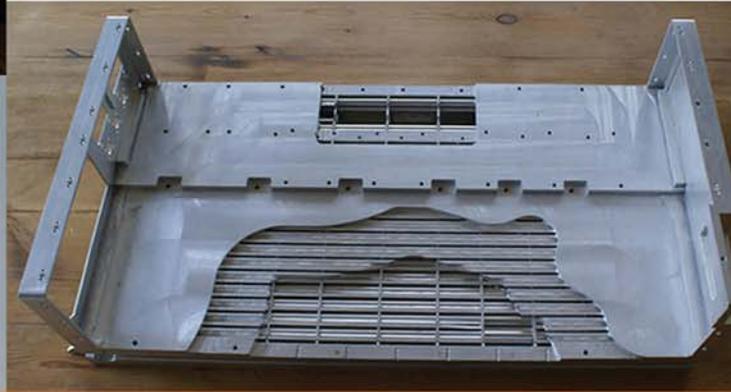
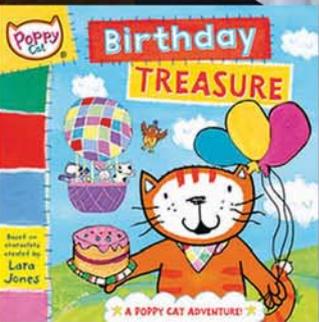




Chrysalis VCT plc

Reports & Accounts
for the year ended
31 October 2014



Clangers



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

0203 205 7528

Nplus1 Singer Capital Markets Limited
One Hanover Street | London | W1S 1YZ



Front cover pictures - a selection of Chrysalis VCT investments.

1. A selection of magazines published by MyTimeMedia
2. Appold Street branch of K10 City Sushi the Japanese restaurant business
3. Refurbished Locale Blackheath restaurant
4. Digital publications from Green Star Media
- 5&8. Two of Coolabi's intellectual properties
6. Precision Dental Laboratories, one of Europe's leading dental laboratories
7. A dip-brazed aircraft wing de-icing unit produced by Electrobaze
9. Internet Fusion, online retailer of leisure products

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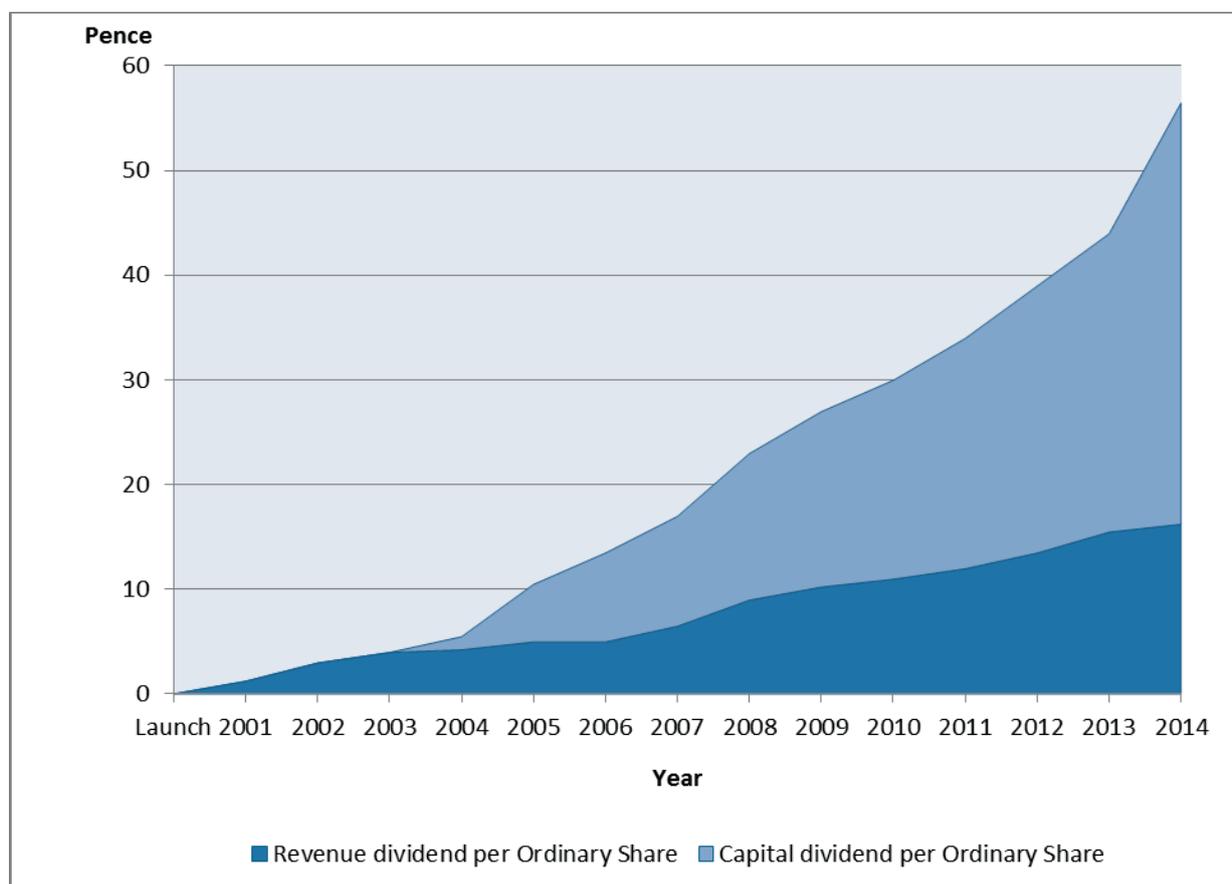
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FINANCIAL SUMMARY

	31 Oct 2014 pence	31 Oct 2013 pence
Net asset value per share ("NAV")	81.90	83.50
Cumulative dividends paid per share since launch *	53.20	40.70
Total Return (Net asset value per share plus cumulative dividends)	135.10	124.20
Dividends in respect of financial year		
Interim dividend per share (paid)	1.75	1.75
Special dividend per share (paid)	7.50	-
Final proposed dividend per share	3.25	3.25
	12.50	5.00

* Excludes final proposed dividend

Ordinary Share dividend history



The above chart includes all Ordinary Share dividends paid and proposed since the Company's launch. A full dividend history for the Company can be found at www.downing.co.uk.

Key dates

25 February 2015	Annual General Meeting ("AGM")
6 March 2015	Final dividend (payable to Shareholders on the register at 6 February 2015)
June 2015	Announcement of half-yearly report to 30 April 2015

INVESTMENT OBJECTIVES

The Company's principal investment objectives are 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 Strategic Report on page 14.

DIRECTORS



Peter Harkness (Chairman) is a media entrepreneur who has significant experience working closely with institutional investors for almost 30 years. He is Chairman of the specialist publishing and e-commerce business MyTime Media Holdings Limited, which is an investment of Chrysalis VCT plc and a non-executive director of the AIM-listed business data provider, Progressive Digital Media PLC. He is Vice-Chairman of The Cheltenham Trust which manages the culture and leisure assets of Cheltenham Borough Council, including the historic Town Hall, Pump Rooms, art gallery and sports stadium. He has been a Director of Chrysalis VCT plc since April 2005 and Chairman since September 2008.



Julie Baddeley is Chairman of Harvey Nash Group plc, and of Sustain, a privately owned carbon reduction company, and has recently been appointed non-executive director of AIM listed Ebiquity plc. She has been a director of Greggs plc, the BOC Group, Camelot Group plc, Spice plc, the Yorkshire Building Society and executive director of the Woolwich 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 has been a Director of Chrysalis VCT plc since October 2000.



Martin Knight is Chairman of two quoted investment businesses, LMS Capital Plc and Imperial Innovations Group plc, the AIM-quoted technology transfer company. He began his career with Morgan Grenfell & Co Ltd, becoming a director in 1982. He has advised and acted for a number of major public and private companies on project and corporate finance transactions and on financial and investment strategies. He is a Fellow of Imperial College, of which he was a Governor from 1992 to 2010. He is also a Director of Toumaz Limited, the quoted consumer electronics and healthcare business, and Cambridge Mechatronics Limited which is an investment of Chrysalis VCT plc. He is a Trustee of the Royal Institution and the Haberdashers' Aske's Hatcham Federation of schools. He has been a Director of Chrysalis VCT plc since October 2008.

All Directors of the Company are non-executive.

CHAIRMAN'S STATEMENT

- **Record year for dividends at 12.5p**
- **2014 return triple that of 2013**
- **13.1% increase in net asset value over last year**
- **Total return on 80p investment now at 135.1p**

I am delighted to present the results for the year to 2014, which has been an exceptional one for the Company. The headline achievement is that we will have paid out a total of 12.5p per share during the year under review and despite this substantial payout, the Net Asset Value ("NAV") per share is virtually unchanged at the year end.

The star turn was our very successful exit of our investment in Wessex Advance Switching Products Limited ("WASP"), but there has been plenty of other solid portfolio management by our team.

Chrysalis had been invested in WASP since 1999 and, as we reported in our Half Year statement the eventual proceeds of £8.9 million were over double WASP's carrying value and produced a very healthy profit of £8.85 million on the original cost as paid by Downing Classic VCT plc.

Dividends paid since launch top 56.0p

As a result of this exit, the Company paid a special dividend of 7.5p per share in July 2014, alongside the normal interim dividend of 1.75p. Combined with the proposed final dividend of 3.25p per share, the total

dividends in respect of the year to 31 October 2014 total 12.5p. Following the payment of the final dividend, total dividends paid since launch will have topped 56.0p.

We have achieved another significant exit from a more recent investment – Autocue, which makes the ubiquitous prompting technology used by TV presenters. We invested in June 2010 and in October 2014 we sold with a profit of around £500,000. We are hopeful of further payments being released over time from an escrow account.

Portfolio

At the year end, the Company held a portfolio of 25 venture capital investments, valued at £13.8 million. As you will see from the Investment Management Report it has been a busy year for investment activity.

In summary, the investment team has undertaken:

- four new investments;
- two follow-on investments;
- one investment restructuring; and
- two unquoted investment exits

All this went alongside loan note redemptions and other investment activities.

I believe all shareholders will join myself and my Board colleagues in expressing our thanks for a job well done to the key executives of our investment management company, Managing Director Chris Kay and Investment Director Robert Wilson. This is a year when their skill and efforts have been fully on display.

Chris Kay provides further commentary on our portfolio companies in his Investment Management report on pages 5 to 6. We are delighted to have increased our interest in the children's entertainment group, Coolabi, which is bringing "The Clangers" back to BBC TV with 26 episodes narrated by Michael Palin being aired from June 2015. Chris also reports on investments in precision engineers Electrobases, the digital publisher Green Star Media and in optical image stabilisation pioneers, Cambridge Mechatronics which has an exciting technology to reduce blur in camera phone images.

Cash and fixed income securities

The Company held £7.1 million in cash and fixed income securities at the year-end; split as cash of £4.9 million and fixed income securities of £2.2 million.

The proposed final dividend will cost the company £1.0 million, which leaves a healthy £3.9 million of cash ready both to make new investments and to support existing investments where required.

Management of the Company

Shareholders will be aware that our investment management fees are low compared with the VCT industry in general, at 1.6% of net assets due essentially to the self-managed structure we created in 2005.

The Board keeps this position under review, but we still believe that being self-managed remains as being in the best interests for shareholders – as evidenced by this year's results.

CHAIRMAN'S STATEMENT (continued)

Net asset value, results and dividends

Shareholders have enjoyed splendid returns this year, yet despite the Company paying out dividends totalling £3.7 million during the year, the Company's NAV per share at 31 October 2014 has remained fairly static at 81.9p. In comparison to the NAV at 2013 of 83.5p, and after adjusting for dividends paid during the year, the year end results show an increase of 10.9p or 13.1% over the year.

**£3.0m
capital
return for
2014**

The return on activities after taxation for the year was £3.2 million (2013: £1.1 million), comprising a revenue return of £217,000 and a capital return of £3.0 million.

The Company paid an interim dividend of 1.75p per share on 31 July 2014, together with a special dividend of 7.5p per share. Subject to Shareholder approval at the forthcoming AGM, your Board is proposing to pay a final dividend of 3.25p per share on 6 March 2015 to Shareholders on the register at 6 February 2015.

Share buybacks

The Company maintains a policy of making ad hoc share buybacks when they are offered via its broker, Nplus1 Singer Capital Markets. A decision on whether to buy, and at what price, is taken on a case-by-case basis. The Directors feel that, in general, our resources are better applied to the dividend payments from which all Shareholders benefit directly, than to share buy-backs.

During the year no such transactions occurred as investor interest mopped up all available shares in the secondary market.

We recommend that Shareholders wishing to acquire more shares, or to sell, contact the company brokers, Nplus1 Singer Capital Markets, who are usually aware of other parties looking to buy or sell.

Directors

During the year the Fund has again had the benefit of sound counsel and support from all Directors and I have greatly appreciated the contributions of my non-executive colleagues Julie Baddeley and Martin Knight.

Annual General Meeting

The forthcoming AGM will be held at Ergon House, Horseferry Road, London SW1P 2AL at 11:00am on 25 February 2015. Notice of the meeting is at the end of this document.

Conclusion

This has, indeed, been a splendid year for the Fund and our shareholders have been the beneficiaries. But it is at times like this that we should clearly understand that strong returns do not result from mere chance. The seeds of this year's harvest were planted and nurtured over several years.

Behind the scenes this work continues as the Chrysalis team follows the Board's steady and determined strategy of seeking sound investments and backing the skills and sector knowledge of their management teams.

WASP was a particularly profitable exit, but it was no flash in the pan.

My final thanks go to all shareholders for your continued support.



Peter Harkness
Chairman

19 December 2014

INVESTMENT MANAGEMENT REPORT

It has been both a busy and highly successful year with over £11 million being realised from the investment portfolio and £5.5 million of proceeds being invested in qualifying holdings. Since at the start of the financial year the investment portfolio was only valued at £16.2 million that represents quite a high turnover.

The pleasing outcome of all this activity was that overall return for shareholders for the year totalled £3.2 million or 10.9p per share which is the best return for eight years. This means that total return per share has more than doubled from 65.4p to 135.1p since we took over the management role in April 2004 despite that period including a major financial recession.

The stand out deal was the sale of Wessex Advanced Switching Products (“WASP”) where we received £8.9 million for our equity stake, a profit of £8.85 million over the total cost of just £50,000. We are also hopeful of receiving further payments from an escrow account over the next 3 years (subject to certain conditions being met). In addition over recent years we had been receiving six figure annual dividend payments from WASP making the overall return even higher and demonstrating the reward for a long term approach since the first investment in WASP was made in 1999.

The second major exit was from a much more recent investment. We first invested in Autocue in June 2010 subscribing £300,000 in equity for an 11% stake and the company was sold in October 2014 with Chrysalis receiving £810,000 which represents an IRR of 28.2%*. Again we are hopeful of further payments being released over time from an escrow account.

In both cases we followed the management’s lead in deciding when to exit since we believe that those actually working in the investee companies are best qualified to determine when is the best time to exit.

We have already been able to re-invest a significant proportion of this realised cash and a further two investments are scheduled to complete before the end of 2014, with several more in the pipeline.

*The £200,000 loan note was redeemed in January 2014.

Our biggest new investment was the £2.0 million invested in Coolabi Group which specialises in children’s entertainment, with its business now spanning TV production, brand management and licensing, books and video games. In particular it is bringing “The Clangers” back to The BBC with 26 episodes, narrated by Michael Palin, being aired from June 2015. We have largely provided mezzanine finance with 90% of our investment being in high yielding loan-stock showing that the banks still seem wary of anything but very secured lending.

Our second biggest new investment was in ERP NewCo which manufactures precision components for the telecommunications, electronics, defence and specialist automotive industries. We invested £1.0 million alongside a similar amount from Chelverton Asset Management to facilitate a partial management buy-in and general shareholder reorganisation which will hopefully enable Electrobases to grow substantially. The early signs are certainly encouraging.

£650,000 was also invested as development capital in Green Star Media which is a specialist consumer digital publisher concentrating on sport coaching. The deal was structured to provide some element of downside protection with the bulk of the investment being in loan stock with a redemption premium. Chrysalis is still able to structure investments in this way because we have the significant advantage of operating under the old VCT rules which allow much more flexibility than the current rules which all newly raised money has to abide by.

The final new investment of the year was a £300,000 all equity investment in Cambridge Mechatronics (“CM”). We are very excited about the prospects for CM which designs and engineers components for cameras to go in mobile phones which is a huge market.

INVESTMENT MANAGEMENT REPORT (continued)

During the year we also supported the existing portfolio by providing further investments. In February we invested £250,000 in K10 (London) to help fund its expansion. K10's second sushi restaurant is now performing well and the company is about to announce the location of its third outlet.

In March we invested a net £300,000 in Locale Enterprises which helped it to acquire its "sister" company London Italian Restaurants Ltd in which Chrysalis also had an investment. The merger has streamlined the management of Locale's restaurants and whilst trading in Locale's neighbourhood restaurants has yet to recover to pre-recession levels, its flagship site near the Millennium Wheel at the heart of London continues to perform exceptionally well.

The exits both this year and last (when 25% of the unquoted portfolio was realised) has inevitably meant that the portfolio is less mature than it was and will probably result in fewer exits this year, although we are currently in meaningful discussions about the sale of one portfolio company. The earlier stage of some of our investee companies is likely to mean that trading results will be more variable with corresponding movements in valuations, however generally we are happy with the overall health of the portfolio.

We are also seeing more new opportunities than for some time and are hopeful of making some good new investments during this financial year.

Chrysalis VCT Management Limited

19 December 2014

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 October 2014:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Top ten venture capital investments				
Locale Enterprises Limited	2,613	2,427	(649)	11.6%
Coolabi Group Limited	1,956	2,079	123	10.0%
MyTime Media Holdings Limited	750	1,761	163	8.4%
Precision Dental Laboratories Limited	1,510	1,677	(308)	8.1%
ERP Newco Limited	1,000	1,000	-	4.8%
Internet Fusion Limited	700	900	20	4.3%
Green Star Media Limited	650	650	-	3.1%
K10 (London) Limited	600	609	(52)	2.9%
VEEMEE Limited	500	500	(323)	2.4%
Triaster Ltd	306	402	(622)	1.9%
	<u>10,585</u>	<u>12,005</u>	<u>(1,648)</u>	<u>57.5%</u>
Other venture capital investments				
Ensign Communication Holdings Limited	292	335	(103)	1.6%
Livvakt Limited	550	329	-	1.6%
Life's Kitchen Limited	245	321	76	1.6%
Cambridge Mechatronics Limited	300	300	-	1.4%
Newquay Helicopters (2013) Limited	169	169	(137)	0.8%
Zappar Limited	-	160	129	0.8%
Cashfac plc	-	74	(32)	0.4%
The Mission Marketing Group plc *	150	51	17	0.2%
Progility plc *	100	9	(1)	-
The Kellan Group plc *	320	4	-	-
Rhino Sport & Leisure Limited	304	-	(273)	-
Art VPS Limited	358	-	-	-
G-Crypt Limited	305	-	-	-
IX Group Limited	250	-	-	-
Planet Sport Holdings Limited	321	-	(58)	-
	<u>3,664</u>	<u>1,752</u>	<u>(382)</u>	<u>8.4%</u>
Fixed income securities				
Intermediate Capital Group plc 7%	745	741	(5)	3.5%
Provident Financial 7%	741	723	(17)	3.5%
Lloyds Banking Group 7%	724	721	(3)	3.5%
	<u>2,210</u>	<u>2,185</u>	<u>(25)</u>	<u>10.5%</u>
	<u>16,459</u>	<u>15,942</u>	<u>(2,055)</u>	<u>76.4%</u>
Cash at bank and in hand		4,938		23.6%
Total investments		<u>20,880</u>		<u>100%</u>

All investments are unquoted unless otherwise stated.

* Quoted on AIM

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 October 2014

Additions

	£'000
New venture capital investments	
Coolabi Group Limited	1,956
ERP Newco Limited	1,000
Green Star Media Limited	650
Cambridge Mechatronics Limited	300
	<u>3,906</u>
Follow-on venture capital investments	
Locale Enterprises Limited**	1,300
K10 (London) Limited	250
Planet Sports Holding Limited	58
	<u>1,608</u>
Fixed income securities	
Intermediate Capital Group plc 7%	745
Lloyds Banking Group 7%	724
Provident Financial 7%	741
	<u>2,210</u>
Total investments	<u><u>7,724</u></u>

Disposals

	Cost £'000	Value at 01/11/13* £'000	Proceeds £'000	Gain/ (loss) vs cost £'000	Realised gain/ (loss) £'000
Venture capital investments					
<i>Quoted</i>					
Best of the Best plc	81	64	70	(11)	6
<i>Unquoted</i>					
Autocue Group Limited	500	811	1,011	511	200
Global 3 Digital Limited	-	-	1	1	1
Life's Kitchen Limited	10	10	10	-	-
Locale Enterprises Limited	25	25	25	-	-
London Italian Restaurants Limited**	1,000	437	1,000	-	563
Newquay Helicopters (2013) Limited	126	126	217	91	91
Precision Dental Laboratories Limited	200	200	200	-	-
Triaster Limited	110	110	110	-	-
Wessex Advanced Switching Products Ltd	704	4,115	8,919	8,215	4,804
<i>Dissolution/liquidation and retention</i>					
Kids Safetynet Limited	637	-	-	(637)	-
Retentions	-	-	87	87	87
	<u>3,393</u>	<u>5,898</u>	<u>11,650</u>	<u>8,257</u>	<u>5,752</u>
Fixed income securities					
S&W Investment Funds Cash Fund	9	9	9	-	-
United Kingdom 2.25% Gilt 07/03/2014	415	423	420	5	(3)
	<u>424</u>	<u>432</u>	<u>429</u>	<u>5</u>	<u>(3)</u>
Total	<u>3,817</u>	<u>6,330</u>	<u>12,079</u>	<u>8,262</u>	<u>5,749</u>

* Adjusted for purchases in the year where applicable

** The consideration for London Italian Restaurants Limited was partly settled by Shares in Locale Enterprises Limited

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments are as follows:

Locale Enterprises Limited www.localerestaurants.com	Cost at 31/10/14:	£2,613,000	Valuation at 31/10/14:	£2,427,000
	Cost at 31/10/13:	£1,338,000	Valuation at 31/10/13:	£1,801,000
	Investment comprises:			
	Equity shares:	£1,400,000	Valuation method:	Earnings multiple
	5.85% loan note:	£750,000		
	6.50% loan note:	£463,000		



Abbreviated audited accounts:	25/05/13	26/05/12	Dividend income:	£Nil
Turnover:	Not published		Loan note income:	£70,000
Profit before tax:	Not published		Proportion of capital held:	49.3%
Net assets:	£2.4m	£0.4m	Diluted equity:	49.3%

Locale Enterprises Limited operates three Italian restaurants which are located in Blackheath, Fulham and County Hall, and one craft beer pub in East Dulwich.

Coolabi Group Limited www.coolabi.com	Cost at 31/10/14:	£1,956,000	Valuation at 31/10/14:	£2,079,000
	Cost at 31/10/13:	Not held	Valuation at 31/10/13:	Not held
	Investment comprises:			
	Equity shares:	£196,000	Valuation method:	Cost
	6.0% loan note:	£1,760,000		



Audited accounts:	31/03/14	31/12/12	Dividend income:	£Nil
Turnover:	£2.6m	£0.8m	Loan note income:	£79,000
Loss before tax:	(£3.1m)	(£1.0m)	Proportion of capital held:	2.0%
Net assets:	£1.7m	£0.3m	Diluted equity:	2.0%

Coolabi is a leading, independent, international media group and rights owner specialising in the creation, development and brand management of children's and family intellectual property rights.

MyTime Media Holdings Limited www.mytimemedia.co.uk	Cost at 31/10/14:	£750,000	Valuation at 31/10/14:	£1,761,000
	Cost at 31/10/13:	£750,000	Valuation at 31/10/13:	£1,598,000
	Investment comprises:			
	Equity shares:	£75,000	Valuation method:	Earnings multiple
	10.0% loan note:	£675,000		



Audited accounts:	31/12/13	31/12/12	Dividend income:	£Nil
Turnover:	£10.6m	£8.5m	Loan note income:	£67,000
Loss before tax:	(£0.1m)	(£0.1m)	Proportion of capital held:	30.0%
Net assets:	£0.1m	£0.2m	Diluted equity:	30.0%

MyTime Media publishes a range of niche hobby magazines, both in paper and digital formats. It also has an e-commerce business which supplies a wide range of hobby products.

REVIEW OF INVESTMENTS (continued)

Precision Dental Laboratories Group Limited www.precisiondentalstudio.co.uk	Cost at 31/10/14:	£1,510,000	Valuation at 31/10/14:	£1,677,000
	Cost at 31/10/13:	£1,710,000	Valuation at 31/10/13:	£2,185,000
 Precision Dental STUDIO	Investment comprises:		Valuation method:	Earnings multiple
	Equity shares:	£1,110,000		
	5.0% loan note:	£400,000		
Abbreviated audited accounts:	30/09/13	30/09/12	Dividend income:	£Nil
Turnover:	Not published		Loan note income:	£27,000
Loss before tax:	Not published		Proportion of capital held:	36.9%
Net assets:	£1.3m	£1.1m	Diluted equity:	36.9%

Precision Dental is one of the UK's leading dental laboratory groups, manufacturing a full range of dental products.

ERP Newco Limited www.electrobaserp.com	Cost at 31/10/14:	£1,000,000	Valuation at 31/10/14:	£1,000,000
	Cost at 31/10/13:	Not held	Valuation at 31/10/13:	Not held
 E.R.P. ELECTROBASE R.P.	Investment comprises:		Valuation method:	Cost
	Equity shares:	£100,000		
	8.0% Loan note:	£900,000		
Abbreviated accounts*:	30/09/13	30/09/12	Dividend income:	£Nil
Turnover:	Not published		Loan note income:	£19,000
Profit before tax:	Not published		Proportion of capital held:	28.7%
Net assets:	£0.8m	£0.3m	Diluted equity:	28.7%

*data obtained from Electrobase RP Ltd accounts

ERP Newco was formed to acquire Electrobase RP Limited, a precision engineering business based in Dartford, Kent. The transaction which saw Chrysalis acquire a 28.75% stake alongside another institutional investor also with a 28.7% stake completed on 30 July 2014.

Internet Fusion Limited www.internetfusion.co.uk	Cost at 31/10/14:	£700,000	Valuation at 31/10/14:	£900,000
	Cost at 31/10/13:	£700,000	Valuation at 31/10/13:	£880,000
 INTERNET.FUSION.	Investment comprises:		Valuation method:	Earnings multiple
	Equity shares:	£150,000		
	6.0% loan note:	£550,000		
Abbreviated audited accounts:	30/11/13	30/11/12	Dividend income:	£Nil
Turnover:	Not published		Loan note income:	£39,000
Profit before tax:	Not published		Proportion of capital held:	22.5%
Net assets:	£0.5m	£0.4m	Diluted equity:	22.5%

Internet Fusion is an e-commerce business supplying a wide range of leisure products through a number of online stores including blackleaf.com, nightgear.co.uk, extremepie.com, fitnessfootwear.com and webtogs.com

REVIEW OF INVESTMENTS (continued)

Green Star Media Limited
www.greenstarmedia.net



Cost at 31/10/14:	£650,000	Valuation at 31/10/14:	£650,000
Cost at 31/10/13:	Not held	Valuation at 31/10/13:	Not held
Investment comprises:			
Equity shares:	£150,000	Valuation method:	Cost
6.0% Loan note:	£500,000		
Abbreviated accounts:	31/12/13 31/12/12	Dividend income:	£Nil
Turnover:	Not published	Loan note income:	£13,000
Profit before tax:	Not published	Proportion of capital held:	10.0%
Net assets:	£0.5m £0.5m	Diluted equity:	9.0%

Green Star Media is a digital media company providing expert training plans, advice and insight to amateur and professional sports coaches, athletes and physios worldwide. Chrysalis provided an investment of £650,000 in May 2014 to fund the expansion of the business.

K10 (London) Limited
www.k10.com



Cost at 31/10/14:	£600,000	Valuation at 31/10/14:	£609,000
Cost at 31/10/13:	£350,000	Valuation at 31/10/13:	£410,000
Investment comprises:			
Equity shares:	£100,000	Valuation method:	Earnings multiple
6.0% Loan note:	£500,000		
Abbreviated accounts:	31/12/13 31/12/12	Dividend income:	£Nil
Turnover:	Not published	Loan note income:	£16,000
Profit before tax:	Not published	Proportion of capital held:	5.0%
Net assets:	£0.9m £0.6m	Diluted equity:	5.0%

K10 is a high quality, great value 'kaiten' (conveyor belt) restaurant serving delicious, homemade modern Japanese food. It operates two restaurants in the City of London.

VEEMEE Limited
www.veemee.com



Cost at 31/10/14:	£500,000	Valuation at 31/10/14:	£500,000
Cost at 31/10/13:	£500,000	Valuation at 31/10/13:	£824,000
Investment comprises:			
Equity shares:	£50,000	Valuation method:	Independent valuation
6.0% Loan note:	£450,000		
Abbreviated unaudited accounts:	31/03/13 31/03/12	Dividend income:	£Nil
Turnover:	Not published	Loan note income:	£27,000
Profit before tax:	Not published	Proportion of capital held:	25.0%
Net assets:	£0.7m £0.4m	Diluted equity:	25.0%

VEEMEE is a games developer and publisher specialising in original IP and branded content for virtual worlds and handheld devices.

Triaster Ltd
www.triaster.co.uk



Cost at 31/10/14:	£306,000	Valuation at 31/10/14:	£402,000
Cost at 31/10/13:	£417,000	Valuation at 31/10/13:	£1,134,000
Investment comprises:			
Equity shares:	£167,000	Valuation method:	Earnings multiple
6.0% Loan note:	£235,000		
Abbreviated audited accounts:	31/12/13 31/12/12	Dividend income:	£Nil
Turnover:	Not published	Loan note income:	£15,000
Profit before tax:	Not published	Proportion of capital held:	31.3%
Net liabilities:	(£0.1m) (£0.5m)	Diluted equity:	31.3%

Triaster is a developer of easy to use process-mapping software and developed an add-on product to Microsoft Visio called Process Navigator.

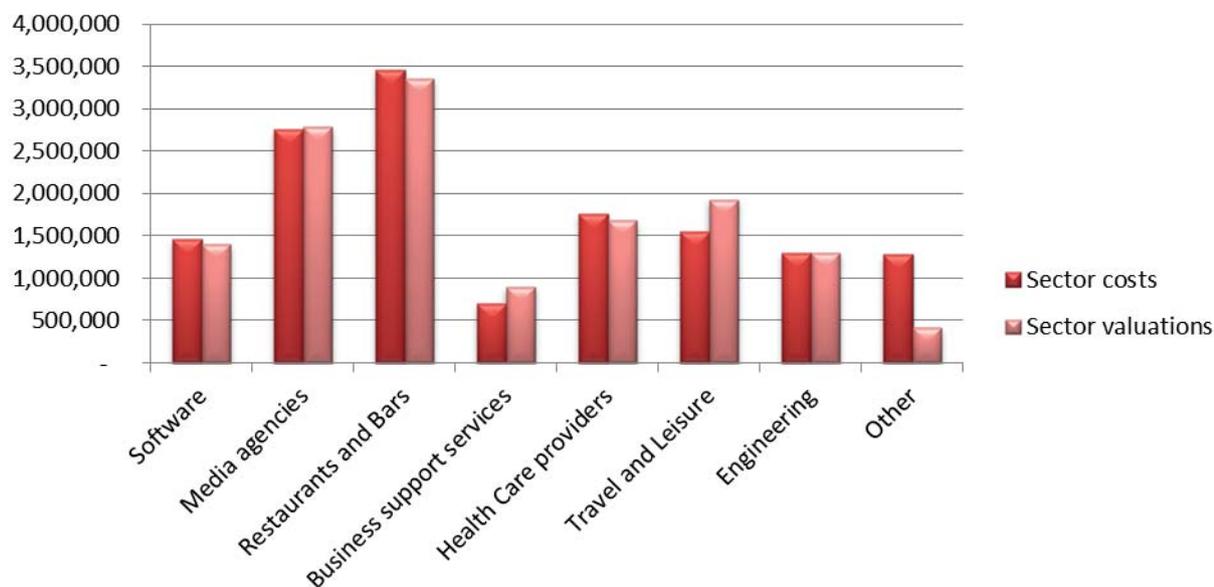
REVIEW OF INVESTMENTS (continued)

Note:

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

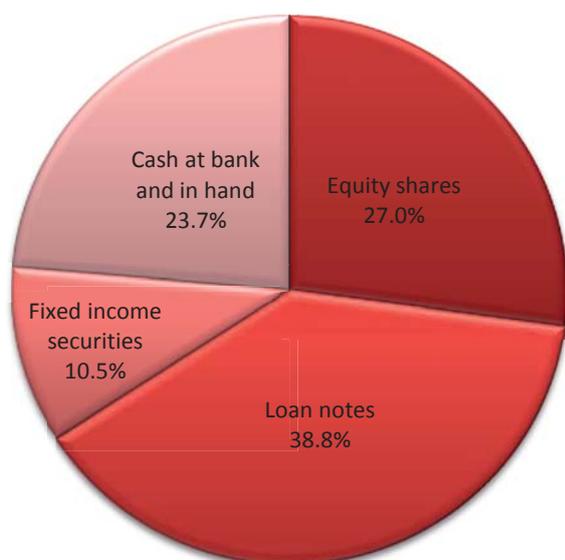
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 October 2014) is as follows:



Analysis of investments by nature of instrument

The following chart summarises the Company's investment portfolio by the nature of instrument held (by value at 31 October 2014) as follows:



Portfolio balance

At 31 October 2014, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of investment (by HMRC valuation rules)	Actual	Target
VCT qualifying investments	74.8%	Minimum 70.0%
Non-qualifying investments (including cash at bank)	25.2%	Maximum 30.0%
Total	100.0%	100.0%

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 October 2014. The Board have prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

The Company is a Venture Capital Trust whose principal investment objectives are to:

- achieve long term capital growth and generate tax-free income for its Shareholders principally from private equity and AIM investments; and
- comply with the VCT regulations to enable Shareholders to retain the initial income tax relief and ongoing tax reliefs.

As a Venture Capital Trust, Investors are required to hold their shares for a minimum period of five years in order to retain income tax relief.

Business review and developments

Over the year to 31 October 2014, net gains arising on disposals in the portfolio totalled £5.7 million (2013: £191,000). The investment portfolio fell in value by £2.1 million (2013: gain £731,000).

The net revenue position at the year-end, including capital expenses shows a loss of £446,000 (2013: gain £185,000). Performance incentive fees of £366,000 (2013: £98,000) which are linked to investment disposals are included within capital expenses. After excluding performance incentive fees, and a one off interest receipt of £240,000 in the year to 31 October 2013 on a like for like basis, the adjusted loss for the year is £80,000, compared to a gain of £43,000 in 2013. The running costs of the company, excluding the performance incentive fees equate to 3.0% of net assets at the year-end (2013: 2.7%).

The total return for the year was £3.2 million (2013: £1.1 million). Net assets at the year-end were £24.5 million (2013: £25.0 million). Dividends paid during year totalled £3.7 million (2013: £1.5 million), including a special dividend of £2.2 million.

The Company's business and developments during the year are reviewed further within the Chairman's Statement, Investment Management Report and the Review of Investments on pages 3 to 12.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its investment policy (as shown on page 1). The Board believes the Company's key performance indicators, for comparison purposes against similar VCTs, are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 1). In addition, the Board considers the Company's performance in relation to other VCTs.

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, investment, credit and liquidity risks, are summarised within note 17 of 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 reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the Listing rules of the Financial Conduct Authority and the Companies Act, 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 year.

STRATEGIC REPORT (continued)

Business model

The Company operates as a Venture Capital Trust to ensure that its shareholders can benefit from tax reliefs available.

Chrysalis VCT Management Limited, the Company's wholly owned subsidiary, provides investment management services to the Company. 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.

The business of the Company is to act as an investment company, investing in a portfolio which meets the conditions set within its Investment Policy, as shown below.

Investment policy

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

1. Venture capital investments;
2. Fixed income securities; and
3. Venture capital trust regulations.

Venture capital investments

The Company seeks to hold a portfolio of venture capital investments, predominantly comprising unquoted companies, but also including a proportion of investments in companies trading on AIM.

The Company will hold over 70% of its investments in a portfolio of VCT-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.

Fixed income securities

The Company seeks to hold a portfolio consisting of bonds issued by major companies and institutions with a minimum credit rating of A minus (Standard & Poor's rated) or A3 (Moody's rated) at the time of investment.

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 Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
2. In respect of funds raised before 5 April 2011, at least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital). For funds raised after 5 April 2011 this is increased to 70%;
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities; and
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.

Compliance with the main VCT regulations as at 31 October 2014 and for the year then ended is summarised in the Director's Report on page 17.

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; and
- the amounts standing to credit of the reserves of the Company;

as shown within the latest audited balance sheet of the Company 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
- 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 the profit and loss account.

STRATEGIC REPORT (continued)

Borrowings (continued)

At 31 October 2014, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £3.7 million (2013: £3.7 million). There are no plans to utilise this ability at the current time.

Environmental and social and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Managers take environmental and social and human rights factors into consideration when making investment decisions.

Global greenhouse gas emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Directors and senior management

The Company does not have any employees, including senior management, other than the Board of three non-executive directors. The Board comprises two male directors and one female director.

Whilst the Board have delegated the day to day operation of the Company to its advisers (including its wholly owned subsidiary), details of which are contained within the Directors' Report, they retain the responsibility of planning, directing and controlling the activities of the Company.

Future prospects

The Company's future prospects are set out in the Chairman's Statement and Investment Manager's Report.

By order of the Board



Grant Whitehouse
Secretary
Ergon House
Horseferry Road
London SW1P 2AL

19 December 2014

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of the Company for the year ended 31 October 2014.

Share capital

As disclosed on page 22, the Board has authority to make market purchases of the Company's own shares.

There were no changes to the Company's share capital during the year.

The total number of Ordinary Shares of 1p each in issue at 31 October 2014 was 29,917,025, with each share having one vote. There are no other share classes in issue.

Results and dividends

	£'000	Per share
Return for the year	<u>3,318</u>	<u>11.1p</u>
<i>Dividends paid in the year</i>		
30 April 2014: 2013 Final	972	3.25p
31 July 2014: 2014 Interim	524	1.75p
31 July 2014: Special	<u>2,244</u>	<u>7.50p</u>
	<u>3,740</u>	<u>12.5p</u>

Subject to Shareholder approval at the forthcoming AGM, your Board is proposing to pay a final dividend of 3.25p per share on 6 March 2015 to Shareholders on the register at 6 February 2015.

Directors

The Directors of the Company during the year were as follows:

Peter Harkness
Julie Baddeley
Martin Knight

Julie Baddeley and Peter Harkness are due to retire as a result of holding a place on the Board for over nine years and, being eligible, offer themselves for re-election. The Board believes that all the non-executive directors continue to provide a valuable contribution to the Company and remain committed to their roles. They also have considerable experience in other areas, as shown in their biographies on page 2, and therefore the Board strongly recommends that Shareholders support the resolutions to re-elect both Julie Baddeley and Peter Harkness at the forthcoming AGM.

Julie Baddeley and Peter Harkness each entered into an agreement for services dated 30 January 2006, terminable on 12 months' notice by either side. Martin Knight entered into an agreement for services dated 20 October 2008 which is also 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 and their powers are bound by the Company's Articles of Association. Appointments of new Directors to the Board are considered by all existing Directors as, and when, required.

The Company provides Directors' and Officers' liability insurance, giving appropriate cover for legal action brought against its Directors, and has also agreed to indemnify Directors in circumstances where they are not considered to be culpable. The indemnity, which is a qualifying third party indemnity provision for the purpose of the Companies Act, is for the benefit of all of the Company's current Directors.

Investment management fees

Chrysalis VCT Management Limited, the Company's wholly owned subsidiary, has an agreement to provide investment management services to the Company for a fee of 1.65% of net assets per annum, reducing to 1.35% when net assets exceed £34 million. The agreement may be terminated by either side serving on the other not less than 12 months' notice of termination.

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

DIRECTORS' REPORT (continued)

Performance incentive fees

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 2.5% of the gain in respect of investments made prior to 30 April 2004. Incentive fees arising in the year, on the exits shown on page 35, amounted to £366,000 (2013: £98,000).

Administration management fees

Downing LLP provides administration services to the Company for a fee of £55,000 per annum. The agreement may be terminated by either the Board or Downing serving on the other not less than six months' notice of termination.

VCT compliance

The Company has retained PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with VCT requirements, reporting directly to the Board. PwC work closely with Chrysalis VCT Management Services Ltd and Administration Manager ("the Managers") undertaking reviews of the VCT compliance status of new investment opportunities; providing regular compliance updates on the Company's existing portfolio of investments and providing advice on VCT compliance issues as and when they arise.

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 14.

Compliance with the main VCT regulations as at 31 October 2014 and for the year then ended is summarised as follows:

1. 70% of its investments in qualifying companies; 74.8%
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares"; 45.6%
3. At least 10% of each investment in a qualifying company is held in "eligible shares"; Complied
4. No investment constitutes more than 15% of the Company's portfolio; Complied
5. The Company's income for each financial year is derived wholly or mainly from shares and securities; 91.3%
6. For the year ended 31 October 2014, no more than 15% of the income from shares and securities is retained (after taking into account paid and proposed revenue dividends in respect of the year under review). Complied

Substantial interests

As at 31 October 2014, and the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued Ordinary Share capital.

Auditor

A resolution to appoint BDO LLP as the Company's Auditor will be proposed at the forthcoming AGM.

Annual General Meeting

The forthcoming AGM will be held at Ergon House, Horseferry Road, London SW1P 2AL at 11:00am on 25 February 2015. The Notice of the AGM is at the end of this document.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the Directors' Remuneration 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 Conduct 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

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.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 2, confirms that, to the best of each person's knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report, comprising the Chairman's Statement, the Strategic Report, the Investment Manager's Report, the Review of Investments and the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that it faces.

Electronic publication

The financial statements are published on www.chrysalisvct.co.uk (maintained by Chrysalis VCT Management Limited) and on www.downing.co.uk (maintained by the Administration Manager). Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code, June 2010 (www.frc.org.uk), is shown on pages 22 to 25.

DIRECTORS' REPORT (continued)

Other matters

Information in respect of financial instruments, and future developments which are normally disclosed within the Directors' Report has been disclosed within the Strategic Report on pages 13 to 15.

Statement as to disclosure of information to the Auditor

The Directors in office at the date of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has 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 of Chrysalis VCT plc

Company number: 4095791

Registered Office:

Ergon House

Horseferry Road

London SW1P 2AL

19 December 2014

DIRECTORS' REMUNERATION REPORT

Annual statement from the Chairman of the Remuneration Committee: Julie Baddeley

The Committee, comprising Peter Harkness, Martin Knight and me, has reviewed the fee structure which has been in place since 1 April 2012 and agreed that the remuneration levels should remain unchanged for the forthcoming year.

Remuneration report

Below is the Directors' policy on remuneration which is effective for the three years commencing 1 November 2014.

The Company's policy on Directors' remuneration is to seek to remunerate board members at a level appropriate for the time commitment required and degree of responsibility involved for a self-managed Venture Capital Trust, where all investment decisions are made by the Board and where the non-executive Directors are more closely involved with the investee companies than other similar VCTs.

Non-executive Directors are not entitled to any performance related pay or incentive.

Directors' remuneration is also subject to the Company's Articles of Association which provide that:

- (i) The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £90,000 per annum. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally.
- (ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors including any expenses incurred in attending Meetings of the Board or of Committees of the Board or General Meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

A remuneration payment or payment for loss of office can only be made to a current or former director that is within the scope of the approved policy (subject to the Articles), unless approved by a separate shareholder resolution.

The Board receives feedback from Shareholders from time to time via direct correspondence, telephone calls and at the AGM. The Remuneration Committee will take account of any comments in respect of the remuneration policy when it undertakes its regular review of the Company's policy.

Agreement for services

Julie Baddeley and Peter Harkness each entered into an agreement for services dated 30 January 2006, terminable on 12 months' notice by either side. Martin Knight entered into an agreement for services dated 20 October 2008 which is also 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.

Annual Report on remuneration (audited)

The remuneration for the Directors of the Company for the year under review were:

	2014	2013
	£	£
Peter Harkness	45,000	45,000
Julie Baddeley	22,500	22,500
Martin Knight	22,500	22,500
	<u>90,000</u>	<u>90,000</u>

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

Martin Knight is also appointed as a director of the subsidiary, Chrysalis VCT Management Limited. He receives no remuneration for this appointment.

Statement of implementation of remuneration policy in the current financial year

The remuneration levels for the forthcoming year, which are based on fixed fee agreements, are expected to remain unchanged, and at the following levels:

	£
Peter Harkness	45,000
Julie Baddeley	22,500
Martin Knight	22,500
	<u>90,000</u>

DIRECTORS' REMUNERATION REPORT (continued)

Statement of implementation of remuneration policy in the current financial year (continued)

Any further increases in remuneration between the date of this report and April 2017 would be subject to approval by Shareholders at an Annual General Meeting.

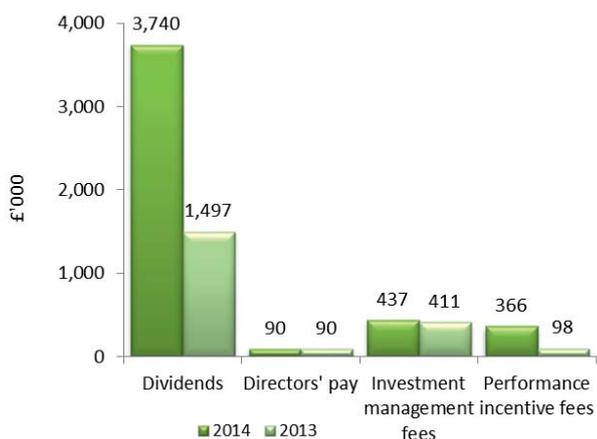
Directors' share interests

The beneficial interests of the Directors, in the issued Ordinary Shares of 1p each in the Company at each year-end and the date of this report were as follows:

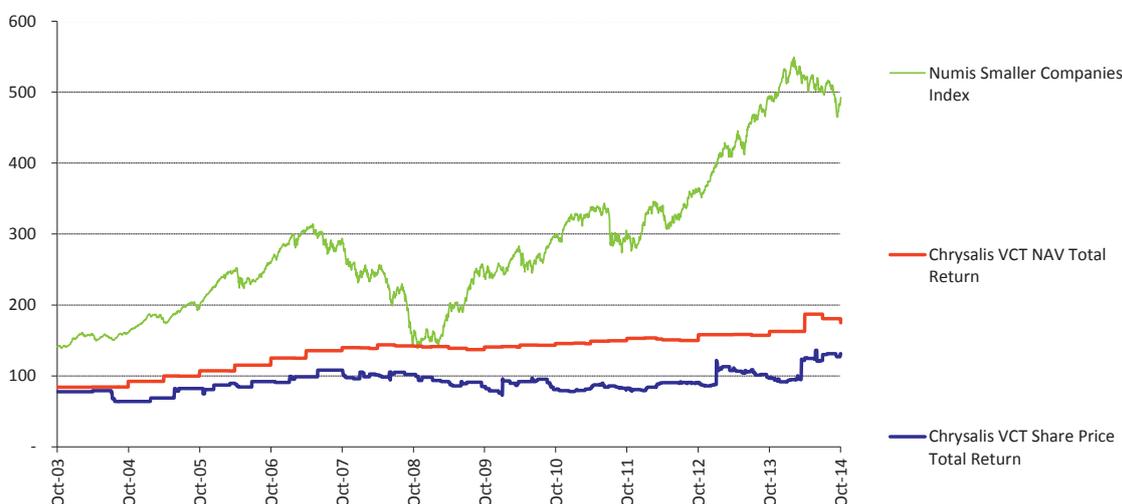
	2014	2013
Peter Harkness	188,418	161,418
Julie Baddeley	121,671	108,171
Martin Knight	245,232	175,232

Relative importance of spend on pay

The difference in actual spend between 31 October 2014 and 31 October 2013 on remuneration for all employees in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the tabular graph below:



The Company has appointed a Corporate Broker which has ignited a small secondary market for the Company's shares, resulting in the level of share buybacks being undertaken by the Company being reduced to nil for the year under review.



Date of last change to remuneration policy

A resolution to approve the Directors' Remuneration Policy was approved by Shareholders at the AGM on 9 April 2014. Votes cast are summarised as follows:

For	95.7%
Against	4.3%
Shares withheld from voting	50,190

Performance Graph

The graph below charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and total return of the Company's Share Price ("Share Price Total Return") over the past ten years, compared to Numis Smaller Companies Index (Total Return, excluding investment companies), each of which has been rebased to 100 pence.

The Board believes that NAV Total Return provides Shareholders with a fairer reflection of the Company's long term value than the Company's share price, due to the long term nature of an investment in Venture Capital Trust shares. The Numis Smaller Companies Index is considered to be the most appropriate broad equity market against which Investors can measure the relative performance of the Company.

By order of the Board

Julie Baddeley
Chair of Remuneration Committee
Ergon House
Horseferry Road
London SW1P 2AL

19 December 2014

CORPORATE GOVERNANCE STATEMENT

The Directors support the relevant principles of the UK Corporate Governance Code maintained by the Financial Reporting Council, being the principles of good governance and the code of best practice.

The Board

The Company has a diverse Board comprising three non-executive Directors, two of whom (Peter Harkness and Martin Knight) are deemed to be independent. The Chairman is Peter Harkness and the senior independent director is Martin Knight. Biographical details of all Board members (including significant commitments of the Chairman) are shown on page 2.

In accordance with the Articles of Association, Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. Julie Baddeley and Martin Knight retired and were re-elected at the AGM in 2013. Julie Baddeley and Peter Harkness are retiring at the forthcoming AGM as a result of them both being Directors of the Company for more than nine years, and are both offering themselves for re-election.

Full Board meetings take place at least quarterly and additional meetings are held as required to address specific issues including considering recommendations from the Chrysalis VCT Management regarding the existing portfolio, making all decisions concerning the acquisition or disposal of investments, and it reviews, periodically, the terms of engagement of all third party advisers (including the Administration Manager). 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.

Share capital

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the last AGM held on 9 April 2014. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the Company is disclosed on page 16.

Committees to the Board

As the Company has a small Board of non-executive Directors, all the Directors sit on all committees. The Chairman of the Audit Committee is Martin Knight, and the Chairman of the Nomination and Remuneration Committees is Julie Baddeley. All committees have defined terms of reference and duties, which are available from www.downing.co.uk.

Formal Board and Committee meetings

The following table sets out the Directors' attendance at the formal Board and Committee meetings held during the year.

	Board meetings (6 held)	Committee meetings		
		Audit (2 held)	Nom. (1 held)	Rem. (1 held)
Peter Harkness	6	2	1	1
Julie Baddeley	6	2	1	1
Martin Knight	6	2	1	1

Note:

Nom. refers to Nomination Committee; and
Rem. refers to Remuneration Committee.

The Board also meets as and when required during the year to discuss other matters arising.

Audit Committee

The Audit Committee is responsible for:

- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems; and
- matters regarding audit and external auditors.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

Financial Reporting

The Committee is responsible for reviewing, and agreeing, the half-yearly and annual accounts (including those figures presented within) before they are presented to the Board for final approval.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the half-yearly and annual accounts.

The Committee also takes into careful consideration, comments on matters regarding valuation, revenue recognition and disclosures arising from the Report to the Audit Committee as part of the finalisation process for the Annual Accounts.

Internal audit and control

The Committee has considered the need for an internal audit function and has concluded that this would not be appropriate for a Company of this size and structure. The Committee seeks to satisfy themselves that there is a proper system and allocation of responsibilities for the day-to-day monitoring of financial controls by receiving representations and information either upon request or voluntarily from the Manager. This is covered more fully under Risk Management and Internal Control.

Whistleblowing procedures

As the Company has no staff, other than directors, there are no procedures in place in respect of C.3.5 of the UK Corporate Governance Code, relating to whistleblowing. The Audit Committee understands that Chrysalis VCT Management Limited and the Administration Manager have whistleblowing procedures in place.

External auditor

The Committee reviews and agrees the audit strategy paper, presented by the Auditor in advance of the audit, which sets out the key risk areas to be covered during the audit and confirms their status on independence. The Committee confirms that the two main areas of risk for the year under review are the carrying value of investments and revenue recognition.

The Committee, after taking into consideration comments from the Investment Manager, Chrysalis VCT Management Limited, and the Administration Manager, Downing LLP, regarding the effectiveness of the audit process; immediately before the conclusion of the annual audit, will recommend to the Board either the re-appointment or removal of the auditors.

Following assurances received from the Managers at the completion of the audit for the year to 31 October 2014, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non audit services

The Company's Auditor also provides corporation tax compliance services and may perform ad-hoc work at the request of the Board. The Committee recognises the requirement for the tax computation to be prepared annually, therefore does not require the annual appointment to be referred to the committee. The Committee will approve the provision of the ad-hoc work and maximum expected fee before being undertaken, to ensure that auditor objectivity and independence is safeguarded. With the exception of the provision of tax compliance services the Auditor did not provide any other non-audit services.

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. The Committee has not recommended any changes to the composition of the existing Board.

Performance evaluation

During the year, Julie Baddeley co-ordinated a performance evaluation of the Directors (including the Chairman and its Committees), as required by the UK Corporate Governance Code, whereby the members of the Board, together with the senior executives of Chrysalis VCT Management Ltd, completed a questionnaire compiled for the express purpose of the evaluation. The relevant points arising from the evaluation were reported to the Board, and the minor improvement points raised have been agreed to be implemented.

CORPORATE GOVERNANCE STATEMENT (continued)

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 or fee structure.

Diversity policy

When considering a new appointment to the Board, the Committee's responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position (irrespective of gender) giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by the Manager at www.downing.co.uk.

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 Shareholders if so requested. As disclosed in the Directors' Report, there were no Shareholders with a substantial interest in the Company at the year-end or at the date of this report.

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 LLP 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 UK Corporate Governance 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 conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial reporting

The statement of Directors' responsibilities for preparing the accounts is set out in the Directors' Report on page 18, and a statement by the Auditor about their reporting responsibilities is set out in the Auditor's Report on page 27 and 28.

Risk management and 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 UK Corporate Governance 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 is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to the following advisers (including its subsidiary):

Investment Management Chrysalis VCT Management Ltd

Administration Management Downing LLP

CORPORATE GOVERNANCE (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 to 4, the Investment Management Report on pages 5 to 6 and the Strategic Report on page 13. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 31; the Cash Flow Statement on page 32 and the Strategic Report on pages 14 to 15. In addition, note 17 of the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources at the year-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.

Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-two UK Corporate Governance Code provisions throughout the accounting period. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 October 2014 with the provisions set out in the UK Corporate Governance Code issued in June 2010.

- 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 AGM. (B.4.1, B.4.2, E.1.1)
- b) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B.2.3) The Directors do have agreements for services in place. In the Directors' opinion, this does not make a substantive difference to the circumstances of the Company.

By order of the Board



Grant Whitehouse
Secretary
Ergon House
Horseferry Road
London SW1P 2AL

19 December 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSALIS VCT PLC

We have audited the financial statements of Chrysalis VCT plc (the "Company") for the year ended 31 October 2014 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 reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2014 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement and our approach to these risks

We identified the following risks that we believe have had the greatest impact on our audit strategy and scope:

- The carrying value of unquoted investments, which is a key accounting estimate which requires the exercise of considerable judgement and where there is inherent risk of Management override arising from the Investment Manager, who is remunerated based on the net asset value of the Company.

We challenged the assumptions inherent in the valuation of unquoted investments and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements. Our audit procedures included reviewing the historical financial statements and recent management information available for the unquoted investments used to support assumptions about maintainable earnings used in valuations, considering the multiples applied by reference to independent market data and challenging the adjustments made to such market data in arriving at the valuations adopted. Where alternative assumptions could reasonably be applied, we developed our own point estimates and considered the overall impact of such sensitisation on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

Where other valuation approaches were adopted, in addition to challenging the assumptions used, we considered the appropriateness of the valuation techniques adopted by reference to both the circumstances of the investee company and the International Private Equity and Venture Capital Valuation guidelines. We also considered wider economic and commercial factors that, in our judgement, could impact on the valuation of unquoted investments and we considered whether there was any permanent diminution in value in investments held that should be reported as realised losses.

We also assessed the design and implementation of the controls over the pricing of quoted investments and fixed income securities and tested the pricing of a sample of these investments to independent sources.

- Revenue recognition, which consists of dividends receivable from investee companies and interest earned on loans to investee companies and other financial assets. Revenue recognition is considered to be a significant risk as it is the key driver of dividend returns to investors. In particular, as the Company invests in unquoted companies, dividends receivable can be difficult to predict.

We assessed the design and implementation of the controls relating to revenue recognition and undertook testing of interest income by comparing actual income to expectations generated using the interest rates in the loan instruments. We also tested dividends receivable by reference to expectations set from independent published data on dividends declared by the investee companies held in the reporting period. We sample tested the categorisation of dividends received from investee companies between revenue and capital.

The Audit Committee's consideration of these judgements is set out on page 23.

Purpose of this report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSALIS VCT PLC (continued)

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at:
www.frc.org.uk/auditscopeukprivate

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. We define planning materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We determined planning materiality for the financial statements as a whole to be £320,000. In determining this, we based our assessment on a level of 2% of gross investment assets which reflects the underlying level of precision within the valuation of the investment portfolio and the range of reasonably possible alternative valuations that could be expected to apply to the unquoted investments.

International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to those classes of transactions and balances which impact on the costs and the net revenue returns of the Company. We determined materiality for this area to be £37,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £6,000, as well as differences below that threshold

that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement, set out on pages 22 to 25, with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRYSALIS VCT PLC (continued)

Under the Listing Rules we are required to review:

- the Directors' statement set out on page 25, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Handwritten signature of Rhodri Whitlock in black ink.

Rhodri Whitlock (senior statutory auditor)

for and on behalf of BDO LLP

Statutory auditor

London

United Kingdom

19 December 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT

for the year ended 31 October 2014

		2014			2013		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	651	-	651	966	-	966
Gains on investments	9	-	3,694	3,694	-	922	922
		651	3,694	4,345	966	922	1,888
Investment management fees	3	(109)	(328)	(437)	(103)	(308)	(411)
Performance incentive fees	3	-	(366)	(366)	-	(98)	(98)
Other expenses	4	(266)	(28)	(294)	(252)	(20)	(272)
Return on ordinary activities before tax		276	2,972	3,248	611	496	1,107
Tax on ordinary activities	6	(59)	59	-	(92)	92	-
Return attributable to equity shareholders	8	217	3,031	3,248	519	588	1,107
Basic and diluted return per share	8	0.7p	10.2p	10.9p	1.7p	2.0p	3.7p

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. The total column within the Income Statement represents the profit and loss account of the Company.

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

Other than revaluation movements arising on investments held at fair value through the profit or loss account, there were no differences between the return as stated above and historical cost.

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 October 2014

	Note	2014 £'000	2013 £'000
Opening Shareholders' funds		24,979	25,168
Issue of shares		-	326
Issue of shares under Share Realisation and Reinvestment Programme		-	6,985
Share issue costs		-	(90)
Purchase of own shares under Share Realisation and Reinvestment Programme		-	(7,020)
Total recognised gains for the year		3,248	1,107
Dividends paid	7	<u>(3,740)</u>	<u>(1,497)</u>
Closing Shareholders' funds		<u>24,487</u>	<u>24,979</u>

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

BALANCE SHEET
at 31 October 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	9	15,942	16,603
Current assets			
Debtors	10	3,876	2,031
Cash at bank and in hand		4,938	6,445
		<u>8,814</u>	<u>8,476</u>
Creditors: amounts falling due within one year	11	<u>(269)</u>	<u>(100)</u>
Net current assets		<u>8,545</u>	<u>8,376</u>
Net assets		<u>24,487</u>	<u>24,979</u>
Capital and reserves			
Called up share capital	12	299	299
Capital redemption reserve	13	89	89
Share premium	13	1,478	1,478
Merger reserve	13	1,458	1,981
Special reserve	13	2,823	2,320
Capital reserve – realised	13	16,095	11,051
Capital reserve – unrealised	13	1,689	7,122
Revenue reserve	13	556	639
Total equity shareholders' funds	14	<u>24,487</u>	<u>24,979</u>
Net asset value per share	14	81.9p	83.5p

The financial statements on pages 29 to 48 were approved and authorised for issue by the Board of Directors on 19 December 2014 and were signed on its behalf by:



Peter Harkness
Chairman

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

CASH FLOW STATEMENT

for the year ended 31 October 2014

	Note	2014 £'000	2013 £'000
Net cash (outflow)/inflow from operating activities	15	<u>(300)</u>	<u>260</u>
Taxation		<u>-</u>	<u>-</u>
Capital expenditure			
Payments to acquire investments		(7,162)	(1,970)
Receipts from sale of investments		<u>9,695</u>	<u>5,809</u>
Net cash inflow from capital expenditure		<u>2,533</u>	<u>3,839</u>
Equity dividends paid	7	<u>(3,740)</u>	<u>(1,497)</u>
Net cash (outflow)/inflow before management of liquid resources and financing		(1,507)	2,602
Management of liquid resources			
Redemption of current investment		<u>-</u>	<u>2,000</u>
Net cash inflow from liquid resources		<u>-</u>	<u>2,000</u>
Financing			
Proceeds from shares issued		-	326
Proceeds from shares issued under Share Realisation and Reinvestment Programme		-	6,985
Share issue costs		-	(90)
Purchase of own shares		-	(48)
Purchase of own shares under Share Realisation and Reinvestment Programme		<u>-</u>	<u>(7,020)</u>
Net cash inflow from financing		<u>-</u>	<u>153</u>
(Decrease)/increase in cash	16	<u>(1,507)</u>	<u>4,755</u>

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

NOTES TO THE ACCOUNTS

for the year ended 31 October 2014

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” January 2009 (“SORP”).

The financial statements are prepared under the historical cost convention except for certain financial instruments measured at fair value and on the basis that it is not required to prepare consolidated accounts as explained in note 9. The Company’s accounts therefore present information about it as an individual undertaking rather than as a group undertaking.

The Company implements new Financial Reporting Standards issued by the Accounting Standards Board when required.

Presentation of Income Statement

In order to better reflect the activities of a venture capital trust and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. 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.

Fixed asset investments

Investments are designated as “fair value through profit or loss” assets, upon acquisition, due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company’s documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter, investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV”) together with FRS26.

Fixed income investments and investments quoted on AIM are measured using bid prices in accordance with the IPEV.

For unquoted investments, fair value is established using the IPEV. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

Where an investee company has gone into receivership, liquidation, or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised. Permanent impairments in the value of investments are deemed to be realised losses and held within the Capital Reserve - 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.

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 October 2014

1. Accounting policies (continued)

Fixed asset investments (continued)

It is not the Company's policy to exercise controlling influence over investee companies. Therefore, the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment have 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 acquisition of an investment are deducted as a capital item.
- 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 management fees, 75% to capital and 25% to revenue 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 as a capital item.

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.

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 not discounted and 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.

Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

2. Income

	2014	2013
	£'000	£'000
Income from investments		
Loan stock interest	456	719
Dividend income	3	181
Fixed income security interest	135	14
	<u>594</u>	<u>914</u>
Other income		
Deposit interest	57	52
	<u>651</u>	<u>966</u>

3. Investment management fees

	2014	2013
	£'000	£'000
Basic fees	437	411
Performance incentive fees	366	98
	<u>803</u>	<u>509</u>

Performance incentive fees, as shown above, are payable quarterly to Chrysalis VCT Management Limited 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 performance incentive 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 2.5% of the gain on investments made prior to 30 April 2004.

4. Other expenses

	2014	2013
	£'000	£'000
Directors' fees	90	90
Administration services	55	41
Auditor's remuneration for statutory audit	28	22
Auditor's remuneration for non-audit services (corporation tax services)	2	2
Legal and professional fees	28	27
Other running costs	91	90
	<u>294</u>	<u>272</u>

5. Directors' fees

Details of remuneration (excluding VAT and employers' NIC) are given in the Directors' Remuneration Report on page 20.

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 except as reported on page 20.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

6. Taxation on ordinary activities

	2014	2013
	£'000	£'000
(a) Tax charge for year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	59	92
Tax credited to Capital Account	<u>(59)</u>	<u>(92)</u>
Charge for year	<u>-</u>	<u>-</u>
(b) Factors affecting tax charge for year		
Return on ordinary activities before tax	<u>3,248</u>	<u>1,107</u>
Tax at effective rate of 21.1% (2013: 23.4%)	685	259
Effects of:		
Gains on investments	(779)	(216)
Expenses disallowed for tax purposes	7	6
UK dividend income	(1)	(42)
Excess management fees carried forward/(utilised)	<u>88</u>	<u>(7)</u>
	<u>-</u>	<u>-</u>

- (c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £560,000 (2013: £145,000). The associated deferred tax asset at a rate of 21%, of £118,000, has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

Due to the Company's status as a Venture Capital Trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7. Dividends

	2014			2013		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends paid in year						
2014 Interim: 1.75p	76	448	524	-	-	-
2014 Special: 7.50p	-	2,244	2,244	-	-	-
2013 Final: 3.25p	224	748	972	-	-	-
2013 Interim: 1.75p	-	-	-	374	150	524
2012 Final: 3.25p	<u>-</u>	<u>-</u>	<u>-</u>	<u>224</u>	<u>749</u>	<u>973</u>
	<u>300</u>	<u>3,440</u>	<u>3,740</u>	<u>598</u>	<u>899</u>	<u>1,497</u>
Dividends proposed						
2014 Final: 3.25p	149	823	972	-	-	-
2013 Final: 3.25p	<u>-</u>	<u>-</u>	<u>-</u>	<u>224</u>	<u>748</u>	<u>972</u>
	<u>149</u>	<u>823</u>	<u>972</u>	<u>224</u>	<u>748</u>	<u>972</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

8. Basic and diluted return per share

	2014	2013
Return per share based on:		
Net revenue return for the financial year (£'000)	<u>217</u>	<u>519</u>
Capital return per share based on:		
Net capital gain for the financial year (£'000)	<u>3,031</u>	<u>588</u>
Weighted average number of shares in issue	<u>29,917,025</u>	<u>29,864,316</u>

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per share. The return per share disclosed therefore represents both basic and diluted return per share.

9. Investments

	Unquoted £'000	Quoted on AIM £'000	Fixed income securities £'000	Total £'000
Retained investments at 1 November 2013				
Opening cost	11,478	651	424	12,553
Unrealised gains/(losses)	7,190	(76)	8	7,122
Realised losses arising on impairment	<u>(2,608)</u>	<u>(464)</u>	-	<u>(3,072)</u>
Opening fair value at 1 November 2013	16,060	111	432	16,603
Movement in year				
Purchased at cost	5,514	-	2,210	7,724
Disposal proceeds	(11,580)	(70)	(429)	(12,079)
Realised gains/(losses) on sales in the income statement	5,746	6	(3)	5,749
Unrealised (losses)/gains in the income statement	<u>(2,047)</u>	<u>17</u>	<u>(25)</u>	<u>(2,055)</u>
Closing fair value at 31 October 2014	<u>13,693</u>	<u>64</u>	<u>2,185</u>	<u>15,942</u>
Retained investments at 31 October 2014				
Closing cost	13,679	570	2,210	16,459
Unrealised gains/(losses)	1,766	(52)	(25)	1,689
Realised losses arising on impairment	<u>(1,752)</u>	<u>(454)</u>	-	<u>(2,206)</u>
Closing fair value	<u>13,693</u>	<u>64</u>	<u>2,185</u>	<u>15,942</u>

Costs of acquisition of investments acquired during the year amounted to £4,000 (2013: £3,000) and costs of investments disposed of during the year were minimal (2013: £2,000). A schedule disclosing the additions and disposals during the year is disclosed on page 8.

The valuation basis for the majority of the unquoted investments has remained unchanged during the year. VEEMEE was the only investment where the valuation's basis has changed from earnings multiples to an independent valuation to better reflect the true value of the company.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

9. Investments (continued)

The Company has categorised its financial instruments using the fair value hierarchy as follows:

- Level 1 Reflects financial instruments quoted in an active market (fixed interest investments, and investments quoted on AIM);
- Level 2 Reflects financial instruments that have prices that are either observable directly or indirectly; and
- Level 3 Reflects financial instruments that are not based on observable market data (investments in unquoted shares and loan note investments).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2014 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2013 £'000
Fixed interest securities	2,185	-	-	2,185	432	-	-	432
AIM-quoted shares	64	-	-	64	111	-	-	111
Loan notes	-	-	8,097	8,097	-	-	5,972	5,972
Unquoted shares	-	-	5,596	5,596	-	-	10,088	10,088
	<u>2,249</u>	<u>-</u>	<u>13,693</u>	<u>15,942</u>	<u>543</u>	<u>-</u>	<u>16,060</u>	<u>16,603</u>

Reconciliation of fair value for Level 3 financial instruments held at the year-end:

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 31 October 2013	10,088	5,972	16,060
<i>Movements in the income statement:</i>			
Unrealised losses in the income statement	(1,869)	(178)	(2,047)
Realised gains in the income statement	5,527	219	5,746
	<u>3,658</u>	<u>41</u>	<u>3,699</u>
Loan note conversion	218	(218)	-
Purchased at cost	2,104	3,410	5,514
Disposal proceeds	(10,472)	(1,108)	(11,580)
Balance at 31 October 2014	<u>5,596</u>	<u>8,097</u>	<u>13,693</u>

FRS 29 requires disclosure to be made of the possible effect of changing one or more of the inputs to reasonable possible alternative valuation assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments. The Board and Chrysalis VCT Management Limited believe that the valuations as at 31 October 2014 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Consequently the variation in the spread of reasonable, possible, alternative valuations is likely to be in the range set out in note 17.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

9. Investments (continued)

Subsidiary company

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 2014 are as follows:

	Country of registration	Nature of Business	Turnover £'000	Retained profit £'000	Net assets £'000
Chrysalis VCT Management Ltd	England and Wales	Investment Manager	803	1	1

Consolidated group financial statements have not been prepared as the subsidiary undertaking is not considered to be material for the purpose of giving a true and fair view. The Financial Statements therefore present only the results of Chrysalis VCT plc, which the Directors also consider is the most useful presentation for Shareholders.

10. Debtors

	2014 £'000	2013 £'000
Deferred consideration	3,690	412
Other debtors	-	1,456
Prepayments and accrued income	186	163
	<u>3,876</u>	<u>2,031</u>

11. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Other taxes and social security	2	2
Other creditors	5	5
Accruals and deferred income	262	93
	<u>269</u>	<u>100</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

12. Share capital

	2014	2013
	£'000	£'000
Issued, allotted, called up and fully paid:		
29,917,025 (2013: 29,917,025) Ordinary Shares of 1p each	<u>299</u>	<u>299</u>

Management of capital

The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report on page 14, in pursuit of its principal investment objectives as stated on page 13. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 22.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous year.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

13. Reserves

	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 2013	89	1,478	1,981	2,320	11,051	7,122	639
Expenses capitalised	-	-	-	-	(722)	-	-
Tax on capital expenses	-	-	-	-	59	-	-
Gains/(losses) on investments	-	-	-	-	5,749	(2,055)	-
Realisation of revaluation from previous years	-	-	-	-	3,378	(3,378)	-
Realisation of fair value assets previously acquired	-	-	(523)	-	523	-	-
Transfer between reserves	-	-	-	503	(503)	-	-
Dividends paid	-	-	-	-	(3,440)	-	(300)
Retained net revenue	-	-	-	-	-	-	217
At 31 October 2014	89	1,478	1,458	2,823	16,095	1,689	556

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 write back realised capital losses arising on disposals and impairments.

Distributable reserves are calculated as follows:

	2014 £'000	2013 £'000
Special reserve	2,823	2,320
Capital reserve - realised	16,095	11,051
Revenue reserve	556	639
Merger reserve – distributable element	275	275
Unrealised losses (excluding unrealised unquoted gains)	(269)	(88)
	<u>19,480</u>	<u>14,197</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

14. Basic and diluted net asset value per Ordinary Share

	Shares in issue		2014	2013
	2014	2013	Net asset value Pence per share £'000	Net asset value Pence per share £'000
Ordinary Shares	<u>29,917,025</u>	<u>29,917,025</u>	<u>81.9p</u> <u>24,487</u>	<u>83.5p</u> <u>24,979</u>

As the Company has not issued any convertible securities or share options, there is no dilutive effect on net asset value per share. The net asset value per share disclosed therefore represents both basic and diluted return per share.

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

	2014 £'000	2013 £'000
Return on ordinary activities before taxation	3,248	1,107
Gains on investments	(3,694)	(922)
(Increase)/decrease in debtors	(23)	27
Increase in creditors	<u>169</u>	<u>48</u>
Net cash (outflow)/ inflow from operating activities	<u>(300)</u>	<u>260</u>

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

	Net funds at 1 November 2013 £'000	Cash outflow £'000	Net funds at 31 October 2014 £'000
Cash at bank and in hand	<u>6,445</u>	<u>(1,507)</u>	<u>4,938</u>

17. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in quoted companies and unquoted companies; loans and receivables, being cash deposits and short term debtors; and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cash flow, revenue and capital return for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 9. The fair value of cash deposits and short-term debtors and creditors equates to their carrying value in the balance sheet.

NOTES TO THE ACCOUNTS (continued) for the year ended 31 October 2014

17. Financial instruments (continued)

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- Investment risks;
- Credit risk; and
- Liquidity risk.

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company is exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year.

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year-end are provided below:

Investment risks

As a VCT, the Company is exposed to investment risks in the form of potential losses and gains that may arise on the investments it holds in accordance with its investment policy. The management of these investment risks is a fundamental part of investment activities undertaken by Chrysalis VCT Management Limited and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

The key investment risks to which the Company is exposed are:

- Investment price risk; and
- Interest rate risk.

The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

Investment price risk

Market price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through market price movements in respect of quoted investments and also changes in the fair value of unquoted investments that it holds.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

17. Financial instruments (continued)

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted investments (AIM-quoted but excluding listed fixed interest investments) is summarised below. A 50% movement in the valuation of these assets would have the following effect on the Company:

Sensitivity	2014 50% mvmt			2013 50% mvmt		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
AIM stocks	64	32	0.1	111	56	0.2

Unquoted investments

As many of the Company's unquoted investments are valued using earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity and preference shares held in the unquoted portfolio by up to 10%. Due to the nature of the security held, the relatively low residual term and no significant changes in risk premium, the loan notes in the investee companies would not be immediately impacted. The impact of a 10% movement in valuation on the unquoted shares' portfolio would have the following effect on the Company:

Sensitivity	2014 10% mvmt			2013 10% mvmt		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Unquoted shares	5,596	560	1.9	10,088	1,009	3.4

Fixed interest investments

The Company also has exposure to variations in the price of its non-qualifying investments. The securities are held by the Company until maturity. Due to the nature of the fixed interest security and the nature of the market movement thereon, a 2.5% movement is regarded as an appropriate sensitivity, the impact of which is as follows:

Sensitivity	2014 2.5% mvmt			2013 2.5% mvmt		
	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on net assets £'000	Impact on NAV per share Pence
Fixed interest securities	2,185	55	0.2	432	11	-

In each case, the impact of such changes on the return for the year would be the same as that on net assets and NAV per share.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

17. Financial instruments (continued)

Interest rate risk

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers and on liquidity funds at rates based on the underlying investments. Investments in loan stock and fixed interest investments attract interest predominantly at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

Interest rate risk profile of financial assets and financial liabilities

There are three levels of interest which are attributable to the financial instruments as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise fixed interest and loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank.
- "No interest rate" assets do not attract interest and comprise equity investments, loans and receivables (excluding cash at bank) and other financial liabilities.

	Weighted average interest rate	Weighted average period until maturity	2014 £'000	2013 £'000
Fixed rate	8.3%	1,210 days	10,282	6,395
Floating rate	1.0%		4,938	6,454
No interest rate			9,267	12,130
			24,487	24,979

The Company monitors the level of income received from fixed, floating and non interest rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

The Bank of England base rate stood at 0.5% per annum throughout the year. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and total return of the Company.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan stock in investee companies, investments in liquidity funds, cash deposits and debtors.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

17. Financial instruments (continued)

Credit risk (continued)

The Company's financial assets that are exposed to credit risk are summarised as follows:

	2014	2013
	£'000	£'000
<i>Fair value through profit or loss assets</i>		
Investments in fixed income securities	2,185	432
Investments in loan stocks	8,097	5,972
<i>Loans and receivables</i>		
Cash and cash equivalents	4,938	6,445
Trades awaiting settlement	3,690	412
Interest and other receivables	<u>163</u>	<u>133</u>
	<u>19,073</u>	<u>13,394</u>

The Manager manages credit risk in respect of loan stock with a similar approach as described under Investment risks above. In addition the credit risk is partially mitigated by registering floating charges over the assets of certain investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. The level of security is a key means of managing credit risk. Similarly, the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held at Royal Bank of Scotland plc with a balance also maintained at Bank of Scotland plc, both of which are A minus rated financial institutions and ultimately part-owned by the UK Government. Consequently, the Directors consider that the risk profile associated with cash deposits is low.

There have been no changes in fair value during the year that can be directly attributable to changes in credit risk.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company usually has a relatively low level of creditors (2014: £269,000, 2013: £100,000) and has no borrowings. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by Chrysalis VCT Management Limited in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2014

17. Financial instruments (continued)

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 October 2014 as analysed by expected maturity date is as follows:

As at 31 October 2014	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan stock	550	1,194	700	4,111	-	6,555
Past due loan stock	188	517	187	-	650	1,542
	<u>738</u>	<u>1,711</u>	<u>887</u>	<u>4,111</u>	<u>650</u>	<u>8,097</u>

Of the loan stock classified as “past due” above, £892,000 relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is thus in arrears. As at the balance sheet date, the extent to which the interest giving rise to the classification of the loan notes as past due falls within less than a year to three years. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired or the maturity of the principal has altered.

Of the loan stock classified as “past due” above, £650,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date giving rise to the classification of the loan notes as past due falls within one to two years past due. Notwithstanding that the principal has passed its maturity date, the Directors do not consider that the loan note itself has been impaired.

As at 31 October 2013	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan stock	200	550	1,394	1,824	-	3,968
Past due loan stock	787	187	517	188	325	2,004
	<u>987</u>	<u>737</u>	<u>1,911</u>	<u>2,012</u>	<u>325</u>	<u>5,972</u>

Financial liabilities

The Company has no financial liabilities or guarantees other than the creditors disclosed within the Balance Sheet (2013: none).

Currency exposure

As at 31 October 2014, the Company had no foreign currency exposures (2013: none).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 October 2014 (2013: none).

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 October 2014

18. Contingencies, guarantees and financial commitments

At the year-end the Company had a potential contingent asset in respect of the sale of Wessex Advanced Switching Products Limited which is only payable and recognisable when certain conditions have been met (2013: none). As at the balance sheet date the maximum amount receivable by the Company was £1,320,000.

The Company had no guarantees at the year-end (2013: none). The Company had no commitments in respect of any new investments at the year-end (2013: £1,456,000).

19. Related party transactions

Chrysalis VCT Management Limited, a wholly owned subsidiary, provides investment management services to the Company for a fee of 1.65% of net assets per annum. During the year, £437,000 (2013: £411,000) was paid to Chrysalis VCT Management Limited in respect of these fees. No amounts were outstanding at the year-end.

A performance incentive fee is payable to Chrysalis VCT Management Limited based on realisations from all investments excluding quoted loan notes, redemptions of loan notes in the normal course of business and other treasury functions. The performance incentive 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 2.5% of investments made prior to 30 April 2004. During the year performance incentive fees of £366,000 (2013: £98,000) were due to Chrysalis VCT Management Limited. At the year-end, £218,000 was outstanding and payable (2013: £46,000).

Peter Harkness holds a position of significant influence within MyTime Media Holdings Limited (formerly MyHobbyStore Holding Limited), an investment held by the Company, and therefore abstains from discussions surrounding the valuation or investment decisions regarding the company. Details of the investment, including cost, valuation and income received during the year are shown on page 9.

Martin Knight holds a position of significant influence within Cambridge Mechatronics Limited, an investment held by the Company, and therefore abstains from discussions surrounding the valuation or investment decisions regarding the company. Details of the investment, including cost and valuation are shown on page 7.

20. Controlling party

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

SHAREHOLDER INFORMATION

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).

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 (form 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.

Selling shares

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. Shareholders wishing to sell their shares, or purchase further holdings in the Company, will require a broker in order to do so. Sam Greatrex, at Nplus1 Singer Capital Markets Ltd, on 0203 205 7528 will be able to provide details of the latest share price for selling and purchasing shares (further details shown on the inside cover of these accounts.)

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.

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 Asset Services, 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. Financial information is also available on Chrysalis' 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".

COMPANY INFORMATION

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Julie Baddeley
Martin Knight
all of
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Company number

4095791

Secretary and registered office

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Bankers

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Corporate broker and share buybacks contact

Nplus1 Singer Capital Markets Limited
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NOTICE OF THE ANNUAL GENERAL MEETING OF CHRYSALIS VCT PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Chrysalis VCT plc will be held at Ergon House, Horseferry Road, London SW1P 2AL at 11:00am on 25 February 2015 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 Directors' Report and Accounts of the Company for the year ended 31 October 2014, together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report in respect of the year ended 31 October 2014.
3. To approve the payment of a final dividend of 3.25p per Ordinary Share.
4. To appoint BDO LLP as Auditor 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.
6. To re-elect as Director, Peter Harkness, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following Special Resolutions:

7. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:
 - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 4,457,637 representing approximately 14.9% of the issued Ordinary Share capital of the Company;
 - (ii) the minimum price which may be paid for an Ordinary Share is 1p, exclusive of all expenses;
 - (iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the 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; and
 - (iv) the Company may validly make a contract to purchase 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;

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 on the expiry of 15 months from the passing of the resolution, whichever is the earlier.

By order of the Board



Grant Whitehouse
Secretary
19 December 2014

Registered Office:
Ergon House
Horseferry Road
London SW1P 2AL

NOTICE OF THE ANNUAL GENERAL MEETING OF CHRYSALIS VCT PLC (continued)

Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006 (the “Act”), is available from www.downing.co.uk.

Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors’ Letters of Appointment and the Register of Directors’ interests in the Ordinary Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company’s shares registered on the Register of Members of the Company as at 11:00am on 23 February 2015 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11:00am on 23 February 2015 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 9.00am on 19 December 2014, the Company’s issued share capital comprised 29,917,025 Ordinary Shares and the total number of voting rights in the Company was 29,917,025. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights (“Nominated Person”):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (“Relevant Member”) to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman’s letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

**FORM OF PROXY
CHRYSALIS VCT PLC**

For use at the Annual General Meeting of the above-named Company to be held at Ergon House, Horseferry Road, London SW1P 2AL at 11:00am on 25 February 2015.

I/We*(BLOCK CAPITALS please)

of

being the holder(s) of 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 Ergon House, Horseferry Road, London SW1P 2AL on 25 February 2015 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 Directors' Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the payment of a final dividend of 3.25p per share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To appoint BDO LLP as the Auditor 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"/>
6. To re-elect Peter Harkness as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
7. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated thisday of2015

Signature(s)

*Delete as appropriate

PLEASE RETURN TO DOWNING LLP IN THE PREPAID ENVELOPE PROVIDED



NOTES AND INSTRUCTIONS:

Note for Shareholders:

Resolution 2; “To approve the Directors Remuneration Report”, seeks Shareholders approval of the Directors Remuneration Report as set out on pages 20 to 21. Whilst the payment of remuneration to the Directors is not dependent on the passing of the resolution, your Board will take the vote into account when considering the future development and operation of the Company’s remuneration policy and practice.

Resolution 7; “To authorise the Company to make market purchases of its shares”, relates to the ability of the Company to undertake share buybacks. Therefore should the resolution not be passed, the Company will not be able to buy back shares for cancellation.

Instructions:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete “the Chairman of the meeting” if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

