

Chrysalis VCT plc

*Reports & Accounts
for the year ended
31 October 2019*

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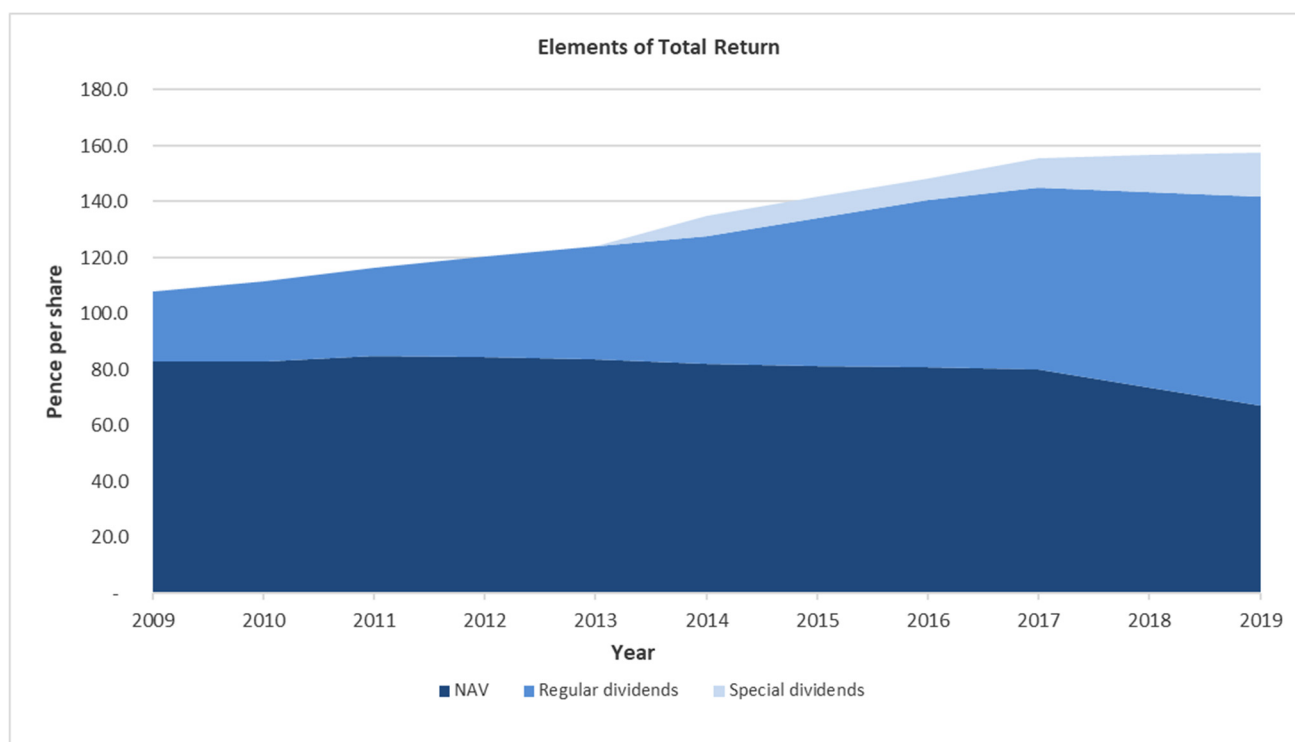
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FINANCIAL SUMMARY

	31 Oct 2019 Pence	31 Oct 2018 Pence
Net asset value per share ("NAV")	67.00	73.40
Cumulative dividends paid per share since launch *	90.70	83.45
Total Return (Net asset value per share plus cumulative dividends)	157.70	156.85
Dividends in respect of financial year		
Interim dividend per share (paid 26 July 2019)	1.75	1.75
Special dividend per share (paid 26 July 2019)	2.25	3.00
Final proposed dividend per share	3.25	3.25
	7.25	8.00

* Excludes final proposed dividend

Elements of Total Return



The above chart displays the elements of Total Return for the previous 10 years. A full dividend history for the company can be found at www.downing.co.uk.

Key dates

13 February 2020	Annual General Meeting ("AGM")
21 February 2020	Final dividend (payable to Shareholders on the register as at 31 January 2020)
June 2020	Announcement of Half-Yearly report to 30 April 2020

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 Venture Capital Trust status.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 13 to 14.

DIRECTORS



Martin Knight is chairman of Cambridge Mechatronics Limited, which is an investment of Chrysalis VCT plc. 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 has been a director of Chrysalis VCT plc since October 2008 and chairman since October 2017.



Julie Baddeley is a non-executive director of AIM-quoted Ebiquity plc and is also on the board of Marshall of Cambridge (Holdings) Ltd, a family-owned aerospace and defence business which owns Cambridge airport. Previously she was senior independent director of Greggs plc, chairman of Harvey Nash Group plc, non-executive director of the BOC Group and Camelot Group plc, and executive director of The Woolwich plc. Earlier in her career she was partner in charge of a substantial part of Accenture's change management practice in Europe. She has been a director of Chrysalis VCT plc since October 2000.



Robert Jeens is chairman of Allianz Technology Trust PLC and Remote Media Group Limited and a non-executive director of JPMorgan Russian Securities plc and Henderson European Focus Trust plc. He trained as a chartered accountant with Touche Ross and was subsequently Finance Director of Kleinwort Benson Group plc and Woolwich plc. His previous non-executive appointments include serving as chairman of nCipher plc and as a director of Henderson Group plc and the Royal London Mutual Insurance Society Limited. He has been a director of Chrysalis VCT plc since October 2017.

All Directors of the Company are non-executive.

The profiles of the Directors are also included on the website, www.chrysalisvct.co.uk.

CHAIRMAN'S STATEMENT

- **Total Return of 1.2% for the year**
- **Total Return on original 80.0p investment now at 157.7p**
- **Total dividends of 7.25p paid in the year**

Overview

I am pleased to present my statement for the year ended 31 October 2019. During the year, we have continued to focus on the Company's existing portfolio and, as expected, have had very limited new investment activity.

There were realisations totalling £1.4 million during the year from the non-qualifying fixed interest investments that matured. These proceeds were used to help fund the dividends of £2.1 million paid during the year and share buybacks which totalled £336,000 that were undertaken.

The Company's net assets declined from £21.3 million to £19.1 million; and per share declined from 73.4p to 67.0p at 31 October 2019. However, Total Return (NAV plus cumulative dividends) increased by 0.85p per share as the portfolio showed a small gain. This now stands at 157.7p per share for those Shareholders that invested at the Company's launch in 2000, compared to the original cost (net of tax relief) of 80.0p.

The Company's investment portfolio is now highly concentrated and shareholder outcomes are therefore likely to be significantly influenced by the performance or corporate activity of individual investee companies. The Board continues to monitor such developments closely.

Dividend

Subject to Shareholder approval at the forthcoming AGM, in line with the policy noted above, your Board is proposing to pay a final 2019 dividend of 3.25p per Share on 21 February 2020, to Shareholders on the register as at 31 January 2020.

Cash, fixed income and other listed investments

The Company held £3.4 million in cash and other listed investments at the year end.

As mentioned above, the two fixed income investments that were held at the start of the year matured during the year generating proceeds of £1.4 million and a loss over opening value of £14,000. However, £38,000 of interest was received during the year.

Venture capital portfolio

At the year end, the Company held a portfolio of 18 venture capital investments, valued at £15.8 million.

As part of the year end processes, the Board has reviewed the valuations of the unquoted investments held and made a number of adjustments accordingly. Four investments fell in value and seven increased in value, while the remaining seven investment valuations remain materially unchanged from the previous year end.

The largest movements were as follows:

- Enthuse Holdings Limited increased by £869,000
- IX Group Limited increased by £175,000
- Locale Enterprises Limited decreased by £708,000

The Investment Manager's Report on page 5 gives a detailed overview of the portfolio activity during the year and of the main valuation movements.

Share buyback policy

The Company continues to operate a policy of buying in Shares that become available in the market at a discount of approximately 15% to the latest published NAV, subject to market conditions and any liquidity or regulatory restrictions. The Board feels that this level of discount remains appropriate in view of the characteristics of the Company's investment portfolio and is pleased to note that the level of buybacks undertaken has been at a manageable level. The Board regularly reviews this policy and will make adjustments if it considers they are required.

During the year 572,000 shares were purchased and cancelled for a total sum of £336,000. All Shares were purchased at prices equivalent to discount of approximately 15% to the latest published NAV.

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.

Investment Policy

A minor amendment has been made to the Investment policy to remove fixed income securities from the scope of the policy. The Company no longer holds fixed income securities and they are no longer permitted under the VCT rules.

CHAIRMAN'S STATEMENT (continued)

Annual General Meeting

The forthcoming AGM will be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD at 11:30 a.m. on 13 February 2020. Notice of the meeting is at the end of this document.

Outlook

In previous statements I have made clear that the Board was actively examining the options facing the Company as a small VCT in the face of a rising cost base and a regulatory backdrop that did not necessarily favour the investment style of our Manager. Progress is being made in this regard. The Board remains mindful of the interests of Shareholders in managing their favourable tax position whilst not exposing them to unnecessary risk or cost.



Martin Knight
Chairman

13 December 2019

INVESTMENT MANAGER'S REPORT

This has not been a vintage year for Chrysalis, although overall it has been a much better performance than some high-profile funds that have been investing in unquoted companies. Total return for Chrysalis shareholders for the year ended 31 October 2019 has been a disappointing increase of 0.85p per share or 1.2%. However as mentioned last year, profits from investing in small private companies are rarely consistent and although the Company has now had 2 years of relatively low profits, the 10 year average return is still 4.99p per share which equates to an annual 6.0% tax-free return based on a net asset value per share of 82.9p, being the net asset value at the start of the 10 year period.

In the absence of any major exits the main factor influencing total return is the change in the value of our investee companies. This year most of the portfolio has seen only small changes in valuation, however, there have been two significant alterations.

Enthuse Holdings Limited (formerly MyTime Media) has made a transformational acquisition which has nearly doubled its size, and which presently seems to be a highly successful one, hence our valuation has increased by £869,000.

Locale Enterprise Limited, the Italian restaurant chain, unfortunately has not been immune to all the negative factors in the casual dining sector which have caused several well-known brands to get into financial difficulties. Therefore, although Locale Enterprise Limited is still profitable and generating cash we have reduced the valuation by £708,000.

On the investment front this has been a very quiet year for the Company with only one small follow on investment and no significant exits occurring during the year. Neither event, or lack of them, is particularly unexpected.

As previously mentioned last year we have become very cautious about investing under the new VCT rules. These new rules have forced the VCT industry to invest at a much earlier stage of a company's development and in much more high-risk situations with little ability to "protect" the investment. This is not the type of investment the Company has traditionally made and virtually all the Company's past successful investments would not have been allowed under the new rules.

We feel the only way to invest successfully in these circumstances is to adopt a portfolio approach by making a lot of new investments and having deep pockets to be able to follow your money over the inevitable multi-funding rounds in the belief that one or two successes will pay for the inevitable many failures. This requires available cash resources and a very different investment approach to that which we have adopted and successfully employed in the past. Accordingly, as the Chairman has mentioned, the Company is currently undertaking a strategic review to ascertain the best way forward for the fund.

The continuing uncertainty over Brexit including the setting and then extending two deadlines has provided the perfect excuse for prevarication. It seems that most sellers and buyers of small businesses consider that this is not an appropriate time to be selling or buying preferring to wait until there is a bit more clarity as to which direction the economy is going.

The current portfolio is however quite concentrated with the seven most valuable investments accounting for nearly 84% of the value of the fund (excluding cash) so just one or two exits would have a significant impact on the balance of the portfolio.

The lack of corporate activity does not mean that our investee companies have had a quiet year with most of them continuing to grow albeit generally at a smaller pace than we would like.

The final part of the new VCT rules came into force for the Company on 1 November 2019 which means that 80% of Chrysalis' total investments (as defined by HMRC) must be in qualifying investments. In the absence of any new investments this means that the proceeds of any realisations will have to be returned to Shareholders.

Chrysalis VCT Management Limited

13 December 2019

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 October 2019:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Top ten venture capital investments				
Coolabi Group Limited	3,456	5,144	-	26.9%
Enthuse Holdings Limited (formerly MyTime Media Holdings)	56	1,914	869	10.0%
Locale Enterprises Limited	2,513	1,711	(708)	9.0%
Zappar Limited	300	1,626	4	8.5%
Driver Require Group Limited	520	1,205	(90)	6.3%
Cambridge Mechatronics Limited	366	1,172	(3)	6.1%
K10 (London) Limited	950	1,144	33	6.0%
Green Star Media Limited	650	730	79	3.8%
IX Group Limited	250	525	175	2.8%
Life's Kitchen Limited	500	400	(100)	2.1%
	<u>9,561</u>	<u>15,571</u>	<u>259</u>	<u>81.5%</u>
Other venture capital investments				
Triaster Limited	71	156	39	0.8%
The Mission Marketing Group plc*	150	96	31	0.5%
The Kellan Group plc	320	1	-	0.0%
Progility plc	100	-	-	0.0%
Art VPS Limited	358	-	-	0.0%
G-Crypt Limited	305	-	-	0.0%
Livvakt Limited	220	-	-	0.0%
Fusion Catering Solutions Limited	75	-	-	0.0%
	<u>1,599</u>	<u>253</u>	<u>70</u>	<u>1.3%</u>
Total venture capital investments	<u>11,160</u>	<u>15,824</u>	<u>329</u>	<u>82.8%</u>
Other listed investments				
Impact Healthcare REIT plc**	750	803	46	4.2%
	<u>750</u>	<u>803</u>	<u>46</u>	<u>4.2%</u>
Total investments	<u>11,910</u>	<u>16,627</u>	<u>375</u>	<u>87.0%</u>
Cash at bank and in hand		<u>2,477</u>		<u>13.0%</u>
Total investments and cash		<u>19,104</u>		<u>100.0%</u>

All investments are unquoted unless otherwise stated.

* Quoted on AIM

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

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 October 2019

Additions

	£'000
Venture capital investments	
Life's Kitchen Limited	100

Disposals

	Cost £'000	Value at 01/11/18* £'000	Proceeds £'000	Total (loss)/gain vs cost £'000	Realised (loss)/gain £'000
Fixed interest investments					
Intermediate Capital Group plc 7%	745	689	688	(57)	(1)
Lloyds Banking Group perpetual	724	739	726	2	(13)
	1,469	1,428	1,414	(55)	(14)
Dissolution/liquidation					
Autocue Group Limited	-	-	1	1	1
Total	1,469	1,428	1,415	(54)	(13)

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments are as follows:

Coolabi Group Limited
www.coolabi.com



Cost at 31/10/19:	£3,456,000	Valuation at 31/10/19:	£5,144,000	
Cost at 31/10/18:	£3,456,000	Valuation at 31/10/18:	£5,144,000	
Investment comprises:				
Equity shares:	£346,000	Valuation method:	Earnings multiple	
6% loan note:	£3,110,000			
Audited accounts:	31/03/19	31/03/18	Dividend income:	£Nil
Turnover:	£8.1m	£7.9m	Loan note income:	£186,000
Loss before tax:	(£7.3m)	(£5.3m)	Proportion of capital held:	2.3%
Net liabilities:	(£18.7m)	(£11.4m)	Diluted equity:	2.3%

Coolabi Group Limited 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. The loan note held by the Company has a redemption premium which accrues throughout the life of the note and substantially underpins the valuation.

Enthuse Holdings Limited
www.enthusegroup.com



Cost at 31/10/19:	£56,000	Valuation at 31/10/19:	£1,914,000	
Cost at 31/10/18:	£56,000	Valuation at 31/10/18:	£1,045,000	
Investment comprises:				
Equity shares:	£56,000	Valuation method:	Earnings multiple	
Audited accounts:	31/12/18	31/12/17	Dividend income:	£Nil
Turnover:	£10.5m	£6.0m		
Profit/(loss) before tax:	£1.3m	(£0.3m)	Proportion of capital held:	30.3%
Net assets/(liabilities):	£0.7m	(£0.1m)	Diluted equity:	30.3%

Formerly MyTime Media Holdings Limited, Enthuse Holdings Limited owns and publishes a range of magazines in the UK and USA. It also owns a number of online only enthusiast sites. In March 2019, it acquired 51% of the equity of AA Media from AA plc with an option to purchase the remaining 49%.

Locale Enterprises Limited
www.localerestaurants.com



Cost at 31/10/19:	£2,513,000	Valuation at 31/10/19:	£1,711,000	
Cost at 31/10/18:	£2,513,000	Valuation at 31/10/18:	£2,419,000	
Investment comprises:				
Equity shares:	£1,400,000	Valuation method:	Earnings multiple	
5.85% loan note:	£750,000			
6.50% loan note:	£363,000			
Audited accounts:	31/05/18	31/05/17	Dividend income:	£Nil
Turnover:	Not published		Loan note income:	£31,000
Profit before tax:	Not published		Proportion of capital held:	49.3%
Net assets:	£2.0m	£2.0m	Diluted equity:	49.3%

Locale Enterprises Limited operates three Italian restaurants which are located in East Dulwich, Fulham and County Hall.

REVIEW OF INVESTMENTS (continued)

Zappar Limited
www.zappar.com



Cost at 31/10/19:		£300,000	Valuation at 31/10/19:	£1,626,000
Cost at 31/10/18:		£300,000	Valuation at 31/10/18:	£1,623,000
Investment comprises:				
Equity shares:		£300,000	Valuation method:	Recent funding round
Audited accounts:	31/03/18	31/03/17	Dividend income:	£Nil
Turnover:	£3.8m	£2.4m		
Loss before tax:	(£0.1m)	(£0.2m)	Proportion of capital held:	9.8%
Net assets:	£0.6m	£0.6m	Diluted equity:	9.2%

Zappar Limited was a spin out in 2011 from another Chrysalis VCT plc investment, VEEMEE. It is involved in the development and application of augmented reality solutions for a wide range of UK and international clients.

Driver Require Group Limited
www.driverrequire.co.uk



Cost at 31/10/19:		£520,000	Valuation at 31/10/19:	£1,205,000
Cost at 31/10/18:		£520,000	Valuation at 31/10/18:	£1,295,000
Investment comprises:				
Equity shares:		£52,000	Valuation method:	Earnings multiple
6.0% Loan note:		£468,000		
Audited accounts:	31/12/18	31/12/17	Dividend income:	£17,000
Turnover:	Not published		Loan note income:	£28,000
Profit before tax:	Not published		Proportion of capital held:	33.1%
Net assets:	£0.4m	£0.6m	Diluted equity:	33.1%

Driver Require Group Limited is a specialist commercial vehicle driver recruitment agency with a strong customer base and offices throughout England.

Cambridge Mechatronics Limited
www.cambridgemechatronics.com



Cost at 31/10/19:		£366,000	Valuation at 31/10/19:	£1,172,000
Cost at 31/10/18:		£366,000	Valuation at 31/10/18:	£1,175,000
Investment comprises:				
Equity shares:		£366,000	Valuation method:	Recent funding round
Audited accounts:	31/12/18	31/12/17	Dividend income:	£Nil
Turnover:	£3.0m	£3.1m		
Loss before tax:	(£5.0m)	(£2.3m)	Proportion of capital held:	1.1%
Net assets:	£9.5m	£0.3m	Diluted equity:	1.1%

Cambridge Mechatronics Limited is a high technology design and engineering company based in Cambridge, UK. It specialises in developing cutting edge mechatronic platform technologies and working with OEMs and manufacturers predominantly in the smart phone industry to mass produce products which incorporate its technology.


K10 (London) Limited
www.k10.com





Cost at 31/10/19:		£950,000	Valuation at 31/10/19:	£1,144,000
Cost at 31/10/18:		£950,000	Valuation at 31/10/18:	£1,111,000
Investment comprises:				
Equity shares:		£100,000	Valuation method:	Earnings multiple
6.0% loan note:		£850,000		
Audited accounts:	31/12/18	31/12/17	Dividend income:	£Nil
Turnover:	Not published		Loan note income:	£51,000
Profit before tax:	Not published		Proportion of capital held:	5.0%
Net assets:	£0.9m	£0.9m	Diluted equity:	5.0%

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

REVIEW OF INVESTMENTS (continued)

Green Star Media Limited www.greenstarmedia.net 	Cost at 31/10/19:	£650,000	Valuation at 31/10/19:	£730,000
	Cost at 31/10/18:	£650,000	Valuation at 31/10/18:	£651,000
	Investment comprises:			
	Equity shares:	£150,000	Valuation method:	Earnings multiple
	6.0% Loan note:	£500,000		
	Abbreviated accounts:	31/12/18 31/12/17	Dividend income:	£Nil
	Turnover:	Not published	Loan note income:	£30,000
	Loss before tax:	Not published	Proportion of capital held:	10.0%
	Net liabilities:	(£0.6m) (£0.2m)	Diluted equity:	9.0%
	<p>Green Star Media Limited is a direct to customer specialist publishing company selling by way of web and email to a global audience of amateur and professional sports coaches, athletes and physiotherapists.</p>			

IX Group Limited www.rephine.com 	Cost at 31/10/19:	£250,000	Valuation at 31/10/19:	£525,000	
	Cost at 31/10/18:	£250,000	Valuation at 31/10/18:	£350,000	
	Investment comprises:				
	Equity shares:	£250,000	Valuation method:	Earnings multiple	
	Audited accounts:	31/07/18 31/07/17	Dividend income:	£17,000	
	Turnover:	Not published			
	Profit before tax:	Not published	Proportion of capital held:	6.5%	
	Net assets:	£1.3m £1.3m	Diluted equity:	6.5%	
	<p>Through Rephine, IX Group Ltd holds an extensive library of Good Manufacturing Practice and Good Clinical Practice reports from pharmaceutical organisations around the world. It also provides consultancy advice.</p>				

Life's Kitchen Ltd www.lifeskitchen.com 	Cost at 31/10/19:	£500,000	Valuation at 31/10/19:	£400,000
	Cost at 31/10/18:	£400,000	Valuation at 31/10/18:	£400,000
	Investment comprises:			
	Equity shares:	£300,000	Valuation method:	Earnings multiple
	6.0% Loan note:	£200,000		
	Abbreviated accounts:	31/03/18 31/03/17	Dividend income:	£Nil
	Turnover:	Not published	Loan note income:	£Nil
	Profit before tax:	Not published	Proportion of capital held:	25.0%
	Net assets:	£0.0m £0.02m	Diluted equity:	25.0%
	<p>Life's Kitchen Ltd provides venue management, event management and catering services at some of the most prestigious venues in London and the Home Counties.</p>			

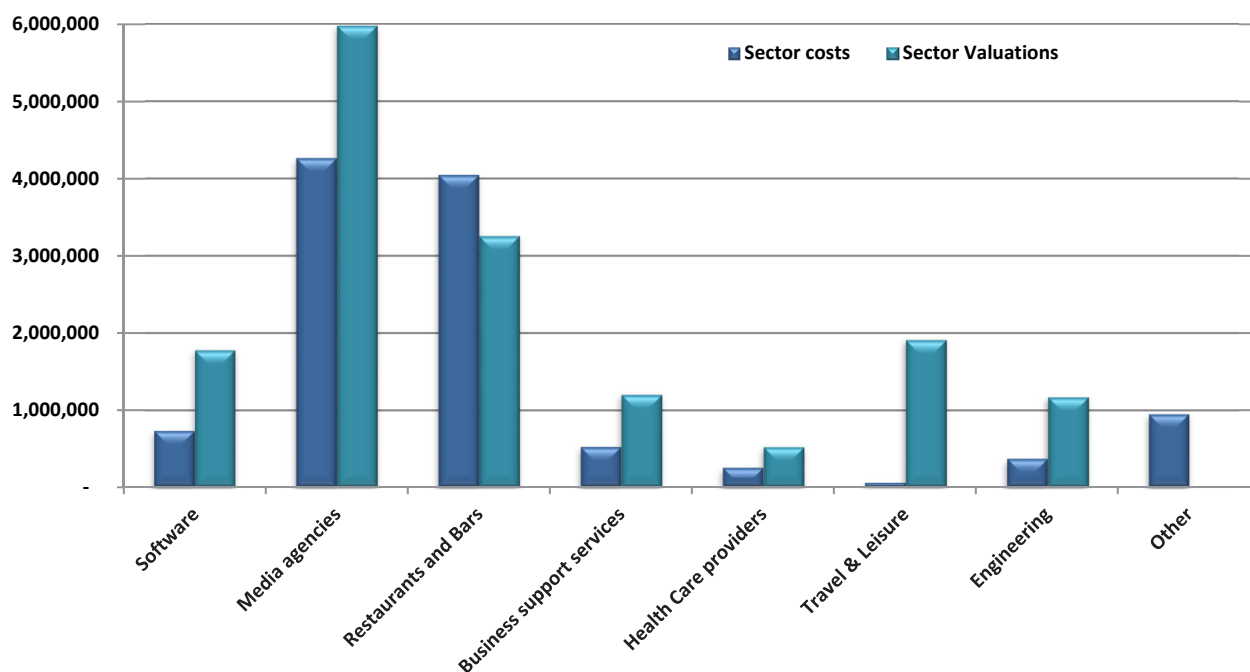
Note:

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

REVIEW OF INVESTMENTS (continued)

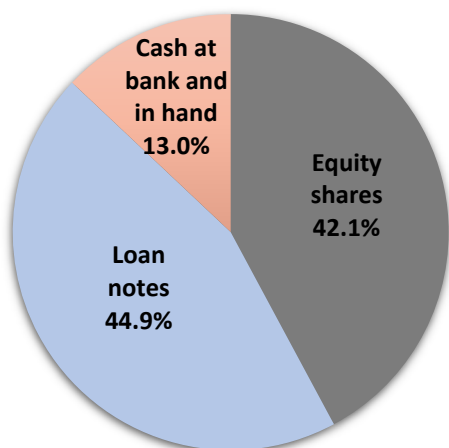
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 October 2019) is as follows:



Analysis of investments and cash

The following chart summarises the Company's investments and cash by the nature of the instrument held (by value at 31 October 2019) as follows:



Portfolio balance

As at 31 October 2019, the Company's assets were employed 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	82.8%	≥70.0%
Non-qualifying investments (including cash at bank)	17.2%	≤30.0%
Total	100.0%	100.0%

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 October 2019. The Board have prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports).

Principal objectives and strategy

The Company is a Venture Capital Trust ("VCT") 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, Shareholders 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 2019, net losses arising on disposals from the portfolio totalled £13,000 (2018: £99,000). Unrealised gains on investments totalled £375,000 (2018: £633,000) for the year.

Revenue income less expenditure for the year, including capital expenses, resulted in a net loss of £179,000 (2018: £224,000).

The total return for the year was £183,000 (2018: £319,000). Net assets at the year-end were £19.1 million (2018: £21.3 million), including cash balances of £2.5 million (2018: £3.8 million).

Dividends paid during the year totalled £2.1 million (2018: £2.4 million), including a special dividend of £0.6 million (2018: £0.9 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 11.

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 objectives (as shown on page 2). The Board believes the Company's key performance indicators are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 1). The NAV increased by 1.2% over the year after adding back dividends. The Company was able to pay dividends of 7.25p per share against the basic target of 5.0p per share. The Board has concluded that this was a satisfactory performance.

In addition, the Board considers the Company's performance in relation to other VCTs.

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Board has ensured that there are policies in place for managing each of these risks. The principal financial risks faced by the Company, which include interest rate, investment price, credit and liquidity risks, are summarised within Note 15 of the financial statements. Note 15 also includes an analysis of the sensitivity of the valuation of the portfolio to changes in key valuation inputs.

Other principal risks faced by the Company have been assessed by the Board and grouped into the key categories outlined below:

- Underperformance;
- Regulatory;
- Operational; and
- Economic, political and other external factors.

Underperformance

The Company holds investments in unquoted and quoted UK businesses. Poor investment decisions or a lack of effective monitoring and management of investments could result in a reduction in the NAV of the Company.

The Investment Manager has significant experience in investing in unquoted UK companies and engage reputable and experienced advisers at each stage of the investment process. Furthermore, the Board regularly reviews the performance of the portfolio.

Regulatory

The Company, as a fully listed Company on the London Stock Exchange with a premium listing and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces 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 receives quarterly reports from the Investment and Administration Managers, which monitor the compliance of these risks, and places reliance on them to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year. Philip Hare & Associates LLP provides regular independent reviews of the Company's VCT status, as well as advice on VCT compliance issues as and when they arise.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Regulatory (continued)

In order to further mitigate this risk, the Board monitors regulatory and legislative developments. The Company also has a strong compliance culture and systems in place to ensure that the Company complies with all of its regulatory requirements.

Further commentary on VCT Status is provided on page 14.

Operational

The Company relies on the Investment Manager, Administration Manager and other third parties to fulfil many of its operational requirements and duties. A provision of inferior services by one or more of these parties could lead to inadequate systems and controls or inefficient management of the Company, its assets and its reporting requirements.

The Company, the Investment Manager and the Administration Manager engage experienced and reputable service providers, the performance of which is reviewed on an annual basis by the Board. In addition, the Audit Committee reviews the Internal Control and Corporate Governance Manual on an annual basis.

Economic, political and other external factors

Fluctuations in the stock market due to Brexit uncertainty, economic recession or monetary policy could affect the valuations of quoted investee companies, even if such companies are performing to plan. The impact of this on the NAV of the Company is mitigated by the portfolio largely consisting of investments in unquoted companies.

Wider political and economic events also have the potential to impact the performance and therefore valuations of the unquoted companies in the portfolio as a result of a deterioration in business and consumer confidence. This is mitigated by holding a diversified portfolio of investments across a wide range of sectors and subsectors.

Viability statement

In accordance with Principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over a longer period than the twelve months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years from the date of the approval of the annual report, as developments are considered to be reasonably foreseeable over this period.

The three year review considers the principal risks facing the Company which are summarised within Note 15 as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. The three year review makes assumptions about the level of investment realisations, expenses, dividends and share buybacks.

The Directors believe that the Company is well placed to manage its business risks successfully, having taken into account the Company's current economic outlook.

Based on the results, the Board believes that, taking into account the Company's current position, and subject to the principal risks faced by the business, the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least three years from the balance sheet date.

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.

The Company aims to distribute funds to Shareholders by way of dividends, which are a combination of income and realised capital profits.

Investment policy

The Company's updated investment policy covers the following:

1. Venture capital investments; and
2. 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% (rising to 80% with effect from 1 November 2019); 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.

STRATEGIC REPORT (continued)

Investment policy (continued)

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% (rising to 80% with effect from 1 November 2019); 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 2019 and for the year then ended is summarised in the Director's Report on page 16.

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.

At 31 October 2019, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £2.7 million (2018: £3.2 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 Manager take environmental, social and human rights factors into consideration when making investment decisions.

Directors and senior management

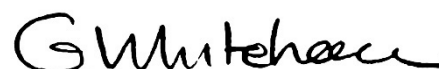
The Company does not have any employees, including senior management, other than the Board of three non-executive Directors. The Board comprises two male Directors and one female Director.

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 Report of the Directors, 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 Management Report.

By order of the Board



Grant Whitehouse

Secretary
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

13 December 2019

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 October 2019.

Share capital

As disclosed on page 21, the Board has authority to make market purchases of the Company's own Shares.

During the year, the Company purchased 572,000 Ordinary Shares for cancellation for an aggregate consideration of £336,000, at an average price of 58.5p per share, representing 2.0% of the issued share capital in issue at 1 November 2018. The purchase was undertaken at a price approximately equivalent to a 15% discount to the most recently published NAV at the time of purchase. These Shares were subsequently cancelled.

The total number of Ordinary Shares of 1p each in issue at 31 October 2019 was 28,472,025 (2018: 29,044,025), with each share having one vote. There are no other share classes in issue.

Results and dividends

	£'000	Per share
Return for the year	183	0.6p
<i>Dividends paid in the year</i>		
29 March 2019: 2018 Final	940	3.25p
26 July 2019: 2019 Interim	505	1.75p
26 July 2019: 2019 Special	648	2.25p
	<u>2,093</u>	<u>7.25p</u>

Subject to Shareholder approval at the forthcoming AGM, your Board is proposing to pay a final dividend of 3.25p per share on 21 February 2020, to Shareholders on the register at 31 January 2020.

Directors

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

Martin Knight
Julie Baddeley
Robert Jeans

Martin Knight and Julie Baddeley were reappointed at the AGM on 14 February 2019.

Martin Knight and Julie Baddeley are due to retire at the forthcoming AGM as a result of holding a place on the Board for in excess of nine years and, being eligible, offer themselves for re-election at the forthcoming AGM.

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 continue to support the resolutions to re-elect the Directors.

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% should net assets exceed £34 million. The agreement may be terminated by either side serving on the other not less than twelve 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.

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 7, amounted to just £43 (2018: £54,000).

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 LLP serving on the other not less than six months' notice of termination.

REPORT OF THE DIRECTORS (continued)

VCT compliance

The Company has reappointed Philip Hare & Associates LLP to advise it on compliance with VCT requirements, reporting directly to the Board. Philip Hare & Associates LLP works closely with Chrysalis VCT Management Services Ltd and the 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 2019 and for the year then ended is summarised as follows:

- | | |
|---|----------|
| 1. 70% of its investments in qualifying companies (rising to 80% with effect from 1 November 2019); | 82.8% |
| 2. At least 30% of the Company’s qualifying investments (by value) are held in “eligible shares”; | 53.5% |
| 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; | 100.0% |
| 6. For the year ended 31 October 2019, 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 2019, and the date of this report, the Company was not aware of any beneficial interests exceeding 3% of the issued Ordinary Share capital.

Auditor

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

Annual General Meeting

The forthcoming AGM will be held at 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD at 11:30 a.m. on 13 February 2020. The Notice of the AGM is at the end of this document.

Directors’ responsibilities statement

The Directors are responsible for preparing the Report of the Directors, 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 position, performance, business model and strategy.

REPORT OF THE DIRECTORS (continued)

Directors' responsibilities statement (continued)

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 Guidance 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 Management Report, the Review of Investments and the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company, together with a description of 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).

Corporate governance

The Corporate Governance statements forms part of the Directors Report and the Company's compliance with and departures from the AIC Code of Corporate Governance (www.theaic.co.uk), are disclosed on page 24.

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.

Other matters

Information in respect of financial instruments, and future developments which are normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on pages 12 to 14 and Note 15 on pages 43 to 47.

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
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

13 December 2019

DIRECTORS' REMUNERATION REPORT

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

The Committee, comprising Martin Knight, Julie Baddeley and Robert Jeens 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 policy

Below is the Directors' policy on remuneration which is effective for the three years commencing 1 November 2017.

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 entered into an agreement for services dated 30 January 2006, terminable on three months' notice by either side. Martin Knight entered into an agreement for services dated 20 October 2008 which is terminable on three months' notice by either side. Robert Jeens entered into an agreement for services dated 2 October 2017, which is also terminable on three 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:

	2019	2018
	£	£
Martin Knight	45,000	45,000
Julie Baddeley	22,500	22,500
Robert Jeens	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.

DIRECTORS' REMUNERATION REPORT (continued)

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 at the following levels:

	£
Martin Knight	45,000
Julie Baddeley	22,500
Robert Jeens	22,500
	<u>90,000</u>

Directors' share interests (audited)

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:

	2019	2018
Martin Knight	332,632	332,632
Julie Baddeley	121,671	121,671
Robert Jeens	200,000	200,000

Statement of voting at AGM

At the AGM on 14 February 2019, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows:

For	91.97%	2,472,219
Discretionary	1.71%	45,964
Against	6.32%	169,789
Withheld		4,124

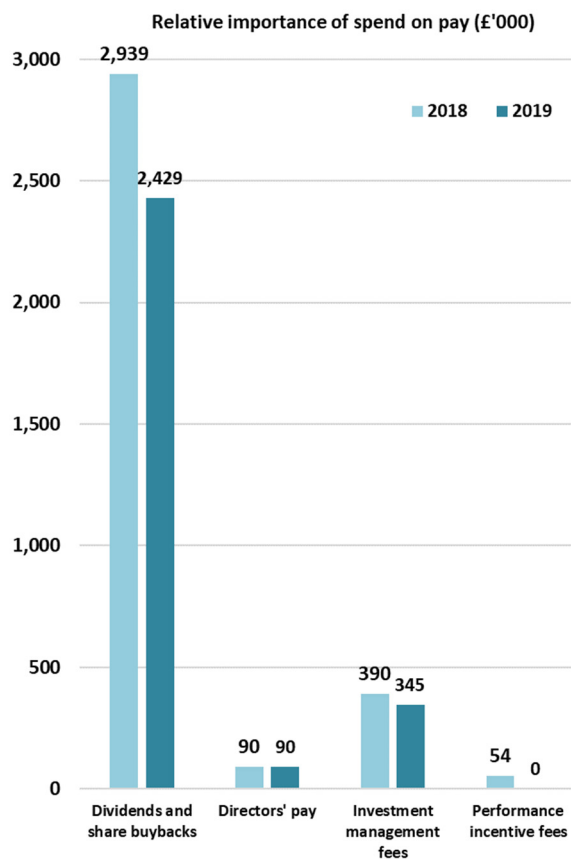
A resolution to approve the Directors' Remuneration Policy was approved by Shareholders at the AGM on 23 February 2018. The votes cast are summarised as follows:

For	95.86%	1,803,166
Discretionary	0.97%	18,299
Against	3.17%	59,546
Withheld		24,412

Relative importance of spend on pay

The difference in actual spend between 31 October 2019 and 31 October 2018 on remuneration for all Directors in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the tabular chart below.

Relative importance of spend on pay



DIRECTORS' REMUNERATION REPORT (continued)

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 as at 31 October 2009.

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, as it focuses on smaller companies and is more relevant than most other publicly available indices.

By order of the Board

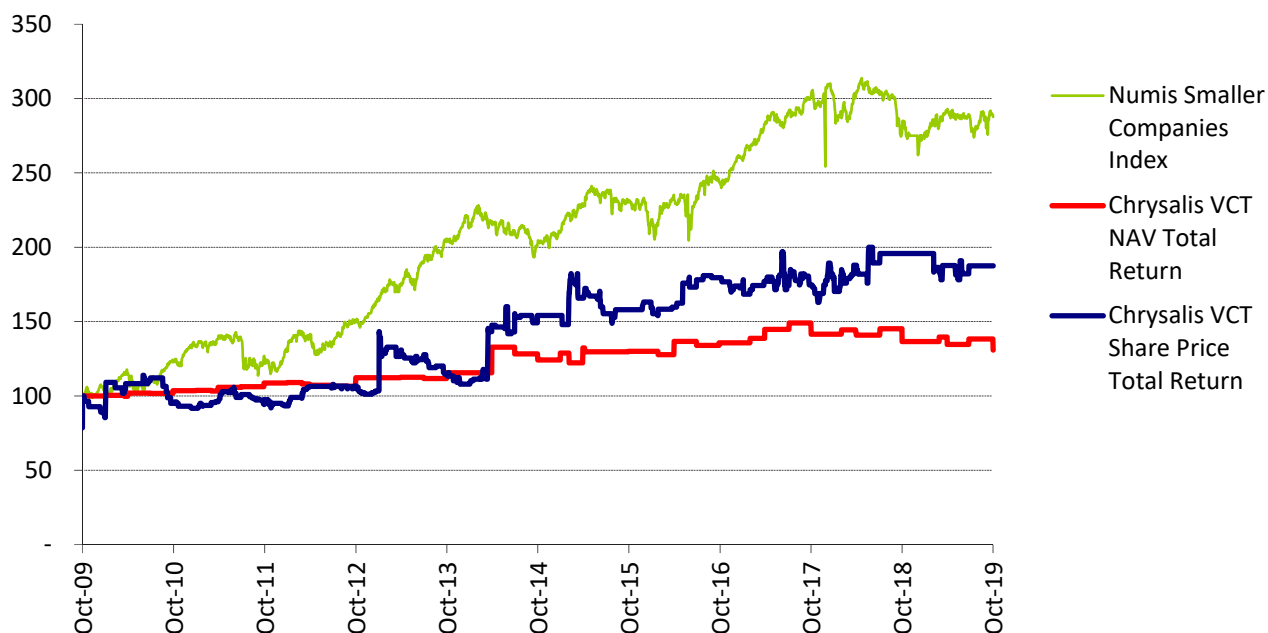


Julie Baddeley

Chair of Remuneration Committee
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

13 December 2019

Share performance chart



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, all of whom are considered to be independent. The Chairman is Martin Knight and the Senior Independent Director is Robert Jeens. 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 election at the first AGM following their appointment and re-election at least every three years thereafter. Martin Knight and Julie Baddeley are due to retire as a result of holding a place on the Board for in excess of nine years and, being eligible, will offer themselves for re-election at the forthcoming AGM. Robert Jeens was last re-elected at the 2018 AGM and will therefore next stand for re-election at the 2021 AGM.

Full Board meetings take place at least quarterly and additional meetings are held as required to address specific issues including considering recommendations from Chrysalis VCT Management Limited 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 the purchase of up to 14.9% of the Company's issued share capital, was granted at the last AGM held on 14 February 2019. 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 15.

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 Robert Jeens 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 attended (5 held)	Audit Committee meetings attended (2 held)	Nomination Committee meetings attended (1 held)	Remuneration Committee meetings attended (1 held)
Julie Baddeley	5	2	1	1
Martin Knight	5	2	1	1
Robert Jeens	5	2	1	1

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.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee (continued)

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 Managers. This is covered in more detail under Risk Management and Internal Control.

Whistleblowing procedures

As the Company has no staff other than the Directors, there are no procedures in place in respect of whistleblowing. The Audit Committee understands that the Investment and 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 confirmed that the two main areas of risk for the year under review were the carrying value of investments and revenue recognition. These were addressed by detailed discussions with the auditors when they presented their report to the Committee on completion of the main audit.

The Committee has assessed the effectiveness of the audit by discussion with the Investment Manager, Chrysalis VCT Management Limited, and the Administration Manager, Downing LLP, and satisfied itself that an effective audit has taken place.

The audit of the financial statements for the year ended 31 October 2019 is the nineteenth year undertaken by BDO. Due to transitional provisions, the final period for which BDO will be permitted to act as auditor will be the year ended 31 October 2023.

The Committee has concluded that BDO LLP, with audit engagement partner rotation, remains a suitable candidate to act as auditor to the Company and has therefore recommended they be re-appointed at the forthcoming AGM.

Non-audit services

The Auditor may perform ad-hoc work at the request of the Board. The Board will agree the maximum expected fee before any such work is undertaken to ensure that auditor objectivity and independence are safeguarded. The Auditor has provided no non-audit services in respect of the year ended 31 October 2019. The fees paid to the Auditor for the year are disclosed in Note 4 of the Financial Statements.

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.

Performance evaluation

Julie Baddeley co-ordinated a performance evaluation of the Directors (including the Chairman and its Committees). The evaluation reviewed feedback from the previous year's evaluation and concluded that the Board has operated efficiently and effectively during the year, in particular increasing time spent considering strategy for the fund and also studying the implications of the changes to the VCT rules and their possible impact.

Director independence

Martin Knight and Julie Baddeley have served on the Board in excess of nine years and are therefore required to offer themselves for re-election at each AGM. The Board considers that both Directors remain independent in accordance with Principle 2 of the AIC Code.

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, the Committee will recommend adjustments to the remuneration levels or fee structure.

CORPORATE GOVERNANCE STATEMENT (continued)

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 Administration 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 Report of the Directors, 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 Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on pages 16 and 17, and a statement by the Auditor about their reporting responsibilities is set out in the Auditor's Report on pages 25 to 29.

Risk management and internal control

The Board has adopted a Corporate Governance and Internal Control Manual ("Manual"), for which it is responsible, that has been compiled in order to comply with the AIC 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 documenting the controls that mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Directors confirm that they have carried out a robust assessment of the principal risks and uncertainties facing the Company. The Board reviews a Risk Register on an annual basis. The main aspects of internal control in relation to financial reporting by the Board were as follows:

- Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals;
- Quarterly reviews by the Board of the Company's investments, other assets and liabilities, revenue and expenditure and detailed review of unquoted investment valuations;
- Quarterly reviews by the Board of compliance with the venture capital trust regulations to retain status, including a review of half yearly reports from Philip Hare & Associates LLP;
- A separate review of the Annual Report and Half Yearly report by the Audit Committee prior to Board approval; and
- A review by the Board of all financial information prior to publication.

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):

<i>Investment Management</i>	Chrysalis VCT Management Limited
<i>Administration Management</i>	Downing LLP

CORPORATE GOVERNANCE STATEMENT (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 page 5 and the Strategic Report on pages 12 to 14. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 32; the Statement of Cash Flow on page 33 and the Strategic Report on page 14. In addition, Note 15 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 to meet its foreseeable expenses and liabilities, 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

Paragraph 9.8.6 of the Listing Rules requires the Board to report on compliance with the provisions of the UK Corporate Governance Code throughout the accounting period. On 14 July 2006, the Financial Reporting Council (FRC) confirmed that member companies who report against the AIC Code and follow the AIC Guide will be meeting their obligations in relation to the 2016 UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

The Company has complied, throughout the accounting year ended 31 October 2019, with the Principles set out in Sections 4 and 5 of the AIC Code of Corporate Governance.

By order of the Board



Grant Whitehouse

Secretary
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

13 December 2019

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

Opinion

We have audited the financial statements of Chrysalis VCT plc (the 'Company') for the year ended 31 October 2019 which comprise the Income Statement, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2019 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 12 and 13 that describes the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 13 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter

Valuation of unquoted investments (Note 1 page 34 and Note 9 on page 38):

There is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

There is also an inherent risk of management override arising from the unquoted investment valuation being prepared by the Investment Manager whose fee is based on the value of the net assets of the fund, as shown in note 3.

Audit Response

For sample of debt instruments held at fair value, we performed the following:

- Vouched security held to documentation and considered recoverability of loans by checking the loan and interest payments during the year..
- Considered the latest investee financial results and their industry overview to check that fair value is not significantly different to cost since the investment normally can only be realised by redemption or the sale of the underlying investee company and considering the "unit of account" concept;
- Checked that the treatment of accrued redemption premium/other fixed returns as per the loan note agreement is in line with applicable accounting standards;

We selected a sample of unquoted equity investments for testing and performed the following work;

- Considered whether the assumptions and underlying evidence supporting the year end valuations are in line with applicable accounting standards;
- Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation Guidelines;
- Re-performed the calculation of the investment valuations.
- Verified and benchmarked key inputs and estimates to independent information and our own research;
- Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- Considered the earnings multiples applied by reference to observable listed Company market data; and Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased

Based on the procedures performed we did not identify any indications to suggest that the valuation of the portfolio of investments was materially misstated.

Revenue recognition (Note 1 on page 34 and Note 2 on page 36):

Revenue consists of loan stock interest and dividends receivable from investee companies. Revenue recognition is considered to be a significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining whether accrued income should be regarded as recoverable and therefore appropriately recognised as income.

We recalculated expected income from loan stock investments in line with the underlying agreements and confirmations from investee companies. We traced a sample of interest receipts to bank statements and have considered the recoverability of loan stock interest with reference to post year end receipts. We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether it meets the definition of realised income under the Companies Act 2006, or whether it should be recognised as an unrealised capital gain.

We reviewed the accounts of unquoted investee companies to identify unrecorded dividends and, where recorded, we agreed dividends into the VCT's financial statements. We reviewed dividend histories from an independent source for quoted investments and recalculated the expected dividend in the accounts. Where appropriate we also agreed actual dividends received to RNS announcements, minutes and bank statements.

Based on the procedures performed we did not identify any indications to suggest that the revenue was materially misstated.

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be 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. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
<i>Financial statement materiality. (2% of gross investments)</i>	Assessing whether the financial statements as a whole present a true and fair view.	The value of gross investments The level of judgement inherent in the valuation The range of reasonable alternative valuations	£330,000 (2018: £350,000)
<i>Performance materiality (70% of the financial statement materiality)</i>	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	Financial statement materiality Risk and control environment History of prior errors (if any)	£231,000 (2018: £245,000)
<i>Specific materiality – classes of transactions and balances which impact on net realised returns. (5% gross expenditure)</i>	Assessing those classes of transactions, 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.	Level of gross expenditure	£32,000 (2018: £33,000)

We agreed with the Audit Committee that we would report to them all audit differences in excess of £16,000 (2018: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the company’s activities, and the overall control environment. Based on this understanding we assessed those aspects of the company’s transactions and balances which were most likely to give rise to a material misstatement. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations

Capability of the audit to detect irregularities, including fraud:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to those laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and FRS 102. We also considered the company’s qualification as a VCT under UK tax legislation.

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

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to intentional fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that could represent a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the reports and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable [set out on page 16]** – the statement given by the directors that they consider the annual report and financial statements 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, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting [set out on pages 21 and 22]** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code [set out on page 24]** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the report of the directors set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 October 2001 and subsequent financial periods. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is 19 years, covering the years ending 31 October 2001 to 31 October 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our 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.



Stuart Collins (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

13 December 2019

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

INCOME STATEMENT
for the year ended 31 October 2019

		2019			2018		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	446	-	446	486	-	486
Gains on investments	9	-	362	362	-	534	534
		446	362	808	486	534	1,020
Investment management fees	3	(86)	(259)	(345)	(97)	(292)	(389)
Performance incentive fees	3	-	-	-	-	(54)	(54)
Other expenses	4	(274)	(6)	(280)	(264)	(3)	(267)
Return on ordinary activities before tax		86	97	183	125	185	310
Tax on ordinary activities	6	(1)	1	-	(4)	13	9
Return attributable to equity Shareholders	8	85	98	183	121	198	319
Basic and diluted return per share	8	0.3p	0.3p	0.6p	0.4p	0.7p	1.1p

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 Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS 102"). There are no other items of comprehensive income. The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 (updated in February 2018) by the Association of Investment Companies ("AIC SORP").

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.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 October 2019

	Called up share capital £'000	Capital redemption reserve £'000	Share premium reserve £'000	Merger reserve £'000	Special reserve £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Revenue reserve £'000	Total £'000
At 1 November 2017	299	89	1,478	1,357	602	13,715	5,902	505	23,947
Total comprehensive income	-	-	-	-	-	(435)	633	121	319
Transfer between reserves*	-	-	-	(828)	354	1,227	(753)	-	-
<i>Transactions with owners</i>									
Purchase of own Shares	(9)	9	-	-	(550)	-	-	-	(550)
Dividends paid	-	-	-	-	-	(2,285)	-	(104)	(2,389)
At 31 October 2018	290	98	1,478	529	406	12,222	5,782	522	21,327
Total comprehensive income	-	-	-	-	-	(277)	375	85	183
Transfer 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	284	104	1,478	529	-	10,113	6,024	549	19,081

* A transfer of £42,000 (2018: £722,000) representing previously recognised unrealised gains, transferred on disposal of investments during the year, has been made between the Capital Reserve – unrealised and the Capital Reserve – realised. A transfer of £175,000 (2018: £1,475,000) representing a permanent diminution in value, has been made between the Capital Reserve – unrealised and the Capital Reserve – realised. A transfer of £70,000 (2018: £354,000) representing realised losses on disposal of investments, plus capital expenses and capital dividends in the year was made between the Capital Reserve – realised and the Special reserve. A transfer of £nil (2018: £828,000) representing a disposal of an investment during the year has been made between the Special reserve and the Merger reserve.

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

BALANCE SHEET
at 31 October 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
Fixed assets					
Investments	9		16,627		17,580
Current assets					
Debtors	10	46		102	
Cash at bank and in hand		<u>2,477</u>		<u>3,763</u>	
		2,523		3,865	
Creditors: amounts falling due within one year	11	<u>(69)</u>		<u>(118)</u>	
Net current assets			<u>2,454</u>		<u>3,747</u>
Net assets			<u>19,081</u>		<u>21,327</u>
Capital and reserves					
Called up share capital	12		284		290
Capital redemption reserve	13		104		98
Share premium	13		1,478		1,478
Merger reserve	13		529		529
Special reserve	13		-		406
Capital reserve – realised	13		10,113		12,222
Capital reserve – unrealised	13		6,024		5,782
Revenue reserve	13		<u>549</u>		<u>522</u>
Total equity Shareholders' funds	14		<u>19,081</u>		<u>21,327</u>
Net asset value per share	14		67.0p		73.4p

The financial statements on pages 30 to 48 were approved and authorised for issue by the Board of Directors on 13 December 2019 and were signed on its behalf by:



Martin Knight
Chairman
Company number: 4095791

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

STATEMENT OF CASH FLOW
for the year ended 31 October 2019

	2019	2018
	£'000	£'000
Cash flow from operating activities		
Profit on ordinary activities before taxation	183	319
Gains on investments	(362)	(534)
Decrease in debtors	55	78
Increase/(decrease) in creditors	9	(1)
	<u>(115)</u>	<u>(138)</u>
Net cash outflow from operating activities		
Cash flow from investing activities		
Purchase of investments	(100)	-
Proceeds from disposal of investments	1,415	2,223
	<u>1,315</u>	<u>2,223</u>
Net cash inflow from investing activities		
Cash flow for financing activities		
Equity dividends paid	(2,092)	(2,389)
Purchase of own Shares	(394)	(492)
	<u>(2,486)</u>	<u>(2,881)</u>
Net cash outflow from financing activities		
Decrease in cash	<u>(1,286)</u>	<u>(796)</u>
Net movement in cash		
Beginning of the year	3,763	4,559
Net cash outflow	<u>(1,286)</u>	<u>(796)</u>
End of year	<u>2,477</u>	<u>3,763</u>

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

NOTES TO THE ACCOUNTS

for the year ended 31 October 2019

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies ("AIC") in November 2014 and revised in February 2018 ("SORP") as well as the Companies Act 2006. The financial statements have been prepared on a going concern basis and under historical cost convention, with the exception of investments which are designated as "fair value through profit or loss".

The financial statements are presented in pounds sterling and rounded to thousands. The company's functional and presentational currency is pounds sterling.

Presentation of Income Statement

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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. Investments held by the Company are treated as having been disposed of when the risks and rewards of ownership no longer accrue to the Company.

Of the Company's assets measured at fair value, it is possible to determine their fair value within a reasonable range of estimates. The fair value of an investment upon acquisition is deemed to be cost. Thereafter, investments are measured at fair value in accordance with FRS 102 sections 11 and 12 together with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV").

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:

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

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.

Contingent or deferred consideration on the disposal of an investment is only recognised to extent that receipt is virtually certain.

NOTES TO THE ACCOUNTS (continued) for the year ended 31 October 2019

1. Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

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.

Redemption premiums are reflected in the valuations of fixed asset investments.

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 and FRS 102 sections 14 and 15 that do not require portfolio investments to be accounted for using the equity method of accounting.

The carrying values of the Company's investments are disclosed in Note 9 and Note 15.

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. Where the recovery of previously accrued income is doubtful, corresponding provisions are considered and made.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

2. Income

	2019	2018
	£'000	£'000
Income from investments		
Loan stock interest	327	336
Dividend income	81	56
Fixed income security interest	38	94
	<u>446</u>	<u>486</u>

3. Investment management fees

	2019	2018
	£'000	£'000
Base fees	345	389
Performance incentive fees	-	54
	<u>345</u>	<u>443</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

	2019	2018
	£'000	£'000
Directors' fees	90	90
Administration services	55	55
Auditor's remuneration for statutory audit	29	26
Auditor's remuneration for statutory audit (under provision in previous year)	3	-
Legal and professional fees	7	3
Other running costs	96	93
	<u>280</u>	<u>267</u>

5. Directors' fees

Details of remuneration (excluding VAT and employers' NIC) are given in the Directors' Remuneration Report on pages 18 to 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 18. The Directors are the only Key Management Personnel of the Company.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

6. Taxation on ordinary activities

	2019 £'000	2018 £'000
(a) Tax charge for the year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	(1)	4
Tax credited to Capital Account	<u>1</u>	<u>(13)</u>
Charge for the year	<u><u>-</u></u>	<u><u>(9)</u></u>
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	<u><u>183</u></u>	<u><u>310</u></u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19.0% (2018: 19.0%)	35	59
Effects of:		
Non-taxable gains on investments	(69)	(102)
Disallowable expenses	1	1
UK dividend income	(15)	(11)
Withholding tax recoverable	-	(9)
Deferred tax not recognised	<u>48</u>	<u>53</u>
	<u><u>-</u></u>	<u><u>(9)</u></u>

- (c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £1,494,000 (2018: £1,240,000). The associated deferred tax asset at a rate of 17% (2018: 17%), being £254,000 (2018: £211,000), 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

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year						
2019 Interim: 1.75p	58	447	505	-	-	-
2019 Special: 2.25p	-	648	648	-	-	-
2018 Final: 3.25p	-	940	940	-	-	-
2018 Interim: 1.75p	-	-	-	-	522	522
2018 Special: 3.00p	-	-	-	75	820	895
2017 Final: 3.25p	-	-	-	<u>30</u>	<u>942</u>	<u>972</u>
	<u>58</u>	<u>2,035</u>	<u>2,093</u>	<u>105</u>	<u>2,284</u>	<u>2,389</u>
Dividends proposed						
2019 Final: 3.25p	-	925	925	-	-	-
2018 Final: 3.25p	-	-	-	-	<u>944</u>	<u>944</u>
	<u>-</u>	<u>925</u>	<u>925</u>	<u>-</u>	<u>944</u>	<u>944</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

8. Basic and diluted return per share

	2019	2018
	£'000	£'000
Return per share based on:		
Net revenue return for the financial year	85	121
Net capital gain for the financial year	98	198
Total return for the financial year	<u>183</u>	<u>319</u>
Weighted average number of Shares in issue	<u>28,824,085</u>	<u>29,697,929</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 the basic and diluted return per share.

9. Investments

	Unquoted	Quoted	Fixed	Total
	£'000	£'000	income	£'000
			securities	
			£'000	£'000
Opening cost at 1 November 2018	10,491	1,320	1,469	13,280
Unrealised gains/(losses) at 1 November 2018	5,828	(5)	(41)	5,782
Realised losses at 1 November 2018	<u>(991)</u>	<u>(491)</u>	<u>-</u>	<u>(1,482)</u>
Opening fair value at 1 November 2018	15,328	824	1,428	17,580
Movement in year				
Purchased at cost	100	-	-	100
Disposal proceeds	(1)	-	(1,414)	(1,415)
Realised gains/(losses) in the income statement	1	-	(14)	(13)
Unrealised gains in the income statement	<u>299</u>	<u>76</u>	<u>-</u>	<u>375</u>
Closing fair value at 31 October 2019	<u>15,727</u>	<u>900</u>	<u>-</u>	<u>16,627</u>
Retained investments at 31 October 2019				
Closing cost at 31 October 2019	10,590	1,320	-	11,910
Unrealised gains	5,953	71	-	6,024
Realised losses	<u>(816)</u>	<u>(491)</u>	<u>-</u>	<u>(1,307)</u>
Closing fair value at 31 October 2019	<u>15,727</u>	<u>900</u>	<u>-</u>	<u>16,627</u>

Costs incurred on the purchase of investments during the year were £nil (2018: £nil) and transaction costs incurred in connection with the sale of investments during the year were £nil (2018: £nil). A schedule detailing the additions and disposals during the year is included on page 7.

The valuation basis for the unquoted investments has remained unchanged during the year.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

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 (Investments quoted on Main or AIM Markets);
 Level 2 Reflects financial instruments that have prices that are either observable directly or indirectly; and
 Level 3 Reflects financial instruments with inputs that are not based on observable market data (investments in unquoted shares and loan note investments).

	Level 1	Level 2	Level 3	2019	Level 1	Level 2	Level 3	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	-	-	-	-	-	1,428	-	1,428
Quoted shares	900	-	-	900	824	-	-	824
Loan notes	-	-	8,574	8,574	-	-	8,574	8,574
Unquoted shares	-	-	7,153	7,153	-	-	6,754	6,754
	900	-	15,727	16,627	824	1,428	15,328	17,580

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

	Unquoted	Loan	Total
	shares	notes	Total
	£'000	£'000	£'000
Balance at 31 October 2017	8,740	8,210	16,950
<i>Movements in the income statement:</i>			
Unrealised gains in the income statement	151	549	700
Realised losses in the income statement	(99)	-	(99)
	52	549	601
Disposal proceeds	(2,038)	(185)	(2,223)
Balance at 31 October 2018	6,754	8,574	15,328
<i>Movements in the income statement:</i>			
Unrealised gains in the income statement	299	-	299
Realised gains in the income statement	1	-	1
	300	-	300
Purchased at cost	100	-	100
Disposal proceeds	(1)	-	(1)
	99	-	99
Balance at 31 October 2019	7,153	8,574	15,727

Level 3 unquoted shares and loan notes are valued in accordance with the IPEV as follows: -

	2019
	£'000
Valuation methodology	
Multiple	12,929
Recent funding round	2,798
	15,727

Changing one or more of the inputs to reasonable possible alternative valuation assumptions could result in a significant change in the fair value of the Level 3 investments. There is an element of judgement 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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

9. Investments (continued)

The Board and the Investment Manager believe that the valuations as at 31 October 2019 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within Note 15.

Significant interests

Details of shareholdings in those companies where the Company's holding, as at 31 October 2019, represents greater than 20% of the nominal value of any class of the allotted shares in the portfolio company, are disclosed below. All of the companies named are incorporated in England and Wales. The percentage holding in each class does not reflect the percentage voting rights in the Company as a whole.

Company	Registered office	Class of shares	Number held	Proportion of class held	Capital and reserves	Profit for the year
Driver Require Group Limited	SG1 4QX	Ordinary	52,000	33.1%	£0.4m	*
Enthuse Holdings Limited	TN8 6HF	Ordinary	55,134	30.3%	£0.7m	£1.0m
Life's Kitchen Ltd	PE29 3LJ	Ordinary	13	50.0%	£446	*
		Ordinary 'D'	70	27.8%		
		Preference	65,000	50.0%		
Livvakt Limited	HP16 9HR	Ordinary	800	44.4%	£0.1m	*
Locale Enterprises Limited	SE1 7GP	Ordinary	7,272	49.3%	£2.0m	*
Triaster Limited	OX10 9RB	Ordinary	6,815	31.3%	£0.1m	*

* Profit figures not publicly available.

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 2019 are as follows:

	Country of registration	Nature of Business	Turnover £'000	Retained profit £'000	Net assets £'000
Chrysalis VCT Management Limited	England and Wales	Investment Manager	345	-	-

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.

The registered office of Chrysalis VCT Management Limited is 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. Chrysalis VCT Management Limited is a private company incorporated in England and Wales with the Company Registration Number **05192796**.

10. Debtors

	2019 £'000	2018 £'000
Taxation	-	9
Prepayments and accrued income	46	93
	<u>46</u>	<u>102</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

11. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Other taxes and social security	12	6
Other creditors	10	68
Accruals and deferred income	47	44
	<u>69</u>	<u>118</u>

12. Share capital

	2019	2018
	£'000	£'000
Issued, allotted, called up and fully paid:		
28,472,025 (2018: 29,044,025) Ordinary Shares of 1p each	<u>284</u>	<u>290</u>

During the year the Company purchase 572,000 Shares for cancellation for an aggregate consideration of £336,000, equating to an average price of 58.5p per share (approximately equal to a 15% discount to the most recently published NAV at the time of purchase) and representing 2.0% of the issued share capital in issue at 1 November 2018.

Management of capital

The Company's capital is managed in accordance with its investment policy, as shown in the Strategic Report on pages 13 and 14, in pursuit of its principal investment objectives as stated on page 12. The Company has the authority to buy back shares as described in the Corporate Governance Statement on page 21.

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 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 80% (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.

13. Reserves

Distributable reserves are calculated as follows:

	2019	2018
	£'000	£'000
Merger reserve – distributable element	275	275
Special reserve	-	406
Capital reserve – realised	10,113	12,222
Revenue reserve	549	522
Unrealised losses (excluding unrealised unquoted gains)	(838)	(147)
	<u>10,099</u>	<u>13,278</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

13. Reserves (continued)

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own Shares.

Share premium account

This reserve accounts for the difference between the price paid for Shares and the nominal value of the Shares, less issue costs and transfers to the other distributable reserves.

Merger reserve

This reserve accounts for the premium arising on the issue of the Shares to acquire Chrysalis A VCT plc, Chrysalis B VCT plc and Chrysalis C VCT plc in 2005.

Special reserve

The Special reserve accounts for the balance of cancelled share premium, as well as the realised capital losses arising on disposals and impairments of investments. 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 capital distributions.

Capital reserve - realised

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the accounting policies; and
- dividends paid to equity holders.

Capital reserve – unrealised

Increases and decreases in the valuation of investments held at the year end against cost are included in this reserve.

Revenue reserve

This reserve accounts for movements from the revenue column of the Income statement, the payment of dividends and other non-capital realised movements.

14. Basic and diluted net asset value per Ordinary Share

	Shares in issue		2019 Net asset value		2018 Net asset value	
	2019	2018	Pence per share	£'000	Pence per share	£'000
Ordinary Shares	<u>28,472,025</u>	<u>29,044,025</u>	<u>67.0</u>	<u>19,081</u>	<u>73.4</u>	<u>21,327</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 the basic and diluted value per share.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

15. 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.

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:

- Market 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.

Markets 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 Investment 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 Investment 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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

15. Financial instruments (continued)

Investment price risk

Investment 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.

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 20% movement in the valuation of these assets, which is considered to be a reasonable annual movement given the fluctuations in the AIM indices, would have the following effect on the Company:

	Risk exposure at 31 October 2019		Risk exposure at 31 October 2018	
AIM stocks (£'000)	<u>900</u>		<u>824</u>	
Movement in valuation of AIM stocks	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV Pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence
20% increase to 1,080 (2018: 989)	<u>180</u>	<u>0.6p</u>	<u>165</u>	<u>0.6p</u>
20% decrease to 720 (2018: 659)	<u>(180)</u>	<u>(0.6p)</u>	<u>(165)</u>	<u>(0.6p)</u>

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 20%. 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 20% movement in valuation on the unquoted shares' portfolio would have the following effect on the Company:

	Risk exposure at 31 October 2019		Risk exposure at 31 October 2018	
Unquoted shares (£'000)	<u>7,153</u>		<u>6,754</u>	
Movement in valuation of unquoted investments	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence
20% increase to 8,583 (2018: 8,105)	<u>1,430</u>	<u>5.0p</u>	<u>1,351</u>	<u>4.7p</u>
20% decrease to 5,723 (2018: 5,403)	<u>(1,430)</u>	<u>(5.0p)</u>	<u>(1,351)</u>	<u>(4.7p)</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

15. Financial instruments (continued)

Investment price risk (continued)

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 1.0% movement in the interest rate is regarded as an appropriate sensitivity, the impact of which is as follows:

		Risk exposure at 31 October 2019		Risk exposure at 31 October 2018	
Fixed interest securities (£'000)		-		1,428	
Movement in valuation of fixed interest securities arising from a 1.0% movement in the interest rate	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence	
Interest rate falls by 1.0%:					
Valuation increases to nil (2018: 1,451)	-	-	23	0.1p	
Interest rate rises by 1.0%:					
Valuation decreases to nil (2018: 1,451)	-	-	(23)	(0.1p)	

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 the 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	2019 £'000	2018 £'000
Fixed rate	5.4%	513 days	8,574	10,002
Floating rate	0.8%		2,478	3,763
No interest rate			8,029	7,562
			<u>19,081</u>	<u>21,327</u>

The Company monitors the level of income received from fixed and floating 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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

15. Financial instruments (continued)

Loan Stock

The Company has exposure to variations in the price of its fixed rate loan stock investments. Any potential change in the base rate, at the current level, would have an impact on the valuation of its fixed rate loan stock investments. The loan stock is held by the Company until maturity. A 0.75% per annum decrease, or a 1.0% per annum increase in the base rate is regarded as an appropriate sensitivity, the impact of which is as follows:

		Risk exposure at 31 October 2019		Risk exposure at 31 October 2018
Fixed interest securities (£'000)		<u>8,574</u>		<u>8,574</u>
Movement in valuation of fixed interest securities arising from a 1.0% movement in the interest rate	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence	Estimated impact on NAV/Total Return £'000	Estimated impact on NAV pence
Interest rate falls by 0.75%: Valuation increases to £8.7m (2018: £8.8m)	<u>155</u>	<u>0.5</u>	<u>219</u>	<u>0.8</u>
Interest rate rises by 1.0%: Valuation decreases to £8.4m (2018: £8.3m)	<u>(207)</u>	<u>(0.7)</u>	<u>(292)</u>	<u>(1.0)</u>

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.

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

	2019 £'000	2018 £'000
Fair value through profit or loss assets		
Investments in fixed income securities	-	1,428
Investments in loan stocks	8,574	8,574
Loans and receivables		
Cash and cash equivalents	2,477	3,763
Interest and other receivables	<u>37</u>	<u>81</u>
	<u>11,088</u>	<u>13,846</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 with 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. 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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 October 2019

15. Financial instruments (continued)

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 (2019: £69,000, 2018: £118,000) 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.

The carrying value of loan stock investments held at fair value through the profit and loss account at 31 October 2019 as analysed by expected maturity date is as follows:

As at 31 October 2019	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	1,930	-	850	5,144	-	7,924
Past due loan stock	-	-	-	-	650	650
	1,930	-	850	5,144	650	8,574

As at 31 October 2018	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	4,674	1,838	1,212	850	-	8,574
Past due loan stock	-	-	-	-	-	-
	4,674	1,838	1,212	850	-	8,574

As at 31 October 2019, of the loan stock classified as "past due", £650,000 relates to the principal of loan stock where the principal had passed its maturity date and is less than one year "past due". Notwithstanding that the principal had passed its maturity date, the Directors did not consider that the loan note itself had been impaired. As at 31 October 2018 no loan stock balances were classified as "past due".

Financial liabilities

The Company has no financial liabilities or guarantees other than the creditors disclosed within the Balance Sheet (2018: none).

Currency exposure

As at 31 October 2019, the Company had no foreign currency exposures (2018: none).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 October 2019 (2018: none).

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 October 2019

16. 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, £345,000 (2018: £389,000) was payable to Chrysalis VCT Management Limited in respect of these fees. At the balance sheet date £nil (2018: £nil) of prepaid fees were included in debtors.

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 £43 (2018: £54,000) were due to Chrysalis VCT Management Limited. At the year-end, £nil (2018: £nil) was outstanding and payable.

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 9.

17. 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' 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.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 are shown on the next page).

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 "Share Portal".

COMPANY INFORMATION

Directors

Martin Knight (Chairman)
Julie Baddeley
Robert Jeens
all of
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

Company number

04095791

Secretary and registered office

Grant Whitehouse
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD
Tel No: 020 7416 7780

Investment management

Chrysalis VCT Management Limited
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD
www.chrysalisvct.co.uk

Administration manager

Downing LLP
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD
Tel No: 020 7416 7780
www.downing.co.uk

Fixed Interest Securities custodian

Killik & Co LLP
46 Grosvenor Street
London W1K 3HN

Auditor

BDO LLP
150 Aldersgate Street
London EC1A 4AB

VCT status adviser

Philip Hare & Associates LLP
Suite C- First Floor
4-6 Staple Inn
London WC1V 7QH

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel No: 0871 664 0324
(calls cost 12p per minute plus network extras
lines open Mon-Fri from 9:00am to 5:30pm)
www.linkassetsservices.com

Bankers

Royal Bank of Scotland plc
119/121 Victoria Street
London SW1E 6RA

Bank of Scotland plc
33 Old Broad Street
London BX2 1LB

Corporate broker and share buybacks contact

Nplus1 Singer Capital Markets Limited
One Bartholomew Lane
London EC2N 2AX
Tel No: 0207 496 3032
www.n1singer.com

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 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD at 11:30 a.m. on 13 February 2020, 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 Report of the Directors and Accounts of the Company for the year ended 31 October 2019, together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 3.25p per Ordinary Share.
4. To reappoint 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, Martin Knight, who retires and, being eligible, offers himself for re-election.
6. To re-elect as Director, Julie Baddeley, who retires and, being eligible, offers herself for re-election.

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

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 4,242,332 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

13 December 2019

Registered Office:
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

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) on the following page. 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, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD 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, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. 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 11:30 a.m. on 11 February 2020 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 11:30 a.m. on 11 February 2020 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 9:00 a.m. on 13 December 2019, the Company's issued share capital comprised 28,472,025 Ordinary Shares and the total number of voting rights in the Company was 28,472,025. The website referred to above will include information on the number of shares and voting rights.

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

- (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 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD at 11:30 a.m. on 13 February 2020.

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 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD on 13 February 2020 or at any adjournment thereof.

I/We* desire to vote on the Resolutions as indicated in the appropriate columns 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 Report of the Directors 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 reappoint 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 Martin Knight as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Julie Baddeley 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 of

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 Shareholder approval of the Directors’ Remuneration Report as set out on pages 18 to 20. 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, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD 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.

