

Chrysalis VCT plc

*Half-Yearly Report
for the six months ended
30 April 2020*

SHAREHOLDER INFORMATION

Share price

The Company's share price can be found on various financial websites with the TIDM/EPIC code "CYS". A link to the share price is also available on Chrysalis' 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 (which can be downloaded from www.linkassetsservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Link Asset Services, on 0871 664 0324 (calls cost 12p per minute plus network extras, lines open 9:00am to 5:30pm), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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 0207 496 3032 will be able to provide details of the latest share price for selling and purchasing Shares (further details can be found on the back cover).

Share scam warning

We are aware that a significant number of Shareholders of VCTs continue to receive 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, Link 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 Link's website at www.linkassetsservices.com and click on "Shareholders", the "Shareholder Services UK".

FINANCIAL SUMMARY

Recent performance summary

	30 April 2020 Pence	30 April 2019 Pence	31 October 2019 Pence
Net asset value per share	57.00	70.80	67.00
Cumulative dividends paid per share	93.95	86.70	90.70
Total Return (net asset value per share plus cumulative dividends)	<u>150.95</u>	<u>157.50</u>	<u>157.70</u>

Recent dividend

	Paid
Final dividend (3.25p)	21 February 2020

Forthcoming dividends

	Ex-Div Date	Record Date	Payable
Interim dividend (1.75p)	10 September 2020	11 September 2020	30 September 2020

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

Key dates

30 September 2020	Payment of Interim dividend (1.75p per share)
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CHAIRMAN'S STATEMENT

- **Board has now concluded on proposals for the future of the Company**
- **A fall in Total Return of 6.75p per share over the period heavily impacted by COVID-19**
- **1.75p interim dividend to be paid on 30 September 2020**

It has been a busy time for your Company since my last report. Like businesses everywhere, the Board and Manager have had to react to the impact of the coronavirus pandemic in order to seek to protect shareholder value as much as possible. In addition, as Shareholders will know from my previous Chairman's Statements, the Board has been seeking to identify the optimal plan for the future for the Company.

Net asset value and results

At 30 April 2020, the net asset value per share ("NAV") stood at 57.0p, a decrease of 6.75p (10.1%) since the previous year end of 31 October 2019, after adding back the 3.25p dividend paid on 21 February 2020.

The Total Return (NAV plus cumulative dividends) to Shareholders who invested at the launch of the Company, in 2000, is now 150.95p, compared to the original cost (net of income tax relief) of 80.0p per Share.

The loss on activities after taxation for the period was £1.9 million, comprising a revenue profit of nil and a capital loss of £1.9 million.

Venture capital portfolio

Valuations

In reviewing the investment valuations at 30 April 2020, the Board has given full consideration to impact that the coronavirus pandemic is likely to have on the portfolio companies. Overall, the adjustments resulted in a decrease in value of £1.8 million.

The main negative movements have been to the three restaurant and catering businesses. Locale Enterprises Limited, the operator of a chain of Italian restaurants in London, was reduced in value by £791,000. The business generates a significant proportion of its income from tourists and so, even when both its restaurants are open again, the business is likely to continue to face significant challenges.

Life's Kitchen Limited, a provider of event management and catering services in the City of London, has been reduced in value by £200,000. None of its sites are currently operational.

K10 (London) Limited, the operator of a chain of Japanese restaurants also in the City of London, has been fully provided against from a previous valuation of £1,144,000. The company's sites remain closed and the future for the business is uncertain.

Despite these negative developments, there was some positive news in the case of Enthuse Holdings Limited. The company made a successful acquisition last year, which has been the basis for an uplift in valuation of £711,000.

Portfolio activity

During the period £100,000 of loan stock in Green Star Media Limited was redeemed at par and Fusion Catering Solutions Limited was dissolved.

There were no other disposals from, or additions to, the venture capital portfolio during the period.

Cash and listed investments

The Company held £2.2 million in cash and other listed investments as at 30 April 2020.

CHAIRMAN'S STATEMENT (continued)

Future Strategy

For some time, two things have been clear: the Company's investment manager has been and remains unenthusiastic about the investment opportunities available to it under the current VCT rules; and, as previous realisation proceeds have been paid out to Shareholders in special dividends on top of the regular 5p annual dividends, the size of the company has reduced to a level that is becoming increasingly difficult to justify as an independent publicly quoted entity.

A number of options were explored by the Board. In the end, the Board has concluded that it is in the best interests of Shareholders generally to undertake an orderly wind up of the Company using the VCT winding up regulations. These relax the usual restrictions on VCT investing; this relaxation which may assist in recovering value from the investments. The Board will now draw up proposals and make a recommendation to Shareholders to that effect. The process involves putting the Company into members' voluntary liquidation with cash proceeds from realisations being distributed to Shareholders as they occur. In this way, as distributions are made, each Shareholder will be able to decide where and how to invest the proceeds to suit their own interests, whether in the VCT universe or outside it. The Board anticipates that the winding up process will take some time to complete to ensure that optimal value is extracted for Shareholders.

The Board are now working on formal proposals for Shareholders to consider and approve, if they see fit. A Shareholder Circular will be prepared setting out the full details of the proposals which will be sent to all Shareholders in due course and a vote taken at a General Meeting.

The main resolution will require 75% of those voting to vote in favour of the proposals. If Shareholders approve this step, then a liquidator will be appointed and the business will cease to be a listed entity on the London Stock Exchange. All proceeds of future realisations will be distributed in a timely and practical manner to Shareholders.

Share buybacks

In view of the above, the Board has reviewed the operation of the Company's buyback policy, which has necessarily been in abeyance so far this financial year.

Following this announcement, the Board has agreed to operate an arrangement whereby the Company will buy back shares that become available in the market at a discount of approximately 25% to the latest published NAV (equivalent to 42.7p per share based on the NAV of 57.0p announced today). The Board will closely monitor demand and may adjust or suspend the policy if they see fit. In any event, share buybacks will be suspended when the Company publishes full proposals to go into members' voluntary liquidation.

Any Shareholders wishing to either acquire more shares, or to sell existing holdings in the Company, are recommended to contact the Company's broker, Nplus1 Singer Capital Markets.

Dividend

The Board intends to continue to pay the usual level of interim dividend. A dividend of 1.75p per share will be paid on 30 September 2020 to Shareholders on the register at 11 September 2020.


CHAIRMAN'S STATEMENT (continued)

Outlook

The coronavirus pandemic has presented significant challenges to several of the portfolio companies and will continue to do so for some time. The investment manager is providing support to these businesses to the extent it can, seeking to preserve value for Shareholders.

Some of the Company's larger investments have been less exposed to the direct impact of the pandemic and have reasonable prospects of delivering successful outcomes in an orderly realisation of the portfolio.

I look forward to presenting full proposals to Shareholders, along with the details of the Board's recommendation, in the coming months.



Martin Knight
Chairman

21 August 2020

SUMMARY OF INVESTMENT PORTFOLIO as at 30 April 2020

	Cost £'000	Valuation £'000	Valuation movement in the period £'000	% of portfolio by value
Top ten venture capital investments				
Coolabi Group Limited	3,456	5,144	-	31.6%
Enthuse Holdings Limited	56	2,625	711	16.1%
Zappar Limited	300	1,627	-	10.0%
Cambridge Mechatronics Limited	366	1,172	-	7.2%
Driver Require Limited	520	927	(278)	5.7%
Locale Enterprises Limited	2,513	920	(791)	5.7%
Green Star Media Limited	550	697	67	4.3%
IX Group Limited	250	524	(1)	3.2%
Life's Kitchen Limited	500	200	(200)	1.2%
Triaster limited	71	155	-	1.0%
	<u>8,582</u>	<u>13,991</u>	<u>(492)</u>	<u>86.0%</u>
Other venture capital investments	2,403	70	(1,171)	0.5%
Other investments				
Impact Healthcare REIT Plc*	750	695	(108)	4.3%
	<u>11,735</u>	<u>14,756</u>	<u>(1,771)</u>	<u>90.8%</u>
Cash at bank and in hand		<u>1,500</u>		<u>9.2%</u>
Total investments		<u>16,256</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

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

SUMMARY OF INVESTMENT MOVEMENTS for the six months ended 30 April 2020

Disposals

	Cost £'000	Value at 1 Nov 2019 £'000	Disposal proceeds £'000	Gain/ (loss) against cost £'000	Total realised gains £'000
Venture capital investments					
Green Star Media Limited	100	100	100	-	-
Dissolution/liquidation					
Fusion Catering Solutions Limited	75	-	-	(75)	-
	<u>175</u>	<u>100</u>	<u>100</u>	<u>(75)</u>	<u>-</u>

UNAUDITED INCOME STATEMENT for the six months ended 30 April 2020

	Six months ended 30 Apr 2020			Six months ended 30 Apr 2019			Year ended 31 Oct 2019
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	167	-	167	248	-	248	446
Net gains/(losses) on investments							
- realised	-	-	-	-	1	1	(13)
- unrealised	-	(1,771)	(1,771)	-	231	231	375
	167	(1,771)	(1,604)	248	232	480	808
Investment management fees	(39)	(118)	(157)	(44)	(132)	(176)	(345)
Performance incentive fees	-	-	-	-	-	-	-
Other expenses	(135)	(22)	(157)	(138)	-	(138)	(280)
Return on ordinary activities before taxation	(7)	(1,911)	(1,918)	66	100	166	183
Tax on total comprehensive income and ordinary activities	7	(7)	-	(2)	2	-	-
Return attributable to equity shareholders	-	(1,918)	(1,918)	64	102	166	183
Return per Share	-	(6.7p)	(6.7p)	0.2p	0.4p	0.6p	0.6p

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

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

UNAUDITED BALANCE SHEET as at 30 April 2020

	Note	30 Apr 2020 £'000	30 Apr 2019 £'000	31 Oct 2019 £'000
Fixed assets				
Investments		<u>14,756</u>	<u>17,123</u>	<u>16,627</u>
Current assets				
Debtors		34	129	46
Cash at bank and in hand		<u>1,500</u>	<u>3,253</u>	<u>2,477</u>
		1,534	3,382	2,523
Creditors: amounts falling due within one year		<u>(53)</u>	<u>(65)</u>	<u>(69)</u>
Net current assets		<u>1,481</u>	<u>3,317</u>	<u>2,454</u>
Net assets		<u>16,237</u>	<u>20,440</u>	<u>19,081</u>
Capital and reserves				
Called up share capital	6	284	288	284
Capital redemption reserve		104	100	104
Share premium		1,478	1,478	1,478
Merger reserve	7	529	529	529
Special reserve	7	-	127	-
Capital reserve - realised	7	9,107	11,283	10,113
Capital reserve - unrealised	7	4,186	6,049	6,024
Revenue reserve	7	<u>549</u>	<u>586</u>	<u>549</u>
Equity shareholders' funds		<u>16,237</u>	<u>20,440</u>	<u>19,081</u>
Net asset value per share	5	57.0p	70.8p	67.0p

STATEMENT OF CHANGES IN EQUITY for the six months ended 30 April 2020

	Share Capital £'000	Capital Redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
At 1 November 2018	290	98	1,478	529	406	12,222	5,782	522	21,327
Total comprehensive income	-	-	-	-	-	(277)	375	85	183
Transfers between reserves	-	-	-	-	(70)	203	(133)	-	-
<i>Transactions with owners</i>									
Purchase of own shares	(6)	6	-	-	(336)	-	-	-	(336)
Dividends paid	-	-	-	-	-	(2,035)	-	(58)	(2,093)
At 31 October 2019	<u>284</u>	<u>104</u>	<u>1,478</u>	<u>529</u>	<u>-</u>	<u>10,113</u>	<u>6,024</u>	<u>549</u>	<u>19,081</u>
Total comprehensive income	-	-	-	-	-	(147)	(1,771)	-	(1,918)
Transfers between reserves	-	-	-	-	-	67	(67)	-	-
<i>Transactions with owners</i>									
Purchase of own shares	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(926)	-	-	(926)
At 30 April 2020	<u>284</u>	<u>104</u>	<u>1,478</u>	<u>529</u>	<u>-</u>	<u>9,107</u>	<u>4,186</u>	<u>549</u>	<u>16,237</u>

UNAUDITED CASH FLOW STATEMENT for the six months ended 30 April 2020

	Six months ended 30 Apr 2020 £'000	Six months ended 30 Apr 2019 £'000	Year ended 31 Oct 2019 £'000
Cash flows from operating activities			
Return on ordinary activities before taxation	(1,918)	166	183
Losses/(gains) on investments	1,771	(232)	(362)
Decrease/(increase) in other debtors	11	(27)	55
(Decrease)/increase in other creditors	(15)	(53)	9
Net cash outflow from operating activities	<u>(151)</u>	<u>(146)</u>	<u>(115)</u>
Cash flows from investing activities			
Proceeds from disposal of investments	100	689	1,415
Purchase of investments	-	-	(100)
Net cash inflow from investing activities	<u>100</u>	<u>689</u>	<u>1,315</u>
Net cash inflow before financing activities	(52)	543	1,200
Cash flows from financing activities			
Equity dividends paid	(926)	(940)	(2,092)
Purchase of own shares	-	(113)	(394)
Net cash outflow from financing activities	<u>(926)</u>	<u>(1,053)</u>	<u>(2,486)</u>
Decrease in cash	<u>(977)</u>	<u>(510)</u>	<u>(1,286)</u>
Net movement in cash			
Beginning of the period	2,477	3,763	3,763
Net cash outflow	(977)	(510)	(1,286)
End of the period	<u>1,500</u>	<u>3,253</u>	<u>2,477</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General information

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

2. Accounting policies

Basis of accounting

The unaudited half-yearly results cover the six months to 30 April 2020 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 31 October 2019 and in accordance with the Financial Reporting Standard 102 (“FRS 102”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” revised November 2014 (“SORP”).

3. The comparative figures were in respect of the six months ended 30 April 2019 and the year ended 31 October 2019 respectively.

4. Basic and diluted return per Share

	Six months ended 30 Apr 2020	Six months ended 30 Apr 2019	Year ended 31 Oct 2019
Return per Share based on:			
Net revenue return for the period (£'000)	<u>-</u>	<u>64</u>	<u>85</u>
Capital return per Share based on:			
Net capital (loss)/gain for the period (£'000)	<u>(1,918)</u>	<u>102</u>	<u>98</u>
Weighted average number of Shares	<u>28,472,025</u>	<u>28,970,909</u>	<u>28,824,085</u>

5. Basic and diluted net asset value per share

	30 Apr 2020	30 Apr 2019	31 Oct 2019
Net asset value per share based on:			
Net assets (£'000)	<u>16,237</u>	<u>20,440</u>	<u>19,081</u>
Number of shares in issue at the period end	<u>28,472,025</u>	<u>28,860,025</u>	<u>28,472,025</u>
Net asset value per share	<u>57.0p</u>	<u>70.8p</u>	<u>67.0p</u>

6. Called up share capital

	Shares in issue	£'000
Period ended 30 April 2020	28,472,025	<u>284</u>
Period ended 30 April 2019	28,860,025	<u>288</u>
Year ended 31 October 2019	28,472,025	<u>284</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Reserves

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

Distributable reserves are calculated as follows:

	Six months ended 30 Apr 2020 £'000	Six months ended 30 Apr 2019 £'000	Year ended 31 Oct 2019 £'000
Special reserve	-	127	-
Capital reserve - realised	9,107	11,283	10,113
Revenue reserve	549	586	549
Merger reserve – distributable element	275	276	275
Unrealised losses – excluding unrealised unquoted gains	(2,907)	(688)	(838)
	<u>7,024</u>	<u>11,584</u>	<u>10,099</u>

8. Risks and uncertainties

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

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

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

In both cases, the Board is satisfied with the Company's approach to these risks.

As a VCT, the Company is forced to have significant exposure to relatively immature businesses. This risk is mitigated to some extent by holding a diversified portfolio. The impact of the coronavirus pandemic has been significant on some portfolio companies and, in many cases, the VCT regulations restrict the Company from making further investment into these businesses so the Manager seeks to provide whatever other support they can, including encouraging them to take advantage of government support that may be available.

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Going concern

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

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

10. The Directors confirm that, to the best of their knowledge, the half yearly financial statements have been prepared in accordance with FRS 104 Interim Financial Reporting and the Half-Yearly Report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
11. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 October 2019 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Independent Auditor's Report on those financial statements was unqualified.
12. Copies of the unaudited Half Yearly Report will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office and will be available for download from www.chrysalisvct.co.uk.

Directors

Martin Knight (Chairman)
Julie Baddeley
Robert Jeens

Secretary and registered office

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(calls cost 12p per minute plus network extras.

Lines open Mon to Fri 9:00am to 5:30pm)

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