

Chrysalis VCT PLC

*Half Yearly Report
for the six months
ended 30 April 2010*

SHAREHOLDER INFORMATION

Recent performance summary

	30 April 2010 pence	31 Oct 2009 pence	30 April 2009 pence
Ordinary Shares			
Net asset value per share	82.80	82.90	83.20
Cumulative dividends paid per share	<u>26.95</u>	<u>24.95</u>	<u>22.95</u>
Total return	<u>109.75</u>	<u>107.85</u>	<u>106.15</u>
(Net asset value per share plus cumulative dividends)			
Mid market share price at period end	<u>58.00</u>	<u>57.75</u>	<u>61.00</u>

Dividend history (since launch)

The table below shows the dividends paid by the Company since inception to 30 April 2010:

Ordinary Shares

Year end (including interim dividends)	Gross Pence per share	Year end (including interim dividends)	Gross Pence per share
2001	1.20	2006	3.00
2002	1.75	2007	3.50
2003	1.00	2008	6.00
2004	1.50	2009	4.00
2005	5.00		
		Cumulative dividends paid to date	26.95
		2010 interim - payable 30 July 2010	1.50

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, on 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 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).

Latest share price (29 June 2010):

58.0p per share

Selling shares

If you wish to sell your shares, either you or your adviser should contact Downing Management Services Limited on 020 7416 7780.

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.

CHAIRMAN'S STATEMENT

The Company's performance continues to be stable and positive, with the portfolio performing well, both in terms of income and value generation.

At the Annual General Meeting in April 2010, I was pleased to announce that the VCT's performance is such that your Board has decided on a new medium-term dividend policy in order to give Shareholders confidence to remain long-term holders. Providing that there are no exceptional reverses in economic circumstances, the Company intends to pay annual dividends totalling a minimum of 3.0p per share. This policy will be maintained for at least three years, with dividends expected to be paid in two tranches each year. Based on the current share price, this dividend represents a tax-free return of more than 5% per annum. We are therefore proposing to pay 1.5p in July 2010, being the first tranche of this year's 3.0p dividend.

Net Asset Value

At 30 April 2010, the Net Asset Value per Ordinary Share ("NAV") stood at 82.8p, an increase of 1.9p (2.2%) since the previous year end of 31 October 2009 (after adjusting for the 2.0p 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 109.75p per share, compared to an original net of income tax relief cost of 80p per share.

Venture Capital Investments

New deal flow remains difficult. The VCT managers have worked closely with the Board to identify attractive investment proposals and, as a result, a number of new investment proposals have been considered over the past six months. However, it is not yet the case that prices and prospects are in the right alignment for our tastes. We believe that the investment climate is improving, and

the management team continues to work hard on prospecting for opportunities and analysing those which we have been able to identify.

In general, prospective investments seem to absorb more effort than we would normally expect, but we believe we are wise to hold out for the right deals. Happily there are signs of progress. After the half-year date, the Company completed on a £500,000 transaction with Autocue Group Limited, which provides tele-prompting products to the TV production industry globally. Autocue is a well-known brand in Europe and owns a similarly recognised brand in the USA. So far £300,000 has been drawn down.

During the period, the Company made three follow-on investments - £158,000 in British International Holdings Limited, £84,000 in GCrypt Limited and £30,000 in Life's Kitchen Limited. The latter is a good example of a supportive VCT working with a keen management team. Life's Kitchen is the preferred or listed caterer at some unique venues in London and management requested the extra sum to support a business expansion drive which has already yielded significant new contracts.

Glisten plc was taken over in early April 2010, with investors receiving £1.40 per share. The Company received £260,000 in respect of this investment, realising a profit against the original cost of £111,000. This, combined with historic sales of holdings in Glisten, brings the overall profit against cost to £441,000.

The holdings in BreakingViews Limited and Component Source Inc, both of which the Company acquired at nil value as part of mergers in 2005, were also sold with proceeds thereon received of £159,000 and £4,000 respectively.

CHAIRMAN'S STATEMENT (continued)

The existing portfolio continues to fare well despite the ongoing uncertainty in the economy. The Board has reviewed the unquoted investments at the period end and made both upward and downward adjustments to the carrying values as appropriate. The most notable valuation movement to report is the uplift of £249,000 in Escape Studios Limited, which was purchased just over a year ago and is currently trading well.

The AIM portfolio, which represents 2.5% of the total investment portfolio, was valued at £652,000 at the period end. All of the investments, with the exception of The Capital Pub Company plc, fell in value during the period. Net unrealised gains on the AIM portfolio over the period were £109,000.

At the period end, the Company held a portfolio of 27 investments, in quoted and unquoted companies, which were valued at £16.1 million. Unrealised gains arising on the portfolio during the period amounted to £332,000 and realised gains amounted to £150,000.

Listed fixed income securities

The Company disposed of two of its fixed income securities in the period and re-invested the proceeds into a three-year fixed term cash deposit account with Royal Bank of Scotland, which is reported as cash within the accounts. The unrealised gain on the portfolio over the period was £25,000, with realised losses arising thereon of £4,000.

Results and dividend

The return after taxation for the Company for the period was £532,000, comprising a revenue return of £162,000 and a capital return of £370,000.

The 1.5p dividend mentioned earlier will be paid on 30 July 2010 to Shareholders on the register at 9 July 2010. This will bring the total distributions paid to Ordinary Shareholders since inception to 28.45p 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 the Stock Market through a stockbroker. The Company has made market purchases of shares over the past few months at a 25% discount to the last published NAV. The discount level, together with the level of share buybacks undertaken, is kept under review by the Board.

During the period, the Company purchased 150,000 Ordinary Shares for cancellation, for an aggregate price of £92,000, being an average price of 61.0p per share.

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.

CHAIRMAN'S STATEMENT (continued)

Risks and uncertainties (continued)

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

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

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

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

Outlook

The impact of the election of the coalition government has yet to be seen and, like everybody in this industry, we wait to see what improvements there will be in the economy from new policies and the recent Emergency Budget. However, we believe that your Company remains in a good position to meet any economic challenges that may arise.



Peter Harkness
Chairman

29 June 2010

UNAUDITED INCOME STATEMENT
for the six months ended 30 April 2010

	Six months ended		
	30 April 2010		
	Revenue	Capital	Total
	£'000	£'000	£'000
Income	395	-	395
Net gains/(losses) on investments	-	503	503
	<hr/> 395	<hr/> 503	<hr/> 898
Investment management fees	(53)	(160)	(213)
Performance incentive fees	-	(5)	(5)
Other expenses	(147)	(1)	(148)
Return on ordinary activities before taxation	<hr/> 195	<hr/> 337	<hr/> 532
Taxation	(33)	33	-
Return attributable to equity shareholders	<hr/> <hr/> 162	<hr/> <hr/> 370	<hr/> <hr/> 532
Return per Ordinary share	0.5p	1.2p	1.7p

Six months ended 30 April 2009			Year ended 31 October 2009
Revenue £'000	Capital £'000	Total £'000	Total £'000
460	-	460	1,187
-	(383)	(383)	(237)
<hr/> 460	<hr/> (383)	<hr/> 77	<hr/> 950
(58)	(176)	(234)	(449)
-	(3)	(3)	(14)
(281)	(2)	(283)	(430)
<hr/> 121	<hr/> (564)	<hr/> (443)	<hr/> 57
(30)	30	-	(10)
<hr/> 91	<hr/> (534)	<hr/> (443)	<hr/> 47
0.3p	(1.7p)	(1.4p)	0.1p

UNAUDITED SUMMARISED BALANCE SHEET
as at 30 April 2010

	As at 30 Apr 2010 £'000	As at 30 Apr 2009 £'000	As at 31 Oct 2009 £'000
Fixed assets			
Investments	<u>22,798</u>	<u>24,050</u>	<u>24,416</u>
Current assets			
Debtors	178	273	523
Cash at bank and in hand	<u>2,893</u>	<u>2,037</u>	<u>1,137</u>
	3,071	2,310	1,660
Creditors: amounts falling due within one year	<u>(193)</u>	<u>(202)</u>	<u>(218)</u>
Net current assets	<u>2,878</u>	<u>2,108</u>	<u>1,442</u>
Net assets	<u>25,676</u>	<u>26,158</u>	<u>25,858</u>
Capital and reserves			
Called up share capital	310	314	312
Capital redemption reserve	77	73	75
Share premium	1,064	1,064	1,064
Merger reserve	2,832	8,694	8,694
Special reserve	7,455	5,067	1,795
Capital reserve - realised	11,423	11,656	11,493
Investment holding gains/(losses)	1,839	(1,166)	1,678
Revenue reserve	676	456	747
Equity shareholders' funds	<u>25,676</u>	<u>26,158</u>	<u>25,858</u>
Net asset value per Ordinary share	82.8p	83.2p	82.9p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the six months ended 30 April 2010

	As at 30 Apr 2010	As at 30 Apr 2009	As at 31 Oct 2009
	Total £'000	Total £'000	Total £'000
Opening shareholders' funds	25,858	28,342	28,342
Purchase of own shares	(92)	(246)	(408)
Total recognised gains/(losses) in the period	532	(443)	47
Dividends paid	<u>(622)</u>	<u>(1,495)</u>	<u>(2,123)</u>
Closing shareholders' funds	<u>25,676</u>	<u>26,158</u>	<u>25,858</u>

UNAUDITED CASH FLOW STATEMENT
for the six months ended 30 April 2010

	Note	Six months ended 30 April 2010 £'000	Six months ended 30 April 2009 £'000	Year ended 31 October 2009 £'000
Cash inflow/(outflow) from operating activities and returns on investments	1	<u>32</u>	<u>(10)</u>	<u>327</u>
Taxation		<u>-</u>	<u>-</u>	<u>(78)</u>
Capital expenditure				
Purchase of investments		(1,074)	(4,273)	(5,612)
Proceeds on disposal of investments		<u>3,494</u>	<u>3,724</u>	<u>4,645</u>
Net cash inflow/(outflow) from capital expenditure		<u>2,420</u>	<u>(549)</u>	<u>(967)</u>
Equity dividends paid		(620)	(1,496)	(2,121)
Net cash inflow/(outflow) before financing		<u>1,832</u>	<u>(2,055)</u>	<u>(2,839)</u>
Financing				
Purchase of own shares		<u>(76)</u>	<u>(306)</u>	<u>(422)</u>
Net cash outflow from financing		<u>(76)</u>	<u>(306)</u>	<u>(422)</u>
Increase/(decrease) in cash	2	<u><u>1,756</u></u>	<u><u>(2,361)</u></u>	<u><u>(3,261)</u></u>

Notes to the cash flow statement:

1 Cash inflow from operating activities and returns on investments

Return/(loss) on ordinary activities before taxation	532	(443)	57
(Gains)/losses on investments	(503)	383	237
Capital income adjustment	-	-	(19)
Decrease/(increase) in other debtors	45	97	44
(Decrease)/increase in other creditors	<u>(42)</u>	<u>(27)</u>	<u>8</u>
Net cash (outflow)/inflow from operating activities	<u>32</u>	<u>(10)</u>	<u>327</u>

2 Analysis of net funds

Beginning of period	1,137	4,398	4,398
Net cash inflow/(outflow)	<u>1,756</u>	<u>(2,361)</u>	<u>(3,261)</u>
End of period	<u>2,893</u>	<u>2,037</u>	<u>1,137</u>

**SUMMARY OF INVESTMENT PORTFOLIO
as at 30 April 2010**

	Cost £'000	Valuation £'000	Movement in the period £'000	% of portfolio by value
Top ten venture capital investments				
Wessex Advanced Switching Products Limited	704	3,330	(96)	13.0%
Precision Dental Laboratories Group Limited	2,110	2,175	-	8.5%
Locale Enterprises Limited	1,500	2,020	-	7.9%
Centre Design Limited	1,350	1,572	-	6.1%
Ensign Communications Limited	500	1,303	21	5.1%
British International Holdings Limited	908	1,002	(25)	3.9%
London Italian Restaurants Limited	1,000	1,000	-	3.9%
Escape Studios Limited	750	999	249	3.9%
Triaster Limited	758	829	-	3.2%
The Capital Pub Company plc *	505	514	161	2.0%
	<u>10,085</u>	<u>14,744</u>	<u>310</u>	<u>57.5%</u>
Other venture capital investments	4,327	1,389	22	5.3%
Listed fixed income securities	<u>6,547</u>	<u>6,665</u>	<u>25</u>	<u>26.0%</u>
Subtotal	<u>20,959</u>	<u>22,798</u>	<u>357</u>	<u>88.8%</u>
Royal Bank of Scotland 3.41% fixed term deposit account		2,000		7.8%
Cash at bank and in hand		893		3.5%
Total investments		<u>25,691</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 2010

Additions

	Total £'000
Follow on investments	
British International Holdings Limited	158
G-Crypt Holdings Limited	84
Life's Kitchen Limited	30
Bonds	
Treasury 2¼% Stock 07/03/2014	802
	1,074

Disposals

	Cost £'000	Market value at 1 November 2009* £'000	Disposal Proceeds £'000	Gain/ (loss) against cost £'000	Total realised gain/ (loss) £'000
<i>Venture Capital disposals</i>					
Breaking Views Limited	-	141	159	159	18
CPI Acquisitions Limited	34	34	38	4	4
Component Source Inc	-	-	4	4	4
Glisten plc	149	136	260	111	124
Heath and Green Pub Company Limited	30	-	-	(30)	-
<i>Bonds</i>					
Smith and Williamson Cash Trust	1	1	1	-	-
Treasury 5¼% Stock 2012	1,477	1,553	1,552	75	(1)
Treasury 8% Stock 2013	1,163	1,184	1,181	18	(3)
	2,854	3,049	3,195	341	146

* 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 2010 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 October 2009 which were prepared under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised January 2009.
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 2009 and the year ended 31 October 2009 respectively.
5. Basic and diluted NAV per share for the period has been calculated on 31,025,509 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 31,154,376 shares, being the weighted average number of shares in issue during the period.

7. Dividends

	30 April 2010			31 Oct 2009	
	Pence Per share	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in period					
2009 Final Ordinary Share	2.00	233	389	622	-
2009 interim Ordinary Share	2.00	-	-	-	629
2009 Special 'D' Share	16.75	-	-	-	89
2009 Special 'E' Share	26.75	-	-	-	161
2008 interim Ordinary Share	4.00	-	-	-	1,244
		<u>233</u>	<u>389</u>	<u>622</u>	<u>2,123</u>
Proposed					
2010 interim Ordinary share	1.50	-	465	465	624

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Reserves

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve realised £'000	Investment holding gains £'000	Revenue reserve £'000
At 1 November 2009	75	1,064	8,694	1,795	11,493	1,678	747
Shares repurchased	2	-	-	(92)	-	-	-
Expenses capitalised	-	-	-	-	(166)	-	-
Tax on capital expenses	-	-	-	-	33	-	-
Gains on investments	-	-	-	-	146	357	-
Realisation of revaluations from previous years	-	-	-	-	196	(196)	-
Realisation of assets acquired through historic merger	-	-	(5,862)	-	5,862	-	-
Transfer between reserves	-	-	-	5,752	(5,752)	-	-
Retained net revenue for the year	-	-	-	-	-	-	162
Dividends paid	-	-	-	-	(389)	-	(233)
At 30 April 2010	<u>77</u>	<u>1,064</u>	<u>2,832</u>	<u>7,455</u>	<u>11,423</u>	<u>1,839</u>	<u>676</u>

The Special reserve is a distributable reserve, which was created to enable the Company to purchase its own shares in the market without affecting its ability to pay dividends/capital distributions.

Distributable reserves comprise the special reserve, capital reserve – realised, revenue reserve, and investment holding losses of £2,856,000 (31/10/2009: £3,014,000). £276,000 of the merger reserve is also deemed to be distributable. At the period end there were £16,974,000 (31/10/2009: £17,158,000) of reserves available for distribution.

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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS **(continued)**

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 2009 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.

Directors

Peter Harkness (Chairman)
Julie Baddeley
Martin Knight

Secretary and Registered Office

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