

29 October 2021

Dear Shareholder

## Shareholder Update – First Distribution in Liquidation

My last update to Shareholders at the end of June gave details of a transaction for the disposal of the Company's largest investment, Coolabi, and noted that two smaller transactions in respect of other investments were expected to complete shortly.

The transaction to dispose of Coolabi has not yet completed. The potential buyer is, however, still progressing the transaction and we are hopeful that it will complete in due course. A positive note is that the proposed purchaser has made a significant non-refundable payment pending completion, of which a small amount has now be distributed to Chrysalis. We are aware that another VCT reported that it had completed the sale of its holding in Coolabi in August, but this was to a third-party investor, not the prospective purchaser.

The manager has also been working on a deal with a third party to dispose of six of the Company's remaining investments for £7.6 million. The deal has been structured as a put and call option for the third party to acquire the companies at agreed prices. On the signing of the option agreement in September, Chrysalis VCT received initial proceeds of £2.07 million. The manager is optimistic that the process of disposing of the holdings subject to this deal will complete over the next two to three months, resulting in the payment of the remaining proceeds.

One investment disposal completed in July. The holding in Triaster was sold for £80,000, which we believe was ultimately a satisfactory outcome. Although the investment was valued at £155,000 in the liquidation circular published last year, disposal options were quite limited.

I am also pleased to report that IX Group Limited has very recently completed the sale of its business. IX Group will now be wound up and the proceeds distributed to its shareholders. We expect the final proceeds to Chrysalis VCT to be a little in excess of £850,000, compared to the valuation on 30 September 2020 of £769,000.

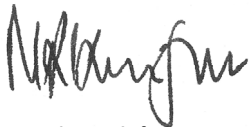
With the proceeds from the granting of the option noted above, the liquidator is now in a position to make the first distribution to shareholders. **A distribution of 10.0p per share will be paid on 24 November 2021**, to Shareholders on the register at 29 October 2021. The payment will be made by City Registrars either by bank transfer or cheque in line with your existing election for dividend payments. This payment will be classified as a capital distribution and will be tax free for all Shareholders that qualify for the usual VCT tax reliefs.

In terms of the final outcome of the liquidation, it is difficult to estimate what these might be, particularly until a deal to sell Coolabi completes. If the deal completes as hoped, total proceeds from the sale of the investments should be close to the total value presented in the liquidation circular, which showed net assets of 52.8p per share.

I will update shareholders when there are further significant developments in respect of realisations and distributions. When there are minor updates, we may publish a brief note on the website:

[www.downing.co.uk/cys](http://www.downing.co.uk/cys)

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Knight', written in a cursive style.

**Martin Knight**

Chairman of Supervisory Committee  
Chrysalis VCT in Liquidation