



Chrysalis VCT plc

Half Yearly Report
for the six months ended
30 April 2017




INTERNET FUSION

ONLINE RETAIL
SINCE 1999



N+1 SINGER

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

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

Sam Greatrex 0207 496 3032

Nplus1 Singer Capital Markets Limited

One Bartholomew Lane | London | EC2N 2AX

Important note:

Shareholders are advised to seek advice from their tax adviser before selling shares, particularly if they deferred the payment of capital gains tax in respect of shares acquired prior to 6 April 2004.

Share price

The Company's share price can be found on various financial websites with the TIDM/EPIC code "CYS". A link to the share price is also available on Chrysalis's website (www.chrysalisvct.co.uk) and on Downing's website (www.downing.co.uk).

Share scam warning

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

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

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

SHAREHOLDER INFORMATION

Recent performance summary

	30 April 2017 pence	30 April 2016 pence	31 October 2016 pence
Net asset value per share	84.30	83.50	80.80
Cumulative dividends paid per share	70.70	63.70	67.45
Total return (net asset value per share plus cumulative dividends)	155.00	147.20	148.25

Recent dividend

	Paid
Final dividend (3.25p)	23 February 2017

Next dividends

	Payable
Interim dividend (4.75p) (1.75p Interim and 3.0p Special)	4 August 2017

A full dividend history for the Company can be found at www.downing.co.uk.

Dividends

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from www.capitaassetservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Capita Asset Services, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register or, if you have opted in, may be sent by email to your registered email address. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Asset Services, under the signature of the registered holder. Notification of change of address can also be undertaken by contacting Downing LLP, whose details are located on the back page of these accounts.

Other information for Shareholders

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

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

CHAIRMAN'S STATEMENT

- **4.75p total dividend to be paid 4 August 2017**
- **8.4% increase in net asset value since last year end**
- **£1.1 million of realised gains in the period**
- **£1.1 million of unrealised gains in the period**

Introduction

I am pleased to present my statement for the six months ended 30 April 2017 and to report a further period of strong performance by your company, fuelled by some disposals and developments in the existing portfolio.

Net asset value and results

At 30 April 2017, the net asset value per share ("NAV") stood at 84.3p, an increase of 6.8p (8.4%) since the previous year end of 31 October 2016 (after adding back the 3.25p dividend paid on 23 February 2017).

The Total Return to Shareholders who invested at the launch of the Company in 2000 (NAV plus cumulative dividends) is now 155.0p compared to the original cost (net of income tax relief) of 80.0p per share.

The return on activities after taxation for the Company for the period was £2.0 million, comprising a revenue return of £96,000 and a capital return of £1.9 million.

Dividends

In line with previous years, the Board has declared an interim dividend of 1.75p per share. In addition, as a result of the realisations in the period as highlighted below, I am delighted that the Board has approved a further special dividend of 3.0p per share which will also be paid. The total dividend of 4.75p will be paid on 4 August 2017 to Shareholders on the register at 14 July 2017.

Following the payment of the dividend, Shareholders who invested at launch will have received distributions totalling 75.45p per share.

Venture capital portfolio

One major realisation was achieved in the period, being Internet Fusion Limited. Our investment in the ecommerce retailer was sold for £2.1 million when the business was acquired by a third party in an all cash transaction. We first invested in the company in 2012. With a subsequent follow on investment the total cost was £800,000, although we had increased the carrying value over time. In this period, the sale produced a realised gain of £314,000. In addition to the proceeds already received, there is the possibility of further consideration under earn out arrangements in March 2018. The Board congratulates the Manager on delivering an excellent result for Shareholders over a relatively short investment period.

During the six months, Wessex Advanced Switching Products Limited ("WASP"), a successful realisation from 2015, paid further deferred consideration of £525,000 to the Company. As with Internet Fusion, this investment has proved to be an excellent outcome for Shareholders.

There were also three full or partial redemptions of loan stock from various investee companies totalling £564,000 and two liquidation receipts totalling £17,000. Total proceeds received in the period were £3.2 million, giving rise to a total realised gain of £1.1 million.

The Company made one follow on investment in the period.

CHAIRMAN'S STATEMENT (continued)

Venture capital portfolio (continued)

An additional £300,000 was invested in Zappar (Holding) Limited, the augmented reality developer, as part of a fundraising undertaken by the company to fund its continuing growth.

At the end of the period, the Company held a venture capital portfolio comprising 25 investments with a total value of £17.0 million.

As usual, the Board has reviewed the valuations of all the unquoted portfolio and made some a number of adjustments both upwards and downwards. The most significant movement was a £1.2 million increase in valuation in Zappar (Holding) Limited. The investment was revalued to reflect the price at which the latest funding round was carried out.

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

Non-qualifying portfolio

The Company continues to hold a portfolio of fixed income bonds, which was valued at £2.2 million at the period end. The unrealised capital gain on the portfolio over the period was £24,000, along with income of £73,000.

The Company made one new non-qualifying investment of £750,000 in Impact Healthcare REIT plc, a newly launched investment trust which holds a portfolio of care homes. Impact Healthcare should deliver a steady yield with reasonably limited risk and good liquidity on funds that the Company might otherwise hold as cash generating very little yield. This investment showed an unrealised gain of £30,000 for the period.

Share buybacks

The Board regularly reviews the Company's share buyback policy to ensure that it remains appropriate and the Directors remain of the opinion that the Company's liquid resources are generally best utilised in paying tax free dividends to all Shareholders. Accordingly, the Company does not have a fixed policy to buy in its own shares, but may do so, on an ad hoc basis, from time to time.

There were no share buybacks undertaken during the period.

We recommend that any Shareholders wishing to either acquire more shares, or to sell existing holdings, contact the Company's broker, Nplus1 Singer Capital Markets, who are often aware of other parties looking to buy or sell.

CHAIRMAN'S STATEMENT (continued)

Outlook

The completion of another significant profitable realisation in the period supports the Board's view that our self-managed structure can deliver excellent results for Shareholders.

Finally, having joined this Board in 2005 - immediately after the mergers which created the Company - and having served as your Chairman since 2008, I have decided that it is time for me to retire and I will leave the Board on 30 September 2017.

As this is my last statement to Shareholders, I would like to thank, for one final time, my fellow Directors - Julie Baddeley and Martin Knight for the support they have given me over these last nine years. My thanks are also due to the executives - led by Chris Kay - who have managed your investments and produced the excellent results which it has been my privilege to report. I am also very grateful to Grant Whitehouse and his team at Downing for the diligence they have always shown when supporting the Company and the Board.

I am sure shareholders will be pleased to hear that the Board has decided that Martin Knight will take over as chairman, when I retire. Martin will make an excellent chairman for the Company and I wish him every success. My colleagues also intend to make a new non-executive director appointment in due course and select one of their number to succeed Martin as Chairman of the Audit Committee.

Due to our self-managed structure, the Chairman of Chrysalis is far closer to the detail of our portfolio than is typical in the VCT world. That is one of the chief reasons this has been such an interesting and satisfying role and I hope Martin enjoys the interaction with both investees and investors as much as I have done.



Peter Harkness
Chairman
4 July 2017

SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2017

	Cost £'000	Valuation £'000	Valuation movement in the period £'000	% of portfolio by value
Top ten venture capital investments				
Coolabi Group Limited	3,456	4,044	-	16.0%
Locale Enterprises Limited	2,513	2,623	(147)	10.4%
Zappar (Holding) Limited	300	2,161	1,236	8.5%
Precision Dental Laboratories Limited	1,110	1,756	26	6.9%
K10 (London) Limited	950	1,118	(4)	4.4%
MyTime Media Holdings Limited	76	1,020	(197)	4.0%
Driver Require Limited	520	928	(21)	3.7%
Cambridge Mechatronics Limited	366	843	-	3.3%
Green Star Media Limited	650	726	8	2.9%
IX Group Limited	250	385	(3)	1.5%
	<u>10,191</u>	<u>15,604</u>	<u>898</u>	<u>61.6%</u>
Other venture capital investments	4,278	1,413	120	5.6%
Non-qualifying investments				
Fixed income securities	2,210	2,181	24	8.6%
Other				
Impact Healthcare REIT Plc (quoted)	750	780	30	3.1%
	<u>2,960</u>	<u>2,961</u>	<u>54</u>	<u>11.7%</u>
	<u>17,429</u>	<u>19,978</u>	<u>1,072</u>	<u>78.9%</u>
Cash at bank and in hand		<u>5,327</u>		<u>21.1%</u>
Total investments		<u>25,305</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated

SUMMARY OF INVESTMENT MOVEMENTS for the six months ended 30 April 2017

Additions

	£'000
Follow-on investments (Venture capital investments)	
Zappar (Holding) Limited	300
New investments (Non-qualifying)	
Impact Healthcare REIT Plc	750
	<u>1,050</u>

Disposals

	Cost £'000	Value at 1 Nov 2016 [*] £'000	Disposal proceeds £'000	Gain/(loss) against cost £'000	Total realised gain £'000
Venture capital investments					
<i>Unquoted</i>					
Zappar (Holding) Limited	25	150	150	125	-
Livvakt Limited	160	160	160	-	-
Rhino Sport & Leisure Limited	273	-	254	(19)	254
Rhino-Powa Holdings Limited	31	-	-	(31)	-
Internet Fusion Limited	800	1,802	2,116	1,316	314
<i>Dissolution, liquidation and retention</i>					
Autocue Group Limited	-	-	3	3	3
Newquay Helicopters (2013) Limited	-	-	14	14	14
Wessex Advanced Switching Products Limited	-	-	525	525	525
	<u>1,289</u>	<u>2,112</u>	<u>3,222</u>	<u>1,933</u>	<u>1,110</u>

* Adjusted for purchases in the period where applicable

UNAUDITED INCOME STATEMENT for the six months ended 30 April 2017

	Six months ended 30 Apr 2017			Six months ended 30 Apr 2016			Year ended 31 Oct 2016
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	302	-	302	365	-	365	603
Net gains on investments							
- realised	-	1,110	1,110	-	579	579	592
- unrealised	-	1,072	1,072	-	1,085	1,085	1,508
	302	2,182	2,484	365	1,664	2,029	2,703
Investment management fees	(50)	(150)	(200)	(50)	(151)	(201)	(407)
Performance incentive fees	-	(106)	(106)	-	(46)	(46)	(41)
Other expenses	(136)	-	(136)	(139)	-	(139)	(310)
Return on ordinary activities before taxation	116	1,926	2,042	176	1,467	1,643	1,945
Tax on total comprehensive income and ordinary activities	(20)	20	-	(35)	35	-	-
Return attributable to equity shareholders	96	1,946	2,042	141	1,502	1,643	1,945
Return per share	0.3p	6.5p	6.8p	0.5p	5.0p	5.5p	6.5p

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

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

UNAUDITED BALANCE SHEET as at 30 April 2017

	30 Apr 2017	30 Apr 2016	31 Oct 2016
Note	£'000	£'000	£'000
Fixed assets			
Investments	19,978	19,710	19,968
Current assets			
Debtors	66	161	88
Cash at bank and in hand	5,327	5,214	4,161
	5,393	5,375	4,249
Creditors: amounts falling due within one year	(138)	(102)	(54)
Net current assets	5,255	5,273	4,195
Net assets	25,233	24,983	24,163
Capital and reserves			
Called up share capital	7 299	299	299
Capital redemption reserve	89	89	89
Share premium	1,478	1,478	1,478
Merger reserve	8 1,357	1,357	1,357
Special reserve	8 924	2,383	802
Capital reserve - realised	8 14,800	14,367	13,896
Capital reserve - unrealised	8 5,708	4,391	5,760
Revenue reserve	8 578	619	482
Equity shareholders' funds	25,233	24,983	24,163
Net asset value per share	6 84.3p	83.5p	80.8p

STATEMENT OF CHANGES IN EQUITY for the six months ended 30 April 2017

	Share Capital	Capital redemption reserve	Share premium	Merger reserve	Special reserve	Capital reserve -realised	Capital reserve -unrealised	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 November 2016	299	89	1,478	1,357	802	13,896	5,760	482	24,163
Expenses capitalised	-	-	-	-	-	(256)	-	-	(256)
Tax on capital expenses	-	-	-	-	-	20	-	-	20
Gains on investments	-	-	-	-	-	1,110	1,072	-	2,182
Realisation of revaluations from previous years	-	-	-	-	-	823	(823)	-	-
Realisation of impaired valuations	-	-	-	-	-	301	(301)	-	-
Transfer between reserves	-	-	-	-	122	(122)	-	-	-
Retained net revenue for the period	-	-	-	-	-	-	-	96	96
Dividends paid	-	-	-	-	-	(972)	-	-	(972)
At 30 April 2017	299	89	1,478	1,357	924	14,800	5,708	578	25,233

UNAUDITED CASH FLOW STATEMENT for the six months ended 30 April 2017

	Six months ended 30 Apr 2017	Six months ended 30 Apr 2016	Year ended 31 Oct 2016
Note	£'000	£'000	£'000
Cash inflow/(outflow) from operating activities and returns on investments	9 <u>(34)</u>	<u>6</u>	<u>(103)</u>
Capital expenditure			
Purchase of investments	(1,050)	(605)	(755)
Proceeds on disposal of investments	<u>3,222</u>	<u>1,562</u>	<u>1,890</u>
Net cash inflow from capital expenditure	2,172	957	1,135
Equity dividends paid	<u>(972)</u>	<u>(972)</u>	<u>(2,094)</u>
Increase/(Decrease) in cash	10 <u>1,166</u>	<u>(9)</u>	<u>(1,062)</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General information

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

2. Accounting policies

Basis of accounting

The unaudited half-yearly results cover the six months to 30 April 2017 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 October 2016 and in accordance with the Financial Reporting Standard 102 ("FRS102") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised November 2014 ("SORP").

3. The comparative figures were in respect of the six months ended 30 April 2016 and the year ended 31 October 2016 respectively.

4. Basic and diluted return per share

	Six months ended 30 Apr 2017	Six months ended 30 Apr 2016	Year ended 31 Oct 2016
Return per share based on:			
Net revenue return for the period (£'000)	<u>96</u>	<u>141</u>	<u>154</u>
Capital return per share based on:			
Net capital gain for the period (£'000)	<u>1,946</u>	<u>1,502</u>	<u>1,791</u>
Weighted average number of shares	<u>29,917,025</u>	<u>29,917,025</u>	<u>29,917,025</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

5. Basic and diluted net asset value per share

	Six months ended 30 Apr 2017	Six months ended 30 Apr 2016	Year ended 31 Oct 2016
Net asset value per share based on:			
Net assets (£'000)	<u>25,233</u>	<u>24,983</u>	<u>24,163</u>
Number of shares in issue at the period end	<u>29,917,025</u>	<u>29,917,025</u>	<u>29,917,025</u>
Net asset value per share	<u><u>84.3p</u></u>	<u><u>83.5p</u></u>	<u><u>80.8p</u></u>

6. Called up share capital

	Shares in issue	£'000
Period ended 30 April 2017	29,917,025	<u>299</u>
Period ended 30 April 2016	29,917,025	<u>299</u>
Year ended 31 October 2016	29,917,025	<u>299</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Reserves

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

Distributable reserves are calculated as follows:

	Six months ended 30 Apr 2017 £'000	Six months ended 30 Apr 2016 £'000	Year ended 31 Oct 2016 £'000
Special reserve	924	2,383	802
Capital reserve - realised	14,800	14,367	13,896
Revenue reserve	578	619	482
Merger reserve – distributable element	276	275	275
Unrealised losses – excluding unrealised unquoted gains	(161)	(306)	(312)
	<u>16,417</u>	<u>17,338</u>	<u>15,143</u>

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

	Six months ended 30 Apr 2017 £'000	Six months ended 30 Apr 2016 £'000	Year ended 31 Oct 2016 £'000
Return on ordinary activities before taxation	2,042	1,643	1,945
Gains on investments	(2,182)	(1,664)	(2,100)
Decrease/(increase) in other debtors	22	(7)	65
Increase/(decrease) in other creditors	84	34	(13)
Net cash (outflow)/inflow from operating activities	<u>(34)</u>	<u>6</u>	<u>(103)</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

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

	Net funds at 1 Nov 2016 £'000	Cash flows £'000	Net funds at 30 Apr 2017 £'000
Cash at bank and in hand	<u>4,161</u>	<u>1,166</u>	<u>5,327</u>

10. Risks and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half year results to report on principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) investment risk associated with investing in small and immature businesses; and
- (ii) failure to maintain approval as a VCT.

In both cases, the Board is satisfied with the Company's approach to these risks. As a VCT, the Company is forced to have significant exposure to relatively immature businesses. This risk is mitigated to some extent by holding a well-diversified portfolio.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Going concern

The Company has sufficient financial resources at the period end, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

12. The Directors confirm that, to the best of their knowledge, the half yearly financial statements have been prepared in accordance with FRS 104 Interim Financial Reporting and the half yearly financial report includes a fair review of the information required by:

- a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

- 13.** The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 October 2016 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Independent Auditor's Report on those financial statements was unqualified.
- 14.** Copies of the unaudited half yearly report will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office and will be available for download from www.downing.co.uk.

Directors

Peter Harkness (Chairman)
Julie Baddeley
Martin Knight

Secretary and registered office

Grant Whitehouse
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