

# Chrysalis VCT PLC

*Half Yearly Report  
for the six months  
ended 30 April 2009*



# SHAREHOLDER INFORMATION

## Recent Performance Summary

	30 April 2009 pence	31 Oct 2008 pence	30 April 2008 pence
<b>Ordinary Shares</b>			
Net asset value per share	83.20	88.30	91.10
Cumulative dividends paid per share	22.95	18.95	16.95
Total return	<u>106.15</u>	<u>107.25</u>	<u>108.05</u>
<b>'D' Shares</b>			
Net asset value per share		81.80	81.50
Cumulative dividends paid per share		3.25	3.25
Total return		<u>85.05</u>	<u>84.75</u>
<b>'E' Shares</b>			
Net asset value per share		67.50	67.30
Cumulative dividends paid per share		3.25	3.25
Total return		<u>70.75</u>	<u>70.55</u>

## Dividend History (since launch)

<b>Ordinary Shares</b>		<b>Pence</b>	<b>'D' Shares</b>		<b>Pence</b>
<b>Date Paid</b>		<b>per share</b>	<b>Date Paid</b>		<b>per share</b>
28 February 2002	2001 Final	1.20	27 March 2007	2006 Final	1.25
21 February 2003	2002 Final	1.75	20 March 2008	2007 Final	2.00
20 April 2004	2003 Final	1.00	24 April 2009	2008 Interim	16.75
3 September 2004	2004 Interim	1.50	<b>Cumulative dividends paid to date</b>		<u>20.00</u>
15 July 2005	2005 Interim	3.00			
4 April 2006	2005 Final	2.00	<b>'E' Shares</b>		
2 March 2007	2007 Interim	3.00	27 March 2007	2006 Final	1.25
20 March 2008	2007 Final	3.50	20 March 2008	2007 Final	2.00
25 July 2008	2008 Interim	2.00	24 April 2009	2008 Interim	26.75
15 December 2008	2008 Interim	4.00	<b>Cumulative dividends paid to date</b>		<u>30.00</u>
<b>Cumulative dividends paid to date</b>		<u>22.95</u>			
31 July 2009	2009 Interim	2.00			

Dividends are paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Queries relating to dividends and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras), or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA.

## Share Price

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

## TIDM/EPIC Code

Latest share price (26 June 2009):

CYS  
57p per share

## Selling Shares

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

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

## CHAIRMAN'S STATEMENT

I am pleased to present the Half Yearly Report for Chrysalis VCT plc for the period to 30 April 2009. Despite the unwelcome move of the economy into a period of recession, the Company continues to fare reasonably well. With £9.8 million of liquid funds, after the payment of an interim dividend, the Company remains in a strong position to support its existing portfolio companies and make new investments when suitable opportunities arise.

The economic position has inevitably impacted on some portfolio companies, but I am pleased to report that the Company's net asset value has held up well.

### 'D' and 'E' Share conversion

Following the payment of dividends to the 'D' and 'E' Shareholders of 16.75p and 26.75p respectively, the 'D' and 'E' Shares were converted into Ordinary Shares on 30 April 2009 at the rates shown in the following table:

Share class	'D'/'E' Shares in issue	New Ordinary Shares	Conversion rate per 1,000 'D'/'E' Share
'D'	532,982	411,441	772
'E'	601,376	290,429	483

Following the conversion, the Company has 31,442,475 Ordinary Shares in issue.

### Net Asset Value

At 30 April 2009, the Net Asset Value per Ordinary Share ("NAV") stood at 83.2p, a decrease of 1.1p (1.3%) since the previous year end of 31 October 2008 (after adjusting for the 4p per Ordinary Share dividend paid in the period).

Total Return (NAV plus cumulative dividends paid since launch) to original Ordinary Shareholders, who invested in 2000/2001, now stands at 106.15p per share, compared to an original net of income tax relief cost of 80p per share.

### Venture Capital Investments

Before commenting on recent events it is worth noting how the Company is continually

refreshing itself, with its venture capital portfolio considerably changing over time. Indeed, of the top 16 investments which make up 94% of the portfolio by value, 12 have been made during the last four years and, of the remaining four companies, two have received significant further investments.

Turning to the past six months, the Company invested £500,000 during the period in Escape Studios Limited, together with follow-on investments in Optima Data Intelligence Limited of £151,000 and Planet Sport Holdings Limited of £13,000. Escape Studios Limited is Europe's leading school of computer graphics, delivering learning, recruitment and technology services for the visual effects and games industries ([www.escapestudios.com](http://www.escapestudios.com)).

The Company benefited from the unexpected distribution of £217,000 in respect of an investment which was liquidated several years ago. In addition, the Company received confirmation of the release of £101,000 of retention monies, in respect of Babel Media Limited which was sold in 2008.

The Board has been mindful of the economic climate in its valuation review of the unquoted portfolio. Provisions of £1.2 million have been made against nine investments, notably Centre Design Limited has been written down by £277,000, Optima Data Intelligence Limited by £331,000 and Precision Dental Laboratories Limited by £396,000.

I am pleased to report that four unquoted companies have bucked the trend and justified increases to their valuations of £456,000 in aggregate. Included within this figure are Mentorion Limited (trading as Loco Locale) and Wessex Advanced Switching Products Limited which are both trading well and have been revalued upwards by £212,000 and £187,000 respectively.

The AIM portfolio, which made up 4.4% of the Company's venture capital portfolio by value at the period end, decreased in value by £95,000.

## CHAIRMAN'S STATEMENT (continued)

### Venture capital investments (continued)

Overall the net unrealised losses on the Venture Capital portfolio in the period were £854,000 and net realised gains were £318,000.

### Listed fixed income securities

The Company invested £3.6 million in two gilt-edged securities during the period, £2.8 million of which was re-invested from maturing securities together with £699,000 arising on the partial sale of the Nucleus Cash Trust holding.

At the period end, this portfolio was valued at £8.4 million and comprised five gilt-edged securities, all of which are yielding at rates above base, together with a small Nucleus Cash Trust holding. During the period, net unrealised gains thereon amounted to £165,000 and net realised gains were £7,000.

### Results and dividend

The loss after taxation for the Company for the period was £443,000 comprising a revenue return of £91,000 and a capital loss of £534,000.

Although the Company did not have any disposals in the period, the Board has decided to pay an interim dividend of 2.0p per Ordinary Share, partly out of historic realised gains. This will be paid on 31 July 2009 to Ordinary Shareholders on the register at 10 July 2009. This brings the total distributions paid to Ordinary Shareholders since inception, to 24.95p per Ordinary Share.

### Share buybacks

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

During the period, the Company purchased 387,845 Ordinary Shares, at an average price of 63.1p per share, for cancellation. These purchases were generally undertaken at a 25% discount to the last published NAV. The

Board reviews the discount at which share buybacks are undertaken and makes changes from time to time as it sees fit.

### 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 PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

### Outlook

Good quality investment opportunities are currently few and far between. However, when the tide begins to turn, your Company will be in an excellent position to take advantage of the upswing.



**Peter Harkness**  
Chairman

29 June 2009

**UNAUDITED INCOME STATEMENT  
for the six months ended 30 April 2009**

	<b>Six months ended 30 April 2009</b>		
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
Income	460	-	460
Net (losses)/gains on investments	-	(383)	(383)
	<u>460</u>	<u>(383)</u>	<u>77</u>
Investment management fees	(58)	(176)	(234)
Performance incentive fees	-	(3)	(3)
Other expenses	(281)	(2)	(283)
<b>Return on ordinary activities before taxation</b>	<u>121</u>	<u>(564)</u>	<u>(443)</u>
Taxation	(30)	30	-
<b>Return attributable to equity shareholders</b>	<u>91</u>	<u>(534)</u>	<u>(443)</u>
<b>Return per Ordinary share</b>	<b>0.3p</b>	<b>(1.7p)</b>	<b>(1.4p)</b>

Revenue £'000	Six months ended 30 April 2008		Year ended 31 October 2008	
	Capital £'000	Total £'000	Total £'000	Total £'000
848	-	848		1,602
-	316	316		(258)
<hr/> 848	<hr/> 316	<hr/> 1,164		<hr/> 1,344
(64)	(192)	(256)		(503)
-	(114)	(114)		(175)
(143)	(17)	(160)		(320)
<hr/> 641	<hr/> (7)	<hr/> 634		<hr/> 346
(129)	92	(37)		(78)
<hr/> 512	<hr/> 85	<hr/> 597		<hr/> 268
<b>1.5p</b>	<b>1.2p</b>	<b>2.7p</b>		<b>1.7p</b>

## UNAUDITED SUMMARISED BALANCE SHEET as at 30 April 2009

	As at 30 Apr 2009 £'000	As at 30 Apr 2008 £'000	As at 31 Oct 2008 £'000
<b>Fixed assets</b>			
Investments	24,050	23,510	23,966
<b>Current assets</b>			
Debtors	273	2,945	268
Cash at bank and in hand	2,037	3,762	4,398
	2,310	6,707	4,666
<b>Creditors: amounts falling due within one year</b>	(202)	(328)	(290)
<b>Net current assets</b>	2,108	6,379	4,376
<b>Net assets</b>	26,158	29,889	28,342
<b>Capital and reserves</b>			
Called up share capital	314	330	323
Capital redemption reserve	73	57	64
Share premium	1,064	1,064	1,064
Merger reserve	8,694	8,694	8,694
Special reserve	5,067	6,304	5,554
Investment holding (losses)/gains	(1,166)	1,513	(696)
Capital reserve - realised	11,656	11,211	12,196
Revenue reserve	456	716	1,143
<b>Equity shareholders' funds</b>	26,158	29,889	28,342
<b>Net asset value per Ordinary share</b>	83.2p	91.1p	88.3p

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the period ended 30 April 2009

	As at 30 Apr 2009 Total £'000	As at 30 Apr 2008 Total £'000	As at 31 Oct 2008 Total £'000
Opening shareholders' funds	28,342	31,040	31,040
Purchase of own shares	(246)	(594)	(1,177)
Total recognised (losses)/gains in the period	(443)	597	268
Dividends paid	(1,495)	(1,154)	(1,789)
<b>Closing shareholders' funds</b>	26,158	29,889	28,342



## UNAUDITED CASH FLOW STATEMENT for the six months ended 30 April 2009

		Six months ended 30 April 2009 £'000	Six months ended 30 April 2008 £'000	Year ended 31 October 2008 £'000
<b>Cash (outflow)/inflow from operating activities and returns on investments</b>	<b>1</b>	(10)	369	609
<b>Taxation</b>		-	-	(64)
<b>Capital expenditure</b>				
Purchase of investments		(4,273)	(3,790)	(8,160)
Proceeds on disposal of investments		3,724	4,683	10,675
Net cash (outflow)/inflow from capital expenditure		(549)	893	2,515
<b>Equity dividends paid</b>		(1,496)	(1,154)	(1,792)
<b>Net cash (outflow)/inflow before financing</b>		(2,055)	108	1,268
<b>Financing</b>				
Purchase of own shares		(306)	(604)	(1,128)
Net cash outflow from financing		(306)	(604)	(1,128)
<b>(Decrease)/increase in cash</b>	<b>2</b>	(2,361)	(496)	140
<b>Notes to the cash flow statement:</b>				
<b>1 Cash inflow from operating activities and returns on investments</b>				
(Loss)/return on ordinary activities before taxation		(443)	634	346
(Losses)/gains on investments		383	(316)	258
Decrease/(increase) in other debtors		97	(21)	8
(Decrease)/increase in other creditors		(27)	72	(3)
Net cash (outflow)/inflow from operating activities		(10)	369	609
<b>2 Analysis of net funds</b>				
Beginning of period		4,398	4,258	4,258
Net cash (outflow)/inflow		(2,361)	(496)	140
End of period		2,037	3,762	4,398

## SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2009

	Cost £'000	Valuation £'000	Movement in the period £'000	% of portfolio by value
<b>Top ten venture capital investments</b>				
Wessex Advanced Switching Products Limited	704	3,054	187	11.7%
Precision Dental Laboratories Group Limited	2,110	2,778	(396)	10.7%
Mentorion Limited	750	1,269	212	4.9%
Centre Design Limited	1,350	1,205	(277)	4.6%
London Italian Restaurants Limited	1,000	1,000	-	3.8%
Triaster Limited	758	829	(60)	3.2%
British International Holdings Limited	750	795	(59)	3.0%
Mentorion 2 Limited	750	778	28	3.0%
Ensign Communications Limited	500	772	68	3.0%
Escape Studios Limited	500	500	-	1.9%
	<u>9,172</u>	<u>12,980</u>	<u>(297)</u>	<u>49.8%</u>
<b>Other venture capital investments</b>	7,853	2,637	(557)	10.1%
<b>Listed fixed income securities</b>	<u>8,191</u>	<u>8,433</u>	<u>165</u>	<u>32.3%</u>
<b>Subtotal</b>	<u><u>25,216</u></u>	<u><u>24,050</u></u>	<u><u>(689)</u></u>	<u><u>92.2%</u></u>
<b>Cash at bank and in hand</b>		2,037		7.8%
<b>Total investments</b>		<u><u>26,087</u></u>		<u><u>100.0%</u></u>

All venture capital investments are unquoted unless otherwise stated.

## SUMMARY OF INVESTMENT MOVEMENTS for the six months ended 30 April 2009

### Additions

	<b>Total £'000</b>
<b>New investments</b>	
Escape Studios Limited	500
<b>Follow on investments</b>	
Optima Data Intelligence Limited	151
Planet Sport Holdings Limited	13
<b>Bonds</b>	
Treasury Gilt 3¼% 07/12/2011	1,293
Treasury Gilt 2¼% 07/03/2014	2,316
	<u>4,273</u>

### Disposals

	<b>Cost £'000</b>	<b>Market value at 1 November 2008 *</b> £'000	<b>Disposal Proceeds £'000</b>	<b>Gain/ (loss) against cost £'000</b>	<b>Total realised gain/ (loss) £'000</b>
<i>Retention monies</i>	-	-	101	101	101
<i>Net liquidation position</i>	255	-	217	(38)	217
<i>Bonds</i>					
Nucleus Cash Trust	703	707	699	(4)	(8)
Treasury Gilt 4% 07/12/2011	1,215	1,232	1,228	13	(4)
	<u>2,173</u>	<u>1,939</u>	<u>2,245</u>	<u>72</u>	<u>306</u>
<i>Treated as income</i>					
UK THM Treasury 2009	1,546	1,561	1,580	34	19

\* Adjusted for purchases in the period

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half yearly financial results cover the six months to 30 April 2009 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 October 2008 which were prepared under UK Generally Accepted Accounting Practice (“UK GAAP”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” revised December 2005 (“SORP”).
2. All revenue and capital items in the Income Statement derive from continuing operations.
3. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
4. The comparative figures were in respect of the six months ended 30 April 2008 and the year ended 31 October 2008 respectively.
5. Basic and diluted NAV per share for the period has been calculated on 31,442,475 shares, being the number of shares in issue at the period end.
6. Basic and diluted return per share for the period has been calculated on 31,014,960 shares, being the weighted average number of shares in issue during the period.
7. **Dividends**

	30 April 2009			31 Oct 2008
	Revenue £'000	Capital £'000	Total £'000	Total £'000
<b>Paid in year</b>				
Ordinary shares 2007 final (paid 20 Mar 08)	-	-	-	1,131
'D' shares 2007 final (paid 20 Mar 08)	-	-	-	11
'E' shares 2007 final (paid 20 Mar 08)	-	-	-	12
Ordinary shares 2008 interim (paid 25 Jul 08)	-	-	-	635
Ordinary shares 2008 interim (paid 15 Dec 08)	778	467	1,245	-
'D' shares 2008 interim (paid 24 Apr 09)	-	89	89	-
'E' shares 2008 interim (paid 24 Apr 09)	-	161	161	-
	778	717	1,495	1,789
<b>Declared</b>				
Ordinary shares 2009 interim (due 31 July 09)	157	472	629	-

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

(continued)

### 8. Reserves

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Investment holding losses £'000	Capital reserve realised £'000	Revenue reserve £'000
At 1 November 2008	64	1,064	8,694	5,554	(696)	12,196	1,143
Shares repurchased	9	-	-	(246)	-	-	-
Expenses capitalised	-	-	-	-	-	(181)	-
Tax on capital expenses	-	-	-	-	-	30	-
(Losses)/ gains on investments	-	-	-	-	(689)	306	-
Transfer between reserves	-	-	-	(241)	219	22	-
Retained net revenue for the year	-	-	-	-	-	-	91
Dividends paid	-	-	-	-	-	(717)	(778)
At 30 April 2009	<u>73</u>	<u>1,064</u>	<u>8,694</u>	<u>5,067</u>	<u>(1,166)</u>	<u>11,656</u>	<u>456</u>

Distributable reserves comprise the Special Reserve, Capital Reserve – Realised and the Revenue Reserve. Additionally £5,974,000 of the Merger Reserve is considered to be distributable together with losses within the Investment Holding Losses Reserve of £5,306,000. Reserves available for distribution at the period end therefore amounted to £17,847,000.

9. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the “Statement: Half-Yearly Financial Reports” issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
- a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
10. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 October 2008 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Independent Auditors’ Report on those financial statements was unqualified.
11. Copies of the unaudited half yearly report will be sent to Shareholders shortly. Further copies can be obtained from the Company’s Registered Office and will be available for download from [www.downing.co.uk](http://www.downing.co.uk).





**Directors**

Peter Harkness (Chairman)  
Julie Baddeley  
Martin Knight

**Secretary and Registered Office**

Grant Whitehouse  
Kings Scholars House  
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Registered No. 4095791

**Investment Manager**

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**Administration Manager**

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**Registrar**

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(calls cost 10p per minute plus network extras)