which the most high profile (if not the largest investment) was to Rhino Sport and Leisure Limited. Rhino manufactures rugby equipment and supplied the scrummaging machine to the England team for the last World Cup. It also features Martin Johnson, the ex-England captain, on its board.

It is worth pointing out that the VCT was actually cash negative this year with new investments (£5.9 million), dividends paid (£1.03 million) and share buy-ins (£1.25 million) more than using up the £7.15 million received from realisations.

With regard to the year ahead, most of the current economic and business commentary is quite bearish and we have seen already some considerable falls in AIM valuations albeit often on the back of very limited trading.

INVESTMENT MANAGEMENT REPORT (continued)

The usual implication for the unquoted sector is a reduction in the number of exit opportunities although we currently have two fairly major exits under negotiation, both of which would produce a healthy uplift over current valuations if they take place.

The attitude of the banking market will inevitably be a major factor and it may well be that a major proportion of this years investment will be to portfolio companies, stepping in where the banks would normally be providing finance. Of course a reduction in competition does give opportunity for better deals for your VCT.

Overall the majority of the portfolio is trading broadly on budget. As ever there are several situations that require special consideration but we are working closely with the directors of those companies to try and improve the position.



Chris Kay
Chrysalis VCT Management Ltd

29 January 2008

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 October 2007:

	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	1,605	2,836	-	9.5%
Precision Dental Laboratories Group Limited	2,100	2,167	-	7.3%
ILG Digital Limited	806	2,101	661	7.0%
Wessex Advanced Switching Products Limited	699	1,426	249	4.8%
Centre Design Limited	1,350	1,205	-	4.0%
Ultralon Holdings Limited	950	950	-	3.2%
Advance Media Information Limited	615	934	239	3.1%
Triaster Limited	758	921	-	3.1%
Mentorion Limited	850	820	120	2.8%
Spice Inns Limited	700	789	(61)	2.6%
	<u>10,433</u>	<u>14,149</u>	<u>1,208</u>	<u>47.4%</u>
Other venture capital investments				
Glisten plc *	149	739	24	2.5%
British International Holdings Limited	700	700	-	2.3%
Mentorion 2 Limited	700	700	-	2.3%
Ensign Communications Limited	500	685	185	2.3%
RFTRAQ Limited (formerly Core Control)	325	680	68	2.3%
The Capital Pub Company plc *	505	671	91	2.3%
Zest Juice Limited	450	450	-	1.5%
Optima Data Intelligence Limited	450	450	-	1.5%
CPI Acquisition UK Limited	300	300	-	1.0%
YouGov plc *	45	276	36	0.9%
Planet Sport Holdings Limited	250	225	-	0.8%
BreakingViews Limited	-	187	187	0.6%
The Mission Marketing Group plc *	150	175	35	0.6%
Forward Media Limited	440	158	(94)	0.5%
Hat Pin plc *	120	158	31	0.5%
Berkeley Scott Group plc *	320	146	85	0.5%
Rhino Sport and Leisure Limited	116	116	-	0.4%
G-Crypt Limited	106	106	-	0.4%
Best of the Best plc *	98	88	-	0.3%
ILX Group plc *	100	77	(41)	0.3%
Global Investor Relations Limited	67	67	-	0.2%
Tellings Golden Miller plc *	75	30	2	0.1%
ART VPS Limited	358	-	-	-
IX Holdings Limited	250	-	(250)	-
Kids Safetynet Limited	637	-	-	-
Patterning Technology Limited	286	-	-	-
Shopcreator Limited	255	-	-	-
	<u>7,752</u>	<u>7,184</u>	<u>359</u>	<u>24.1%</u>
Listed fixed income securities				
Treasury 7 ¼% 2007 Stock	2,084	1,927	(40)	6.5%
Treasury 4% 2009 Stock	1,215	1,210	8	4.1%
Treasury 5% 2008 Stock	1,218	1,200	(1)	4.0%
Nucleus cash trust	400	398	-	1.3%
	<u>4,917</u>	<u>4,735</u>	<u>(33)</u>	<u>15.9%</u>
Total	<u>23,102</u>	<u>26,068</u>	<u>1,534</u>	<u>87.4%</u>
Cash at bank and in hand		3,772		12.3%
Total investments		<u>29,840</u>		<u>100.0%</u>

REVIEW OF INVESTMENTS (continued)

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
'D' ORDINARY SHARE POOL				
Hat Pin plc *	80	105	21	18.5%
Mentorion Limited	50	59	9	10.3%
CPI Acquisition UK Limited	50	50	-	8.8%
British International Holdings Limited	50	50	-	8.8%
Mentorion 2 Limited	50	50	-	8.8%
Rhino Sport and Leisure Limited	50	50	-	8.8%
Spice Inns Limited	50	46	(4)	8.2%
	<u>380</u>	<u>410</u>	<u>26</u>	<u>72.2%</u>
Cash at bank and in hand		<u>158</u>		<u>27.8%</u>
Total Investments		<u>568</u>		<u>100.0%</u>
'E' ORDINARY SHARE POOL				
CPI Acquisition UK Limited	50	50	-	8.7%
Ultralon Limited	50	50	-	8.7%
Zest Juice Limited	50	50	-	8.7%
Optima Data Intelligence Services Limited	50	50	-	8.7%
Spice Inns Limited	50	46	(4)	8.1%
	<u>250</u>	<u>246</u>	<u>(4)</u>	<u>42.9%</u>
Cash at bank and in hand		<u>328</u>		<u>57.1%</u>
Total Investments		<u>574</u>		<u>100.0%</u>

All investments are unquoted unless otherwise stated.

* Quoted on AIM

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

Babel Media Ltd



www.babelmedia.com

Cost:	£1,605,000	Latest accounts:	31/05/2006
Investment comprises:		Turnover:	£8.8 million
Ordinary Shares:	£405,000	Profit before tax:	£445,000
10% Loan Stock:	£1,200,000	Net assets:	£235,000
Valuation method:	Third Party offer		
Valuation at 31/10/07:	£2,836,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£2,636,000	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.

Precision Dental Laboratories Group Ltd



www.precisiondentalstudio.co.uk

Cost:	£2,100,000	Latest accounts:	30/09/2006
Investment comprises:		Turnover:	£8.6 million
Ordinary Shares:	£1,100,000	Loss before tax:	(£458,000)
5% Loan Stock:	£1,000,000	Net assets:	£1.2 million
Valuation method:	Earnings multiple		
Valuation at 31/10/07:	£2,167,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£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 company disposed of two loss making laboratories during the year in respect of which a £600,000 impairment provision was made in the accounts for the year ended 30 September 2006. The remaining laboratories continue to trade profitably.

REVIEW OF INVESTMENTS (continued)

ILG Digital Limited



www.i-level.com

Cost:	£806,000	Latest accounts:	31/03/2006
Investment comprises:		Turnover:	£26 million
Ordinary Shares:	£266,000	Profit before tax:	£703,000
Preference Shares:	£540,000	Net assets:	£11 million
Valuation method:	Earnings multiple		
Valuation at 31/10/07:	£2,101,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£1,234,000	Proportion of equity held:	5.3%

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.

Wessex Advanced Switching Products Limited



www.waspswitches.co.uk

Cost:	£699,000	Latest accounts:	31/12/2006
Investment comprises:		Turnover:	£7.2 million
Ordinary Shares:	£699,000	Profit before tax:	£812,000
		Net assets:	£2.1 million
Valuation method:	Earnings multiple		
Valuation at 31/10/07:	£1,426,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£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 2007.

Centre Design Limited



www.centredesign.co.uk

Cost:	£1,350,000	Latest accounts:	31/01/2006
Investment comprises:		Turnover:	£6.0 million
Ordinary Shares:	£145,000	Profit before tax:	£56,000
10% Loan Stock:	£1,205,000	Net assets:	£525,000
Valuation method:	Net Assets		
Valuation at 31/10/07:	£1,205,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£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. Clients include Bluewater, Meadowhall and the Mall Corporation.

Ultralon Holdings Limited



www.ultralon.co.uk

Cost:	£1,000,000	Latest accounts:	31/12/2006
Investment comprises:		Turnover:	£Nil
Ordinary Shares:	£200,000	Loss before tax:	(£239,000)
8% Loan Stock:	£800,000	Net assets:	£3.4 million
Valuation method:	Price of recent investment		
Valuation at 31/10/07:	£1,000,000	Market capitalisation:	N/A
Valuation at 31/10/06:	Not held	Proportion of equity held:	20.0%

Ultralon specialises in the sale and distribution of educational equipment, principally blackboards and whiteboards. Ultralon is based in Scotland and Watford. No consolidated accounts were produced for the year ended 31/12/06. However the group had a turnover of £8.4 million and a loss before tax of £377,000.

REVIEW OF INVESTMENTS (continued)

Advance Media Information Ltd



www.amiplan.com

Cost:	£615,000	Latest audited accounts:	31/03/2007
Investment comprises:		Turnover:	£931,000
Ordinary Shares:	£13,000	Loss before tax:	(£174,000)
7% Loan Stock:	£602,000	Net liabilities:	(£411,000)
Valuation method:	Third Party offer		
Valuation at 31/10/07:	£934,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£696,000	Proportion of equity held:	37.8%

Advance Media Information (AMI) provides access by subscription to an online database of future events covering political, entertainment, lifestyle, business and financial news information. AMI's services are used by over 2,500 subscribers. Since the end of the year, AMI was acquired by Precise Media Group Holdings for £2 million. In December 2007 Chrysalis realised £1.19 million for its investment, an uplift of 28% on the October 2007 valuation.

Triaster Limited



www.triaster.co.uk

Cost:	£758,000	Latest audited accounts:	31/03/2006
Investment comprises:		Turnover:	£1.1 million
Ordinary Shares:	£71,000	Profit before tax:	£167,000
10% Loan Stock:	£600,000	Net liabilities:	(£733,000)
7.5% Loan Stock:	£87,000		
Valuation method:	Earnings multiple		
Valuation at 31/10/07:	£921,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£921,000	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. After several years of losses, Triaster has now recorded two profitable years in a row.

Spice Inns Limited



www.spiceinns.co.uk

Cost:	£950,000	Latest audited accounts:	31/05/2006
Investment comprises:		Turnover:	£1.5 million
Ordinary Shares:	£318,000	Loss before tax:	(£346,000)
5% Loan Stock:	£632,000	Net assets:	£241,000
Valuation method:	Net Assets		
Valuation at 31/10/07:	£882,000	Market capitalisation:	N/A
Valuation at 31/10/06:	Not held	Proportion of equity held:	10.0%

Spice Inns operates five leasehold pub restaurants in the Northern Home Counties. The chain is profitable at the operating level but needs to expand to cover its central overheads.

Mentorion Limited



www.localerestaurants.com

Cost:	£750,000	Latest audited accounts:	None yet published
Investment comprises:		Turnover:	N/A
Ordinary Shares:	£100,000	Loss before tax:	N/A
Loan Stock:	£650,000	Net assets:	N/A
Valuation method:	Earnings multiple		
Valuation at 31/10/07:	£878,000	Market capitalisation:	N/A
Valuation at 31/10/06:	£750,000	Proportion of equity held:	28.6%

Mentorion Limited operates three Italian restaurants, in London – at County Hall, Fulham and Blackheath. It recently won an award for 'Best Italian Restaurant Chain' for 2007. The company has yet to file accounts for the year ended 31/05/07. However in that period the company had a turnover of £2.5 million and a loss before tax of £70,000.

Note:

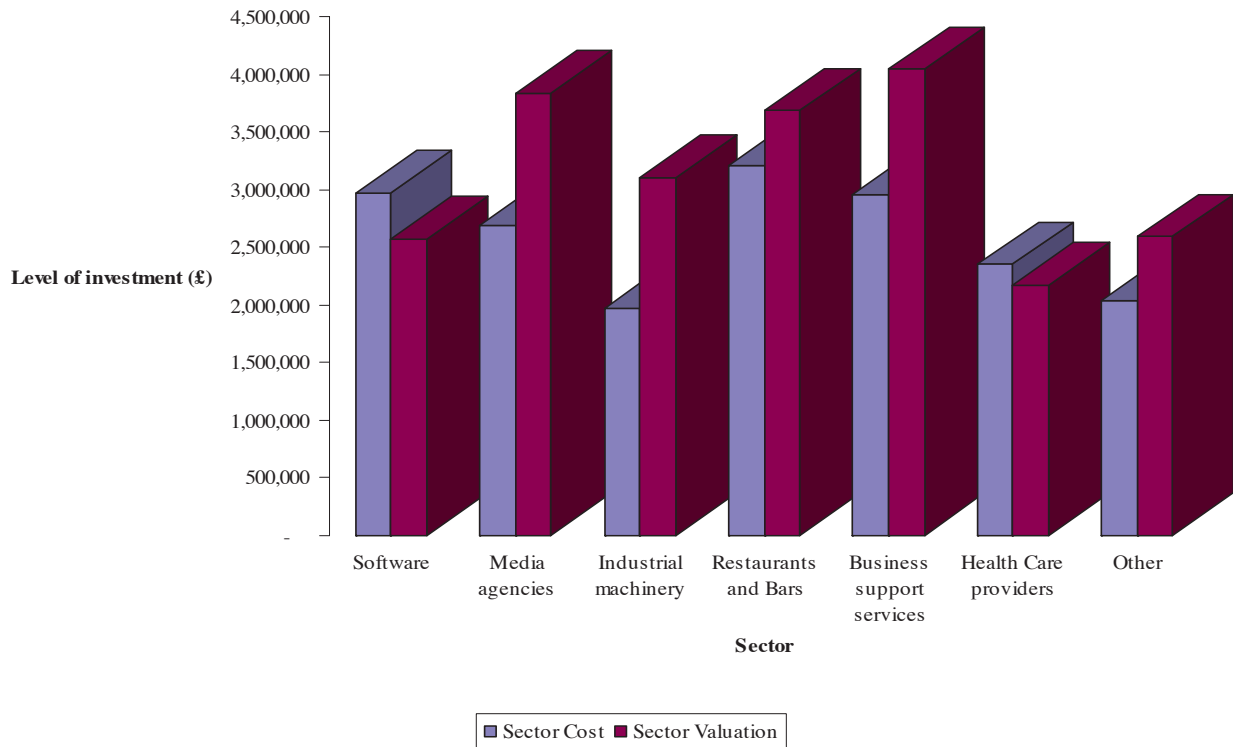
The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

REVIEW OF INVESTMENTS (continued)

Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 October 2007) is as follows:

Spread of Investments by Sector



REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 October 2007.

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 Part 6 of the Income Tax Act 2007.

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 2007

split as:	£'000	Per share
Ordinary shares	3,118	9.3p
'D' Ordinary shares	59	10.9p
'E' Ordinary shares	6	1.1p
	3,183	

Your Board is proposing to pay the following dividends on 20 March 2008 to respective shareholders on the register at 22 February 2008.

	Per share
Ordinary shares	3.5p
'D' Ordinary shares	2.0p
'E' Ordinary shares	2.0p

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 2007

	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 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

Julie Baddeley retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election. The remainder of the Board believe that she has made a considerable contribution since her appointment and remains committed to her role. The Board therefore recommends that shareholders re-elect her at the forthcoming AGM.

Each of the Directors has entered into a consultancy agreement, dated 30 January 2006, which is 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

During the year the Company repurchased 1,596,639 Ordinary 1p shares at an average price of 76.8p each, which represented 4.7% of the issued share capital at the time of repurchase.

Investment Policy

The Company's investment policy covers several areas as follows:

Venture Capital Investments

The Company holds a portfolio of Venture Capital Investments, predominantly comprising unquoted companies, but also including a proportion of investments in companies trading on AIM. The Company intends overall, to hold approximately 70% of its fund in Venture Capital Investments and therefore has a maximum exposure to such investments of 100%.

In addition the individual share pools have specific policies as follows:

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 given to low risk investment opportunities and, should suitable opportunities arise, investments in the art and antiques sector.

REPORT OF THE DIRECTORS (continued)

Investment Policy (continued)

Fixed Income Securities

The Company holds a portfolio consisting of 'A' rated bonds issued by the UK Government, major companies and institutions with a minimum credit rating of A minus (Standard & Poors rated) or A3 (Moodys rated) at the time of investment. Maximum exposure to such investments is 100%.

The allocation of the Company's funds compared to target is summarised as follows:

	Percentage of Funds in VCT Qualifying investments		
	Target	Actual at 31/10/07	Actual at 31/10/07 HMRC Accounts basis valuation rules basis
Ordinary pool	70.0%	69.7%	75.5%
'D' Share pool *	70.0%	72.2%	84.3%
'E' Share pool *	70.0%	42.9%	43.2%

* excluded from qualifying calculation until 31 Oct 2008

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Taxes Act 2007. How the main regulations apply to the Company is summarised as follows:

	Compliance as at 31 Oct 2007/ Year ended 31 Oct 2007
1. The Company holds at least 70% of its investments in qualifying companies (as defined by Chapter 6 of the Income and Taxes Act 2007);	75.5%
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital);	46.7%
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);	Complied
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);	Complied
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;	79.2%
6. The Company distributes sufficient Revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained;	9.1%
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

Borrowings

It is not the Company's intention to have any borrowings. The Company does however have the ability to borrow not more than 15% of the aggregate of:

- The nominal capital of the Company being issued and paid up;
- The amounts standing to credit of the consolidated reserves of the Company and its subsidiary;

as shown within the latest audited balance sheet of the Company and its subsidiary but after:

- Making such adjustments as appropriate to take account of share buybacks or other variation of issued share capital.
- Excluding amounts set aside for future taxation and amounts attributable to outside shareholders in subsidiaries.
- Deducting therefrom (1) amounts equal to any distribution by the Company out of profits earned prior to the date of the latest audited balance sheet, (2) goodwill and other intangible assets and (3) any debit balances on profit and loss account.

At 31 October 2007, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £4,481,012. There are no plans to utilise this ability at the current time.

Investment Management fees

Chrysalis VCT Management Limited, the Company's wholly owned subsidiary which was established on 1 January 2005, provides investment management services to the Company for a fee of 1.65% of net assets per annum. As the Company is self managed there is no contract or notice period in place.

In addition to the basic management fee, with effect from 1 May 2006, the Board has 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.

The Board is very satisfied with the performance of the Company under self management and believes that it is in the Shareholders' best interest's to continue as a self-managed VCT.

REPORT OF THE DIRECTORS (continued)

Administration Management fees

Downing Management Services Limited, (“Downing”), 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). Under a side agreement, dated 25 January 2006, Downing’s appointment continues until 5 April 2009 and either the Board or Downing are entitled to serve upon the other twelve months notice of termination, such notice not to expire no earlier than 5 April 2009.

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.

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.

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).

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.

Key performance indicators

At each board meeting, the Directors consider a number of performance measures to assess the Company’s success in meeting its investment strategy (as shown on page 13). The Board believes the Company’s key performance indicators are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 3).

In addition, the Board considers the Company’s performance in relation to other VCTs. Although the Company has not joined the Association of Investment Companies (AIC), it is hoped that the AIC’s monthly performance statistics will provide a further measure of comparative performance.

Principal Risks and Uncertainties

The principal financial risks faced by the Company, which include interest rate, liquidity, investment and marketability risks, are summarised within note 18 to the financial statements.

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax relief’s currently available to shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the UKLA Listing rules and the Companies Act 1985 could lead to suspension from the Stock Exchange and damage to the Company’s reputation.

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Managers which monitor the compliance of these risks, and place reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial period.

Annual General Meeting

The Annual General Meeting will be held at Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU at 11:00 am on 18 March 2008. 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 2007 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.

REPORT OF THE DIRECTORS (continued)

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

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



Grant Whitehouse
Secretary
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

29 January 2008

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 18 March 2008.

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 21.

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.

Directors' remuneration, as shown in the following table, is set at a level designed to reflect the time commitment and the high level of responsibility borne by the non-executive directors and should be broadly comparable with those paid by similar companies.

Consultancy agreements

Each of the Directors has entered into a consultancy agreement, dated 30 January 2006, which is 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.

Directors' remuneration (audited)

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

	Current fee £	2007 Annual fee £	2006 Annual fee £
Robert Drummond	37,500	37,500	35,625
Julie Baddeley	18,750	18,750	17,812
Peter Harkness	18,750	18,750	17,812
	<u>75,000</u>	<u>75,000</u>	<u>71,249</u>

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.

2007/2008 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 NAV Total Return of the Company (dividends reinvested) and Share Price Total Return of the Company to the FTSE AIM All-Share Total Return Index. 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 in the case of Ordinary Shares and 30 April 2006 in the case of 'D' and 'E' Shares the effective respective launch dates of each share class.

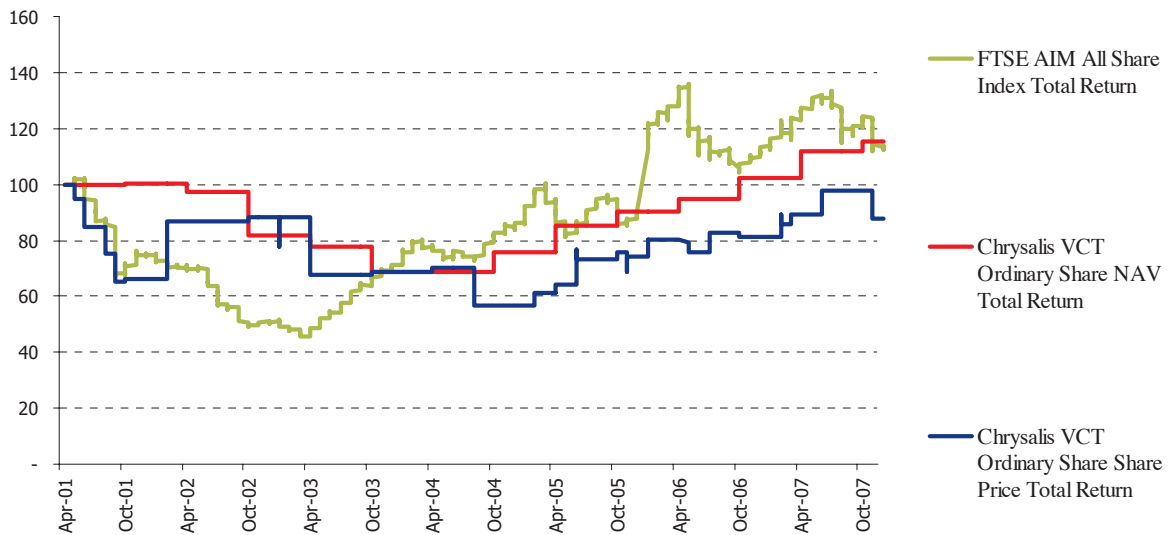
By order of the Board



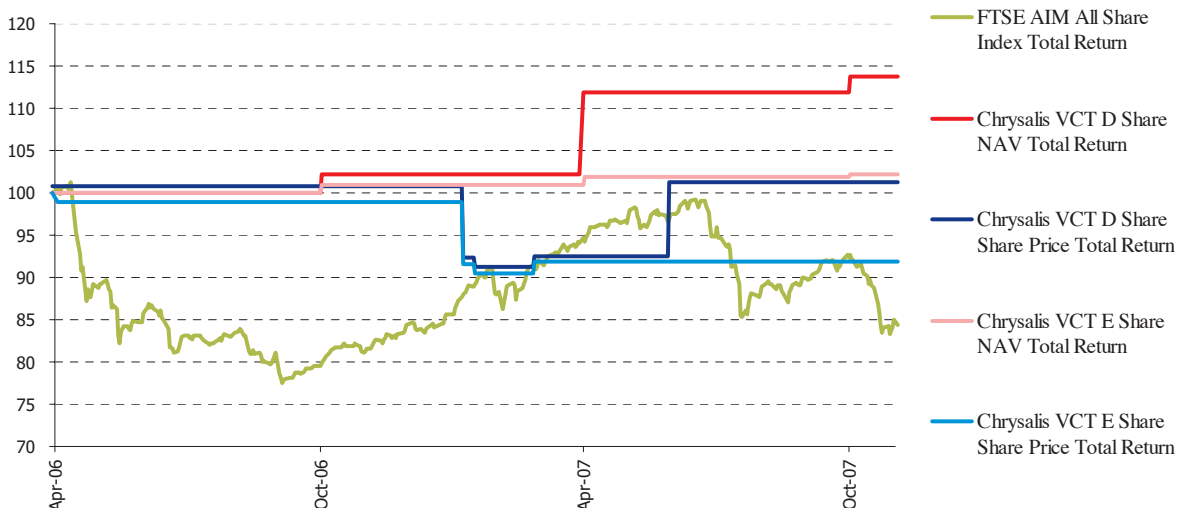
Grant Whitehouse
Secretary
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

29 January 2008

Chrysalis VCT - Ordinary Share Performance



Chrysalis VCT - D & E Share Performance



CORPORATE GOVERNANCE

The Directors support the relevant principles of the Combined Code being the principles of good governance and the code of best practice.

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 herself 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 met twice during the year. They 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 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.

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. Downing Management Services Limited collates 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, and are published immediately following the AGM. 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 13, and a statement by the auditors about their reporting responsibilities is set out in the Auditors' Report on page 21.

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:

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

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 2007 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)
- 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)

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 2007 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 2006 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 2007 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

30 January 2008

INCOME STATEMENT
for the year ended 31 October 2007

Company position

	Note	Year ended 31 October 2007			Year ended 31 October 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	1,294	-	1,294	1,149	-	1,149
Gains on investments	9	-	2,992	2,992	-	3,755	3,755
		1,294	2,992	4,286	1,149	3,755	4,904
Investment management fees	3	(125)	(377)	(502)	(116)	(349)	(465)
Performance incentive fees	3	-	(228)	(228)	-	-	-
Other expenses	4	(308)	-	(308)	(333)	-	(333)
Return on ordinary activities		861	2,387	3,248	700	3,406	4,106
Share issue costs		-	-	-	(520)	-	(520)
Return on ordinary activities before tax		861	2,387	3,248	180	3,406	3,586
Tax on ordinary activities	6	(255)	190	(65)	(185)	111	(74)
Return attributable to equity shareholders		606	2,577	3,183	(5)	3,517	3,512
Return per Ordinary share	8	1.7p	7.6p	9.3p	(0.1p)	10.0p	9.9p
Return per 'D' share	8	2.1p	8.8p	10.9p	1.5p	0.4p	1.9p
Return per 'E' share	8	2.5p	(1.4p)	1.1p	1.4p	(0.5p)	0.9p

Split as:
Ordinary shares

	Year ended 31 October 2007			Year ended 31 October 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	1,239	-	1,239	1,122	-	1,122
Gains on investments	-	2,943	2,943	-	3,750	3,750
	1,239	2,943	4,182	1,122	3,750	4,872
Investment management fees	(121)	(363)	(484)	(114)	(342)	(456)
Performance incentive fees	-	(228)	(228)	-	-	-
Other expenses	(296)	-	(296)	(328)	-	(328)
Return on ordinary activities	822	2,352	3,174	680	3,408	4,088
Share issue costs	-	-	-	(520)	-	(520)
Return on ordinary activities before tax	822	2,352	3,174	160	3,408	3,568
Tax on ordinary activities	(242)	186	(56)	(181)	109	(72)
Return attributable to equity shareholders	580	2,538	3,118	(21)	3,517	3,496

INCOME STATEMENT (continued)
for the year ended 31 October 2007

‘D’ Ordinary shares

	Year ended 31 October 2007			Year ended 31 October 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	24	-	24	13	-	13
Gains on investments	-	53	53	-	5	5
	24	53	77	13	5	18
Investment management fees	(2)	(7)	(9)	(1)	(4)	(5)
Other expenses	(6)	-	(6)	(2)	-	(2)
Return on ordinary activities before tax	16	46	62	10	1	11
Tax on ordinary activities	(5)	2	(3)	(2)	1	(1)
Return attributable to equity shareholders	11	48	59	8	2	10

‘E’ Ordinary shares

	Year ended 31 October 2007			Year ended 31 October 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	31	-	31	14	-	14
Losses on investments	-	(4)	(4)	-	-	-
	31	(4)	27	14	-	14
Investment management fees	(2)	(7)	(9)	(1)	(3)	(4)
Other expenses	(6)	-	(6)	(3)	-	(3)
Return on ordinary activities before tax	23	(11)	12	10	(3)	7
Tax on ordinary activities	(8)	2	(6)	(2)	1	(1)
Return attributable to equity shareholders	15	(9)	6	8	(2)	6

The revenue and capital movements in the year for the Ordinary Shares, ‘D’ Ordinary Shares and ‘E’ Ordinary Shares relate to continuing operations. The total column within the Income Statement represents the profit and loss account of the Company.

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 22 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 2007

Note	Year ended 31 October 2007				Year ended 31 October 2006			
	Ordinary shares £'000	'D' shares £'000	'E' shares £'000	Total £'000	Ordinary shares £'000	'D' shares £'000	'E' shares £'000	Total £'000
Opening shareholders' funds	29,033	517	574	30,124	26,683	-	-	26,683
Adjustment for dividends provided	-	-	-	-	718	-	-	718
Opening shareholders' funds	29,033	517	574	30,124	27,401	-	-	27,401
Issue of shares	-	-	-	-	-	536	601	1,137
Share issue costs	-	-	-	-	-	(29)	(33)	(62)
Purchase of own shares	(1,232)	-	-	(1,232)	(1,153)	-	-	(1,153)
Total recognised gains for the year	3,118	59	6	3,183	3,496	10	6	3,512
Distributions	(1,021)	(7)	(7)	(1,035)	(711)	-	-	(711)
Closing shareholders' funds	29,898	569	573	31,040	29,033	517	574	30,124

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

BALANCE SHEET
at 31 October 2007

	Note	Year ended 31 October 2007			Year ended 31 October 2006			Total £'000	
		Ordinary shares £'000	'D' shares £'000	'E' shares £'000	Ordinary shares £'000	'D' shares £'000	'E' shares £'000		
Fixed assets									
Investments	9	26,068	410	246	26,724	24,621	155	-	24,776
Current assets									
Debtors	10	278	5	5	288	180	3	-	183
Cash at bank and in hand		3,772	158	328	4,258	4,481	361	576	5,418
		4,050	163	333	4,546	4,661	364	576	5,601
Creditors:									
amounts falling due within one year	11	(220)	(4)	(6)	(230)	(249)	(2)	(2)	(253)
Net current assets		3,830	159	327	4,316	4,412	362	574	5,348
Net assets		29,898	569	573	31,040	29,033	517	574	30,124
Capital and reserves									
Called up share capital	12	327	5	6	338	343	5	6	354
Capital redemption reserve	13	49	-	-	49	33	-	-	33
Share premium	13	-	502	562	1,064	-	502	562	1,064
Merger reserve	13	8,694	-	-	8,694	8,694	-	-	8,694
Special reserve	13	7,318	-	-	7,318	9,436	-	-	9,436
Capital reserve – realised	13	9,858	19	(7)	9,870	5,787	(3)	(2)	5,782
Capital reserve – unrealised	13	2,966	31	(4)	2,993	4,634	5	-	4,639
Revenue reserve	13	686	12	16	714	106	8	8	122
Equity shareholder's funds		29,898	569	573	31,040	29,033	517	574	30,124
Net asset value per share	14	91.5p	106.1p	95.3p		84.7p	96.5p	95.4p	

The financial statements on pages 22 to 36 were approved and authorised for issue by the Board of Directors on 29 January 2008 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 2007

	Note	Year ended 31 October 2007			Year ended 31 October 2006				
		Ordinary shares £'000	'D' shares £'000	'E' shares £'000	Total £'000	Ordinary shares £'000	'D' shares £'000	'E' shares £'000	Total £'000
Net cash inflow from operating activities	15	<u>145</u>	<u>9</u>	<u>10</u>	<u>164</u>	<u>337</u>	<u>4</u>	<u>8</u>	<u>349</u>
Taxation		<u>(71)</u>	<u>(1)</u>	<u>(1)</u>	<u>(73)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital expenditure									
Purchase of investments		(7,323)	(278)	(250)	(7,851)	(3,471)	(200)	-	(3,671)
Sale of investments		<u>8,821</u>	<u>74</u>	<u>-</u>	<u>8,895</u>	<u>4,287</u>	<u>50</u>	<u>-</u>	<u>4,337</u>
Net cash inflow/ (outflow) from capital expenditure		<u>1,498</u>	<u>(204)</u>	<u>(250)</u>	<u>1,044</u>	<u>816</u>	<u>(150)</u>	<u>-</u>	<u>666</u>
Acquisitions									
Purchase of subsidiary undertakings		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>(18)</u>
Equity distributions paid		<u>(1,021)</u>	<u>(7)</u>	<u>(7)</u>	<u>(1,035)</u>	<u>(711)</u>	<u>-</u>	<u>-</u>	<u>(711)</u>
Net cash (outflow)/inflow before financing		551	(203)	(248)	100	424	(146)	8	286
Financing									
Shares issued in period		-	-	-	-	-	536	601	1,137
Share issue costs		(6)	-	-	(6)	(465)	(29)	(33)	(527)
Shares repurchased		<u>(1,254)</u>	<u>-</u>	<u>-</u>	<u>(1,254)</u>	<u>(1,120)</u>	<u>-</u>	<u>-</u>	<u>(1,120)</u>
		<u>(1,260)</u>	<u>-</u>	<u>-</u>	<u>(1,260)</u>	<u>(1,585)</u>	<u>507</u>	<u>568</u>	<u>(510)</u>
(Decrease)/ increase in cash	16	<u>(709)</u>	<u>(203)</u>	<u>(248)</u>	<u>(1,160)</u>	<u>(1,161)</u>	<u>361</u>	<u>576</u>	<u>(224)</u>

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

NOTES ON THE ACCOUNTS

for the year ended 31 October 2007

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”).

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 9.

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 Part 6 of the Income Tax Act 2007.

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 accordance with the International Private Equity and Venture Capital Valuation Guidelines.

In respect of unquoted investments, 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 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 Account 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.

Taxation

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

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

1. Accounting policies (continued)

Taxation (continued)

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

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 the accounts.

2. Income

	2007	2006
	£'000	£'000
Income from investments		
Loan stock interest	702	625
Dividend income	75	111
Listed fixed income security interest	247	246
	1,024	982
Other income	5	-
Deposit interest	265	167
	1,294	1,149

3. Investment management fees

	2007	2006
	£'000	£'000
Basic fees	502	465
Exit fees	228	-
	730	465

Exit fees, as shown above, 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.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

4. Other expenses

	2007	2006
	£'000	£'000
Directors' fees	75	71
Social security costs	6	5
Administration services	81	78
Auditors' remuneration for	13	17
- audit		
- taxation services	2	6
Trail commission	51	46
Other expenses	80	110
	308	333

5. Directors' fees

Details of remuneration (excluding VAT and employers' NIC) are given in the Directors' Remuneration Report on page 17.

The Company had no employees (other than the Directors) during the year.

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

6. Taxation on ordinary activities

	2007	2006
	£'000	£'000
(a) Tax charge for year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	255	185
Tax credited to Capital Account	(190)	(111)
Charge for year	65	74
(b) Factors affecting tax charge for year		
Revenue return on ordinary activities before tax	861	180
Tax at effective rate of 26.5% (2006: 27.3%)	228	49
Effects of:		
Expenses disallowed for taxation purposes	17	155
UK dividend income	(20)	(30)
Capital expenses	(160)	(95)
Excess management fees utilised	-	(5)
	65	74

7. Distributions

Attributable to Ordinary Shareholders

Year ended 31 October 2007

	Paid/Due	Revenue	Pence per share		£'000		
			Capital	Total	Revenue	Capital	Total
Paid in year							
2006 interim	02/03/2007	-	3.00	3.00	-	1,021	1,021
Proposed							
2007 final	20/03/2008	1.50	2.00	3.50	490	653	1,143

Year ended 31 October 2006

	Paid/Due	Revenue	Pence per share		£'000		
			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	-	-	-	-	-	-	-

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

7. Distributions (continued)

Attributable to 'D' Ordinary Shareholders
Year ended 31 October 2007

	Paid/Due	Revenue	Pence per share		£'000		Total
			Capital	Total	Revenue	Capital	
Paid in year							
2006 final	27/03/2007	1.25	-	1.25	7	-	7
Proposed							
2007 final	20/03/2008	2.00	-	2.00	11	-	11

Year ended 31 October 2006

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

Attributable to 'E' Ordinary Shareholders
Year ended 31 October 2007

	Paid/Due	Revenue	Pence per share		£'000		Total
			Capital	Total	Revenue	Capital	
Paid in year							
2006 final	27/03/2007	1.25	-	1.25	7	-	7
Proposed							
2007 final	20/03/2008	2.00	-	2.00	12	-	12

Year ended 31 October 2006

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

8. Return per share

	Ordinary shares	'D' Shares	'E' Shares
Return per share based on:			
Net revenue after taxation for the financial year (£'000)	580	11	15
Weighted average number of shares in issue	33,574,306	536,072	601,376
Capital return per share based on:			
Net capital gain/(loss) for the financial year (£'000)	2,538	48	(9)
Weighted average number of shares in issue	33,574,306	536,072	601,376

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

9. Investments

	Unquoted £'000	Quoted on AIM £'000	Listed fixed income securities £'000	Total £'000
Opening cost at 1 November 2006	13,658	1,627	4,852	20,137
Gains/(losses) at 1 November 2006	<u>3,512</u>	<u>1,404</u>	<u>(277)</u>	<u>4,639</u>
Opening fair value at 1 November 2006	17,170	3,031	4,575	24,776
Movement in year				
Change in categorisation	(580)	580	-	-
Purchased at cost	5,793	124	1,934	7,851
Sales - proceeds	(5,185)	(1,970)	(1,740)	(8,895)
- realised gains on sales	1,020	417	(1)	1,436
Unrealised gains/ (losses) in the income statement	<u>1,306</u>	<u>283</u>	<u>(33)</u>	<u>1,556</u>
Closing fair value at 31 October 2007	<u>19,524</u>	<u>2,465</u>	<u>4,735</u>	<u>26,724</u>
Closing cost at 31 October 2007	17,172	1,641	4,918	23,731
Gains/ (losses) at 31 October 2007	<u>2,352</u>	<u>824</u>	<u>(183)</u>	<u>2,993</u>
	<u>19,524</u>	<u>2,465</u>	<u>4,735</u>	<u>26,724</u>

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 2007 is as follows:

	Country of registration	Nature of Business	Turnover £'000	Retained profit £'000	Net Liabilities £'000
Chrysalis VCT Management Ltd	England and Wales	Investment Manager	731	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.

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 2007).

	The Ethical AIM VCT plc £'000
Advance Media Information Limited	172
BreakingViews Limited	150
Business Meetings ASP Limited	13
Global Investor Relations Limited	233
RFTRAQ Limited	114
Shopcreator Limited	116

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

10. Debtors

	2007	2006
	£'000	£'000
Trade debtors	3	-
Other debtors	2	2
Prepayments and accrued income	283	181
	288	183

11. Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Corporation tax	64	66
Other taxes and social security	8	7
Other creditors	11	34
Accruals and deferred income	147	146
	230	253

12. Called up share capital

	2007	2006
	£'000	£'000
Authorised:		
50,000,000 (2006: 50,000,000) Ordinary shares of 1p each	500	500
25,000,000 (2006: 25,000,000) 'D' shares of 1p each	250	250
25,000,000 (2006: 25,000,000) 'E' shares of 1p each	250	250
	1,000	1,000
Allotted, called up and fully paid:		
32,669,120 (2006: 34,265,759) Ordinary shares of 1p each	327	343
536,072 (2006: 536,072) 'D' shares of 1p each	5	5
601,376 (2006: 601,376) 'E' shares of 1p each	6	6
	338	354

During the year the Company repurchased 1,596,639 Ordinary 1p shares for an aggregate consideration of £1.2 million being an average price of 76.8p per Ordinary 1p share and representing 4.7% of the issued share capital. These shares were subsequently cancelled.

13. Reserves

	Capital redemption reserve	Share premium	Merger reserve	Special reserve	Capital reserve - realised	Capital reserve - unrealised	Revenue reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 November 2006	33	1,064	8,694	9,436	5,782	4,639	122
Shares repurchased	16	-	-	(1,232)	-	-	-
Expenses capitalised	-	-	-	-	(605)	-	-
Tax on capital expenses	-	-	-	-	190	-	-
Gains on investments	-	-	-	-	1,436	1,556	-
Realisation of revaluation from previous years	-	-	-	-	3,202	(3,202)	-
Transfer between reserves	-	-	-	(886)	886	-	-
Distributions paid	-	-	-	-	(1,021)	-	(14)
Retained net revenue for the year	-	-	-	-	-	-	606
	49	1,064	8,694	7,318	9,870	2,993	714
At 31 October 2007							

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

13. Reserves (continued)

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.

Reserves are 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 2006	33	-	8,694	9,436	5,787	4,634	106
Shares repurchased	16	-	-	(1,232)	-	-	-
Expenses capitalised	-	-	-	-	(591)	-	-
Tax on capital expenses	-	-	-	-	186	-	-
Gains on investments	-	-	-	-	1,409	1,534	-
Realisation of revaluation from previous years	-	-	-	-	3,202	(3,202)	-
Transfer between reserves	-	-	-	(886)	886	-	-
Distributions paid	-	-	-	-	(1,021)	-	-
Retained net revenue for the year	-	-	-	-	-	-	580
At 31 October 2007	<u>49</u>	<u>-</u>	<u>8,694</u>	<u>7,318</u>	<u>9,858</u>	<u>2,966</u>	<u>686</u>

'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 2006	-	502	-	-	(3)	5	8
Expenses capitalised	-	-	-	-	(7)	-	-
Tax on capital expenses	-	-	-	-	2	-	-
Gains on investments	-	-	-	-	27	26	-
Dividend paid	-	-	-	-	-	-	(7)
Retained net revenue for the year	-	-	-	-	-	-	11
At 31 October 2007	<u>-</u>	<u>502</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>31</u>	<u>12</u>

'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 2006	-	562	-	-	(2)	-	8
Expenses capitalised	-	-	-	-	(7)	-	-
Tax on capital expenses	-	-	-	-	2	-	-
Losses on investments	-	-	-	-	-	(4)	-
Dividends paid	-	-	-	-	-	-	(7)
Retained net revenue for the year	-	-	-	-	-	-	15
At 31 October 2007	<u>-</u>	<u>562</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(4)</u>	<u>16</u>

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

14. Net asset value per ordinary share

	Shares in issue		2007 Net Asset Value		2006 Net Asset Value	
	2007	2006	Pence per share	£'000	Pence per share	£'000
Ordinary shares	32,669,120	34,265,759	91.5p	29,898	84.7p	29,033
'D' Ordinary shares	536,072	536,072	106.1p	569	96.5p	517
'E' Ordinary shares	601,376	601,376	95.3p	573	95.4p	574
				31,040		30,124

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

	2007 £'000	2006 £'000
Return on ordinary activities before taxation	3,248	3,586
Gains on investments	(2,992)	(3,755)
Share issue costs	-	520
Provision against bad debts	-	8
Costs relating to prior year merger	-	21
Decrease in accrued income and prepayments	(106)	(39)
Increase in other creditors and accruals	14	8
Net cash inflow from operating activities	164	349

16. Analysis of changes in cash during the year

	2007 £'000	2006 £'000
Beginning of year	5,418	5,642
Net cash outflow	(1,160)	(224)
End of year	4,258	5,418

17. 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.

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. Venture Capital Investments 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.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

17. Financial instruments and derivatives (continued)

	Average interest rate	Average period until maturity	2007 £'000	2006 £'000
Fixed rate	6.63%	865 days	15,130	10,813
Floating rate	5.40%		4,714	5,672
No interest rate			11,196	13,639
			<u>31,040</u>	<u>30,124</u>

- “Fixed rate assets” bear interest at rates based on predetermined yield targets.
- “Floating rate assets” and liabilities bear interest at rates based predominately on base rate.
- “No interest rate assets” includes investments in equity shares with no fixed dividend rate.

Financial liabilities

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

Currency exposure

As at 31 October 2007, the Company had one American investment which was valued at £Nil (2006: Nil).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 October 2007.

18. Principal financial risks

Interest rate risk

The Company receives interest at a rate agreed with its banker. As the Company must comply with the VCT regulations, increases in interest rates could lead to a potential breach of these regulations. The Company therefore monitors the level of income received from fixed, floating and non interest rate assets to ensure that the regulations are not breached.

Liquidity risk

There is liquidity risk associated with unquoted investments which are not readily realisable. The Board therefore considers exit strategies for these investments throughout the period that they are held by the Company.

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 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.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2007

19. Contingencies, guarantees and financial commitments

The Company had no contingencies or guarantees at the year end.

20. Related party transactions

Chrysalis VCT Management Limited, a wholly owned subsidiary, is the Company's Investment Manager and they receive a fee of 1.65% of net assets per annum. During the period £502,000 (2006: £465,000) 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. During the year exit fees of £228,000 were due to Chrysalis VCT Management Ltd. At the year end £9,000 was outstanding (2006: £nil).

During the year the Company invested £500,000 in Optima Data Intelligence Services Limited, a company in which Peter Harkness subsequently became Chairman. Peter Harkness withdrew from the decision making process in respect of this investment, which was made on an arm's length basis.

21. Controlling party

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

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING of Chrysalis VCT plc

NOTICE IS HEREBY GIVEN that the seventh Annual General Meeting of Chrysalis VCT plc will be held at Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU at 11:00 am on 18 March 2008 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 2007, together with the report of the Auditors thereon;
2. To approve the payment of a final dividends of 3.5p per Ordinary Share, 2.0p per 'D' share and 2.0p 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, Julie Baddeley, who retires and, being eligible, offers herself 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 4,867,698, 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



Grant Whitehouse
Secretary

29 January 2008

Registered Office:
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU

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 Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU by 11am on 14 March 2008.
- (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, 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 18 March 2008, at Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU 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 Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU on 18 March 2008 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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the payment of the proposed final dividends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors’ Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditors and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Julie Baddeley as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

6. To authorise the Directors to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Dated this day of 2008

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. A “vote withheld” is not a vote in law and is not counted in the calculation of the proportion of votes for and against a resolution.
6. 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 Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London, SW1V 1AU by 11am on 14 March 2008.
7. Completion of this form will not preclude you from attending and voting at the meeting if you so wish.
8. Any alteration made to the form of proxy must be initialled.



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Business Reply
Licence Number
RRJU-YLYH-CTJK



CHRYSALIS VCT plc
c/o DOWNING MANAGEMENT SERVICES LIMITED
Kings Scholars House
230 Vauxhall Bridge Road
London
SW1V 1AU

Second Fold

First fold

