

Chrysalis VCT plc

*Half-Yearly Report
for the six months ended
30 April 2018*

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 are 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 2018 Pence	30 April 2017 Pence	31 October 2017 Pence
Net asset value per share	78.00	84.30	80.00
Cumulative dividends paid per share	78.70	70.70	75.45
Total Return (net asset value per share plus cumulative dividends)	156.70	155.00	155.45

Recent dividend

	Paid
Final dividend (3.25p)	2 March 2018

Next dividends

	Ex-Div Date	Record Date	Payable
Interim dividend (4.75p) (1.75p Interim and 3.0p Special)	5 July 2018	6 July 2018	3 August 2018

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.linkassetsservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Link Asset Services, on 0871 664 0300 (calls cost 12p per minute plus network extras, lines open 9:00am 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, Link 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 at 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 Link's website at www.linkassetsservices.com and click on "Shareholders".

CHAIRMAN'S STATEMENT

- **4.75p total dividend to be paid on 3 August 2018**
- **1.6% increase in NAV total return since year end**
- **£0.5 million of realised gains in the period**
- **Review of future strategy completed**

Introduction

I am pleased to present my statement for the six months ended 30 April 2018. The portfolio has continued to perform satisfactorily over the period.

Net asset value and results

At 30 April 2018, the net asset value per share ("NAV") stood at 78.0p, an increase of 1.25p (1.6%) since the previous year end of 31 October 2017, after adding back the 3.25p dividend paid on 2 March 2018.

The Total Return (NAV plus cumulative dividends) to Shareholders who invested at the launch of the Company in 2000 is now 156.7p 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 £346,000, comprising a revenue return of £49,000 and a capital return of £297,000.

Market developments and future strategy

As announced in my statement in last year's annual report the Board has conducted a further review of market developments and has carefully considered the options that may be available to the Company.

The recent and prospective changes in Venture Capital Trust regulations substantially prohibit the style of structured investment that the Investment Manager has historically deployed so successfully. At the same time, the universe of eligible companies has been significantly reduced and the pool of funds seeking to invest in qualifying companies has expanded, not least due to changes in taxation in areas such as pension contributions and inheritance tax. In the view of the Board, this leaves the Investment Manager significantly less well placed to source and execute transactions that are likely to yield good returns to Shareholders. The Investment Manager also has limited ability to make follow on investments in existing portfolio companies, due to a combination of the new rule changes and the increasing concentration within the portfolio. For these reasons, the Board expects further investment activity to remain rather more muted.

The Board is however confident that the existing portfolio is likely to deliver attractive realisations over time. Mindful of regulatory requirements, in particular current and prospective restrictions on the amount of capital than can be held outside qualifying investments, it is proposed that further distributions of capital to Shareholders will be made to assist in continuing to comply with the regulations. The Board has therefore decided that, in addition to its established policy of distributing regular interim and final dividends totalling 5p per share per annum, it will pay additional special dividends as and when realisations provide liquidity.

CHAIRMAN'S STATEMENT (continued)

Market developments and future strategy (continued)

The Board also believes it is now appropriate to adopt a more active approach to share buybacks and in future intends to conduct buybacks, subject to market conditions and any liquidity or regulatory restrictions, at a target discount of 15% to the latest published NAV. The 15% discount level has been carefully considered by the Board, and selected to take account of the particular characteristics of the Company's investment portfolio.

Any Shareholders wishing to buy or sell shares in the Company may wish to consider contacting the Company's broker, Nplus1 Singer Capital Markets, who will be able to provide details of share availability and likely timings in respect of buybacks. Details for Nplus1 Singer can be found on the inside front cover. There were no share buybacks in the period under review.

The Board recognises that over time the consequences of the above decisions will probably be to reduce the size of the Company to the point where its cost base, relative to its net assets, becomes inappropriate. The Board will address this issue in a timely manner.

Venture capital portfolio Portfolio activity

During the six months to 30 April 2018, a restructuring resulted in a partial exit from MyTime Media Holdings Limited. This produced a realised loss of £137,000, but this has been offset by an unrealised uplift £140,000 on the remaining holding. The related investment in Hoop Holdings Limited was also exited in full at a small gain in the period.

During the period, Internet Fusion Limited, an e-commerce business from which the Company exited in 2017, generated deferred consideration of £608,000. As the full cost of the investment was treated as disposed when the exit took place in 2017, the cash generated represents a pure profit for the Company. This investment has yielded an excellent outcome for Shareholders.

No new or follow-on investments were made during the period.

Since the period end, I am pleased to announce that a further investment, Inaspect, has been sold at a price that represents a significant gain against cost and was approximately equal to carrying value at 30 April 2018.

Valuations

The Board has reviewed the valuations of the unquoted portfolio and a number of adjustments have been made accordingly. As a whole, the fair value movements in respect of unquoted investments amounted to a net uplift of £19,000.

The most significant fair value adjustment was a £364,000 reduction in respect of Precision Dental Laboratories, in order to bring the valuation in line with likely market value.

Cambridge Mechatronics Limited, a high technology design and engineering company, was uplifted by £329,000 during the period. The investment was revalued to reflect the price of the company's latest funding round.

Coolabi Group Limited, a media group and rights owner, and now the Company's largest investment by value, was uplifted by £275,000 in line with value which accrues on the preferred element of this investment.

Locale Enterprises Limited, an Italian restaurant operator, has suffered a decline in turnover and the valuation has been reduced by £218,000 accordingly.

CHAIRMAN'S STATEMENT (continued)

Non-qualifying portfolio

The Company continues to hold a portfolio of two fixed income bonds, valued at £1.5 million at the period end. The unrealised capital loss on the portfolio during the period was £33,000, however the Company also received interest of £45,000.

The investment in Impact Healthcare REIT plc, an investment trust which holds a portfolio of care homes, was uplifted by £4,000 in line with the quoted bid price at the period end.

Dividends

In line with the policy discussed above, the Company will pay a standard interim dividend of 1.75p per share. In view of the disposals that have taken place in the period, the Company will also pay a special dividend of 3.0p per share, bring the total to 4.75p per share. The total dividend will be paid on 3 August 2018, to Shareholders on the register at 6 July 2018.

Following the payment of the dividend, Shareholders who invested at launch will have received distributions totalling 83.45p per share.

I look forward to updating Shareholders on developments in my statement in the Annual Report, which I expect to be published in December or January.



Martin Knight
Chairman

15 June 2018

SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2018

	Cost £'000	Valuation £'000	Valuation movement in the period £'000	% of portfolio by value
Top ten venture capital investments				
Coolabi Group Limited	3,456	4,869	275	20.9%
Locale Enterprises Limited	2,513	2,336	(218)	10.0%
Zappar Limited	300	2,161	-	9.3%
Precision Dental Laboratories Limited	1,110	1,367	(364)	5.8%
Cambridge Mechatronics Limited	366	1,172	329	5.1%
K10 (London) Limited	950	1,110	(7)	4.8%
Driver Require Limited	520	902	(59)	3.9%
MyTime Media Holdings Limited	56	848	140	3.6%
Green Star Media Limited	650	667	(52)	2.8%
IX Group Limited	250	340	1	1.4%
	<u>10,171</u>	<u>15,772</u>	<u>45</u>	<u>67.6%</u>
Other venture capital investments	3,764	867	(26)	3.7%
Fixed income securities				
Lloyds Banking Group 7% perp	724	760	(19)	3.3%
Intermediate Capital Group plc 7% 21/12/18	746	700	(14)	3.0%
	<u>1,470</u>	<u>1,460</u>	<u>(33)</u>	<u>6.3%</u>
Other investments				
Impact Healthcare REIT Plc*	750	769	4	3.3%
	<u>750</u>	<u>769</u>	<u>4</u>	<u>3.3%</u>
	<u>16,155</u>	<u>18,868</u>	<u>(10)</u>	<u>80.9%</u>
Cash at bank and in hand		<u>4,449</u>		<u>19.1%</u>
Total investments		<u>23,317</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

*Listed and traded on the Main Market of the London Stock Exchange.

SUMMARY OF INVESTMENT MOVEMENTS for the six months ended 30 April 2018

Disposals

	Cost £'000	Value at 1 Nov 2017 £'000	Disposal proceeds £'000	Gain against cost £'000	Total realised gain/(loss) £'000
Venture capital investments					
<i>Disposals</i>					
Hoop Holdings Limited	150	135	150	-	15
MyTime Media Holdings Limited	20	257	120	100	(137)
<i>Earn-out</i>					
Internet Fusion Limited	-	-	608	608	608
	170	392	878	708	486

UNAUDITED INCOME STATEMENT for the six months ended 30 April 2018

	Six months ended 30 Apr 2018			Six months ended 30 Apr 2017			Year ended 31 Oct 2017
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	235	-	235	302	-	302	576
Net gains/(losses) on investments							
- realised	-	486	486	-	1,110	1,110	1,301
- unrealised	-	(10)	(10)	-	1,072	1,072	1,110
	<u>235</u>	<u>476</u>	<u>711</u>	<u>302</u>	<u>2,182</u>	<u>2,484</u>	<u>2,987</u>
Investment management fees	(49)	(148)	(197)	(50)	(150)	(200)	(408)
Performance incentive fees	-	(37)	(37)	-	(106)	(106)	(127)
Other expenses	(130)	(1)	(131)	(136)	-	(136)	(274)
Return on ordinary activities before taxation	<u>56</u>	<u>290</u>	<u>346</u>	<u>116</u>	<u>1,926</u>	<u>2,042</u>	<u>2,178</u>
Tax on total comprehensive income and ordinary activities	(7)	7	-	(20)	20	-	-
Return attributable to equity shareholders	<u>49</u>	<u>297</u>	<u>346</u>	<u>96</u>	<u>1,946</u>	<u>2,042</u>	<u>2,178</u>
Return per share	0.2p	1.0p	1.2p	0.3p	6.5p	6.8p	7.3p

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 2018

	Note	30 Apr 2018 £'000	30 Apr 2017 £'000	31 Oct 2017 £'000
Fixed assets				
Investments		<u>18,868</u>	<u>19,978</u>	<u>19,269</u>
Current assets				
Debtors		88	66	180
Cash at bank and in hand		<u>4,449</u>	<u>5,327</u>	<u>4,559</u>
		4,537	5,393	4,739
Creditors: amounts falling due within one year		<u>(84)</u>	<u>(138)</u>	<u>(61)</u>
Net current assets		<u>4,453</u>	<u>5,255</u>	<u>4,678</u>
Net assets		<u><u>23,321</u></u>	<u><u>25,233</u></u>	<u><u>23,947</u></u>
Capital and reserves				
Called up share capital	6	299	299	299
Capital redemption reserve		89	89	89
Share premium		1,478	1,478	1,478
Merger reserve	7	1,357	1,357	1,357
Special reserve	7	562	924	602
Capital reserve - realised	7	13,443	14,800	13,715
Capital reserve - unrealised	7	5,569	5,708	5,902
Revenue reserve	7	<u>524</u>	<u>578</u>	<u>505</u>
Equity shareholders' funds		<u><u>23,321</u></u>	<u><u>25,233</u></u>	<u><u>23,947</u></u>
Net asset value per share	5	78.0p	84.3p	80.0p

STATEMENT OF CHANGES IN EQUITY for the six months ended 30 April 2018

	Share Capital £'000	Capital Redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
At 1 November 2017	299	89	1,478	1,357	602	13,715	5,902	505	23,947
Total comprehensive income	-	-	-	-	-	307	(10)	49	346
Realisation of impaired valuations	-	-	-	-	-	101	(101)	-	-
Transfers between reserves	-	-	-	-	(40)	262	(222)	-	-
Transactions with owners	-	-	-	-	-	(942)	-	(30)	(972)
At 30 April 2018	299	89	1,478	1,357	562	13,443	5,569	524	23,321

UNAUDITED CASH FLOW STATEMENT for the six months ended 30 April 2018

	Six months ended 30 Apr 2018 £'000	Six months ended 30 Apr 2017 £'000	Year ended 31 Oct 2017 £'000
Cash flows from operating activities			
Return on ordinary activities before taxation	346	2,042	2,178
Gains on investments	(476)	(2,182)	(2,411)
Decrease/(increase) in other debtors	92	22	(92)
Increase in other creditors	22	84	8
Net cash outflow from operating activities	<u>(16)</u>	<u>(34)</u>	<u>(317)</u>
Cash flows from investing activities			
Proceeds from disposal of investments	878	3,222	4,409
Purchase of investments	-	(1,050)	(1,300)
Net cash inflow from investing activities	<u>878</u>	<u>2,172</u>	<u>3,109</u>
Net cash inflow before financing activities	862	2,138	2,792
Cash flows from financing activities			
Equity dividends paid	(972)	(972)	(2,394)
Net cash outflow from financing activities	<u>(972)</u>	<u>(972)</u>	<u>(2,394)</u>
(Decrease)/increase in cash	<u>(110)</u>	<u>1,166</u>	<u>398</u>
Net movement in cash			
Beginning of the year	4,559	4,161	4,161
Net cash (outflow)/inflow	(110)	1,166	398
End of the year	<u>4,449</u>	<u>5,327</u>	<u>4,559</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 2018 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 October 2017 and in accordance with the Financial Reporting Standard 102 ("FRS 102") 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 2017 and the year ended 31 October 2017 respectively.

4. Basic and diluted return per share

	Six months ended 30 Apr 2018	Six months ended 30 Apr 2017	Year ended 31 Oct 2017
Return per share based on:			
Net revenue return for the period (£'000)	<u>49</u>	<u>96</u>	<u>173</u>
Capital return per share based on:			
Net capital gain for the period (£'000)	<u>297</u>	<u>1,946</u>	<u>2,005</u>
Weighted average number of shares	<u>29,917,025</u>	<u>29,917,025</u>	<u>29,917,025</u>

5. Basic and diluted net asset value per share

	Six months ended 30 Apr 2018	Six months ended 30 Apr 2017	Year ended 31 Oct 2017
Net asset value per share based on:			
Net assets (£'000)	<u>23,321</u>	<u>25,233</u>	<u>23,947</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>78.0p</u>	<u>84.3p</u>	<u>80.0p</u>

6. Called up share capital

	Shares in issue	£'000
Period ended 30 April 2018	29,917,025	<u>299</u>
Period ended 30 April 2017	29,917,025	<u>299</u>
Year ended 31 October 2017	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 2018 £'000	Six months ended 30 Apr 2017 £'000	Year ended 31 Oct 2017 £'000
Special reserve	562	924	602
Capital reserve - realised	13,443	14,800	13,715
Revenue reserve	524	578	505
Merger reserve – distributable element	276	276	276
Unrealised losses – excluding unrealised unquoted gains	(338)	(161)	(119)
	<u>14,467</u>	<u>16,417</u>	<u>14,979</u>

8. 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)

9. 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.

10. 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 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.
11. 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 2017 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.
12. 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.chrysalisvct.co.uk.

Directors

Martin Knight (Chairman)
Julie Baddeley
Robert Jeens

Secretary and registered office

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