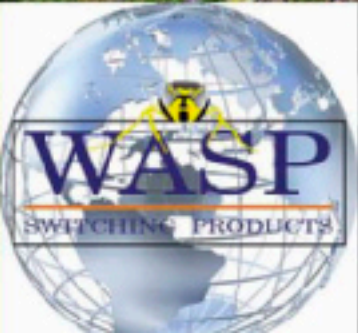




Chrysalis VCT plc

*Report & Accounts
for the year ended
31 October 2010*





Chrysalis VCT plc is pleased to announce the appointment of Singer Capital Markets Limited as Corporate Broker to the Company.

Shareholders, or Intermediaries, wishing to discuss the sale or purchase of Chrysalis VCT plc shares should contact either:

Michael Bellamy 0203 205 7517

or

Tony Tak 0203 205 7508

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

Front cover pictures - a selection of Chrysalis VCT investments. They are in clockwise order:

VEEMEE Limited, British International Holdings Limited, Ensign Communications Holdings Limited, Locale Enterprises Limited, Precision Dental Laboratories Limited, Escape Studios Limited, Wessex Advanced Switching Products Limited and Rhino Sport and Leisure Limited.

CONTENTS

	Page
Financial highlights	1
Investment objectives and Directors	2
Chairman’s statement	3
Investment management report	5
Review of investments	6
Report of the Directors	12
Directors’ remuneration report	17
Corporate governance	19
Independent Auditors’ report	22
Income statement	23
Reconciliation of movements in Shareholders’ funds	23
Balance sheet	24
Cash flow statement	25
Notes to the accounts	26
Shareholder information	40
Company information	41
Notice of the Annual General Meeting	42

FINANCIAL HIGHLIGHTS

	2010 pence	2009 pence
Ordinary Shares		
Net asset value per share ("NAV")	<u>83.00</u>	<u>82.90</u>
Cumulative dividends paid since launch	<u>28.45</u>	<u>24.95</u>
Total return (Net asset value per share plus cumulative dividends)	<u>111.45</u>	<u>107.85</u>
Mid Market share price at year end	<u>50.00</u>	<u>55.00</u>
Dividends in respect of financial year		
First interim dividend per share	1.50	2.00
Final proposed dividend per share	<u>1.50</u>	<u>2.00</u>
	<u>3.00</u>	<u>4.00</u>

Dividend history

The table below shows the dividends paid by the Company since inception to 31 October 2010:

Ordinary Shares

Year end (including interim dividends)	Gross Pence per share	Year end (including interim dividends)	Gross Pence per share
2001	1.20	2006	3.00
2002	1.75	2007	3.50
2003	1.00	2008	6.00
2004	1.50	2009	4.00
2005	5.00	2010 Interim	1.50
		Cumulative dividends paid to date	28.45
		2010 Final (proposed - payable 31 March 2011)	1.50

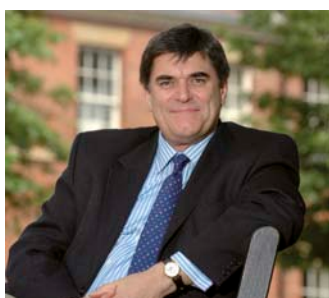
INVESTMENT OBJECTIVES

The Company's principal investment objectives are to:

- achieve long term capital growth and generate income for its Shareholders principally from private equity and AIM investments; and
- maintain its VCT status.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on pages 12 and 13.

DIRECTORS



Peter Harkness (Chairman) is a serial entrepreneur who has significant experience working closely with institutional investors. He is chairman of the specialist publishing group My Hobby Store and a non-executive director of Progressive Digital Media Group PLC. He has been involved in a number of successful deals within the media sector over more than 20 years, particularly in association with 3i plc. He holds directorships of several private publishing and information companies. He has been a Director of Chrysalis VCT plc since April 2005 and Chairman since September 2008.



Julie Baddeley is a non-executive director of Greggs plc. She was a director of Camelot Group plc and Spice plc both of which were sold during 2010 to private equity groups. She has been a director of the BOC Group, the Yorkshire Building Society and executive director of the Woolwich where she was responsible for e-commerce and information technology. Earlier in her career she was partner in charge of a substantial part of Accenture's change management practice in Europe and was managing director of Sema Group plc's consulting group in the UK. She has been a Director of Chrysalis VCT plc since October 2000.



Martin Knight was until 31 December 2010 the Chief Operating Officer of Imperial College. He is chairman of Imperial Innovations Group plc, the AIM-quoted technology transfer company that was majority owned by Imperial College and has more than 75 investee companies in its portfolio. 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 was appointed as a Governor of Imperial College in 1997, becoming chairman of the Finance and Investments Committee in 2001. He became Chief Finance Officer in 2004 and the Chief Operating Officer from 2006 until 2010. He has been a Director of Chrysalis VCT plc since October 2008.

CHAIRMAN'S STATEMENT

I am pleased to present the Report and Accounts for the year ended 31 October 2010. While the UK's economic climate remained difficult throughout the year and good investments have been hard to find, on the whole this has been a successful period for your company.

Subject to approval at the forthcoming Annual General Meeting ("AGM"), Shareholders will have enjoyed dividend income of 3p per share for the period and still the net asset value per share has continued to rise. The Board believes this is a commendable result, particularly as individuals pay no tax on the dividend payments. With a rising Net Asset Value ("NAV") and an effective tax-free yield of 3.6%, we feel our policy of self-management is fully justified. We keep the costs of investment and portfolio management low and we have an active approach to monitoring each portfolio asset, ensuring that opportunities for exit or for further growth are fully explored.

New investments are not coming forward in anything like the numbers they previously were, but the Company has used the networking skills of its executive and non-executives to maximise the opportunities we see. All the investments completed, or due for completion, have been sourced in this way and I believe Shareholders have benefited considerably as a consequence – not just from the opportunities themselves but because no fees have been paid for introductions internally or externally.

Once again I believe Shareholders are well served by the investment policies set by the Board and by the diligence and expertise of the investment team, led by Chris Kay.

Net Asset Value

At 31 October 2010, the NAV per Ordinary Share was 83.0p, an increase of 3.6p or 4.3% over the year (after adjusting for the dividends totalling 3.5p per share paid during the year).

The Total Return (NAV plus cumulative dividends paid since launch) to Ordinary Shareholders since the Company's launch (when it was known as Downing Classic VCT 3 plc) now stands at 111.45p per Ordinary Share compared to an original investment (net of income tax relief) of 80p per Ordinary Share.

Venture capital investments

The Board continues to be satisfied with our policy of being a self-managed Venture Capital Trust ("VCT"). We believe that Shareholders gain both from low operating costs and from the additional flexibility and greater involvement in the investee companies, which our dedicated investment team provides.

At the year end, the Company held a portfolio of 29 investments, valued at £16.8 million.

Further commentary on the portfolio, together with a schedule of the additions, disposals and details of the highest value investments can be found within the Investment Management Report and Review of Investments on pages 6 to 11.

Listed fixed income securities

The Company continues to hold a portfolio of fixed income securities, which was valued at £3.8 million at the year end and comprised almost entirely gilt-edged securities. The portfolio has been carefully monitored and we have reduced it in size since 2009, partly to fund acquisitions in the Venture Capital investment portfolio. £2 million has also been transferred to a fixed rate deposit bank account (shown as a current investment), which matures in 2012.

Results and dividends

The return on activities after taxation for the year was £1,034,000 (2009: £47,000), comprising a revenue return of £230,000 and a capital return of £804,000.

Dividends paid in respect of the year ended 31 October 2010 were as follows:

	Pence	£'000
	per share	
<i>Interim dividend</i>		
Ordinary Share - 30 July 2010	1.5	465

Subject to Shareholder approval at the forthcoming AGM, and in line with our announced dividend policy, your Board is proposing to pay a final dividend of 1.5p per share on 31 March 2011 to Shareholders on the register at 25 February 2011.

Following payment of this dividend, Shareholders who invested in the Company at the outset, will have received dividends totalling 29.95p per Ordinary Share.

CHAIRMAN'S STATEMENT (continued)

Share buybacks

The Company has continued a limited programme of share buybacks, recognising that some Shareholders require liquidity due to unplanned events, but we believe that the prime duty of the Board is to develop the net worth of the company on behalf of Shareholders who remain committed to us.

Our policy is that share buybacks are only made if they represent good investment value to the Company (and therefore the remaining Shareholders) and we always buy at a discount to NAV. In the period under review we have bought at a discount of 25% but have always made it clear that any discount level - and funds available for buybacks - can be varied by the Board from time to time.

During the year the Company repurchased 272,000 Ordinary Shares of 1p each for an aggregate consideration of £167,000 being an average price of 61.1p per Ordinary Share of 1p each and representing 0.9% of the issued Ordinary Share capital held at 1 November 2009. These shares were subsequently cancelled and at the year end the Company had 30,903,509 Ordinary Shares in issue.

Some sellers have been unhappy because they have not received the same price from market makers as that which has been paid by the Company. As shares cannot be sold directly to the Company we have had no influence over the "spread" applied by intermediaries, but we note that some of the prices received by Shareholders have been significantly lower than we have subsequently paid for the shares.

In order that there should be as much clarity in the market as possible, at the end of October 2010, the Company appointed Singer Capital Markets Limited ("Singers") as its Corporate Broker. Following their appointment, the Board has decided it will no longer indicate an NAV discount percentage which will apply to any shares bought back for cancellation. When shares are offered to the company a decision will be made on a case-by-case basis whether to buy and at what price. The overriding criterion will be that the purchase represents good value to remaining Shareholders. We hope that this appointment will significantly reduce the spread on our shares.

Details of the relevant contacts at Singers appear elsewhere in the annual report and Shareholders should advise their own broker to contact Singers.

On 11 November 2010 the Company was offered, via Singers, 60,000 Ordinary 1p Shares each at 49.5p each and we accepted this transaction, in line with the Board's policy.

Trading in VCT shares as a sector is not significant, but we do believe that the dividend yield of Chrysalis VCT shares could make them a relevant purchase for certain individuals interested in our investment policy and who would benefit from the tax-free dividend payments. Secondary buyers enjoy the same dividend benefits as the original subscribers and Shareholders may wish to note that Directors of the Company have been buyers from time to time in the public market.

Annual General Meeting

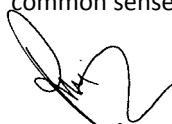
The forthcoming AGM will be held at 10 Lower Grosvenor Place, London, SW1W 0EN at 11:30 am on 23 March 2011. Notice of the meeting is at the end of this document.

One item of Special Business is proposed at the meeting which is to renew the authority to allow the Company to make market purchases of the Company's shares.

Outlook

There seem to be mixed views on the prospects for UK commerce in 2011 and beyond. Feedback from our investee companies and from the sectors we follow most closely is not pessimistic, but there is certainly an air of caution – and we must take heed of that. Your Board's focus is on utilising our available resources to make fresh investments and to help existing investee companies develop new opportunities. Alongside this we intend to make returns to Shareholders by way of at least a 3p annual dividend. We have both the reserves and the cash to make this payment in the coming year. As Chris Kay explains in his Manager's report, on page 5, following the year end we have already made two new investments and realised a substantial cash sum from an exit. So far, so good!

As a self-managed Fund there is substantially more reliance on the non-executive Board than would be typical elsewhere and I would like to place on record my appreciation of the work of my two Board colleagues, Julie Baddeley and Martin Knight, for their counsel, support and all-round common sense, which have again been invaluable.



Peter Harkness
Chairman

7 February 2011

INVESTMENT MANAGEMENT REPORT

It is pleasing to report that the total return for Shareholders exceeded £1 million for the year largely due to increased profitability of our portfolio.

In investment terms it was a reasonably quiet year with total investments of £1.6 million being neatly matched by sale proceeds of an almost identical amount. Two new companies were added to the portfolio, VEEMEE and Autocue.

VEEMEE is an early stage company specialising in casual gaming applications and the exploitation of brands in the digital media. We have backed a team with excellent connections in its sector and are hopeful of repeating progress in future years.

Autocue manufactures its world renowned eponymous products in the UK. We have taken a 15% stake.

Since the year end we have invested £750,000 in a secondary buy-out of My Hobby Store, which is a publisher of niche hobby magazines, and £1 million in Knowledge Pool Group Limited, a training outsourcer.

We have, however, missed out on a number of investment opportunities where trade bidders have paid considerably more than we were prepared to. This reflects both our desire not to overpay and also our belief that 2011 is likely to be a tough year with public sector cuts and increased taxation.

During the year we finally exited from Glisten plc which was taken over at 140p a share. Over the years Chrysalis made a profit of £443,000 from Glisten out of an original £225,000 investment i.e. a 173% gain.

The most significant portfolio exit actually took place after the year end when we sold our investment in Centre Design Limited for £1.4 million being a small profit over the original cost; however, in addition Centre Design Limited also paid £750,000 of loan note interest during the period that it was held.

We also helped to finance a secondary buy-out at Ensign which took place due to the desire of some original EIS investors to realise their investment. We considered that the exit price was not attractive and, therefore, effectively rolled-over our investment. The net effect is that we now have an increased equity stake (39.3% up from 25.0%) without further investment and had over half our original loan repaid and fully expect the balance to be repaid during this year.

Overall the trading performance of the overwhelming majority of our existing portfolio has held up well. However, during the year two companies went into administration, CPI Acquisitions and Optima Data Intelligence. We have recovered slightly more than our valuation from CPI Acquisitions and Optima Data Intelligence was fully provided for last year.

We are particularly pleased with the trading at British International Holdings, which provides helicopter services, where operating profits have increased three-fold this year and at Ensign where operating profits are up over 30% for the third year running.

We have only a very small AIM portfolio of £655,000 and 82% of that is in one company, namely The Capital Pub Company Plc where, thanks to improved trading, the share price has risen from 70p to 107p in the year and risen further since the year end.

Looking forward to this financial year, we have three opportunities with a total investment of £2.4 million which should complete over the next few months, but that still leaves sufficient cash for further investment in both our existing portfolio and new companies.

We are not anticipating any significant exits during the year but attractive offers such as the one for Centre Design Limited can come at any time especially if the economy continues to recover.

Chrysalis VCT Management Limited

7 February 2011

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments, all of which are incorporated in England and Wales, were held at 31 October 2010:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Ten largest venture capital investments (by value)				
Wessex Advanced Switching Products Limited	704	3,123	(303)	12.9%
Precision Dental Laboratories Limited	2,110	2,161	(14)	9.0%
Locale Enterprises Limited	1,500	2,155	135	8.9%
British International Holdings Limited	908	1,719	692	7.1%
Ensign Communication Holdings Limited	522	1,656	1,134	6.9%
Centre Design Limited	1,350	1,386	(187)	5.8%
Escape Studio Limited	750	990	240	4.1%
London Italian Restaurants Limited	1,000	875	(125)	3.6%
Triaster Limited	758	686	(143)	2.9%
The Capital Pub Company plc *	505	540	187	2.2%
	<u>10,107</u>	<u>15,291</u>	<u>1,616</u>	<u>63.4%</u>
Other venture capital investments				
VEEMEE Limited	350	350	-	1.5%
G-Crypt Limited	305	305	(23)	1.3%
Life's Kitchen Limited	300	300	100	1.2%
Autocue Group Limited	300	300	-	1.2%
Rhino Sport & Leisure Limited	166	74	(75)	0.3%
Global3 Digital Limited	67	67	-	0.3%
ILX Group plc *	100	31	(6)	0.1%
YouGov plc *	20	31	(7)	0.1%
Best of the Best plc *	98	29	(25)	0.1%
Cashfac Initiatives Limited	-	26	5	0.1%
BreakingViews Limited	-	18	18	0.1%
The Kellan Group plc *	320	12	(8)	0.1%
The Mission Marketing Group plc *	150	12	(28)	-
Art VPS Limited	358	-	-	-
CPI Acquisitions UK Limited	400	-	-	-
IX Group Limited	250	-	-	-
Kids Safteynet Limited	637	-	-	-
Planet Sport Holdings Limited	263	-	(225)	-
Real Time Logistic Solutions Limited (formerly Y88 Product Developments Limited)	55	-	-	-
	<u>4,139</u>	<u>1,555</u>	<u>(274)</u>	<u>6.4%</u>
Listed fixed income securities				
United Kingdom 2¼% Gilt 07/03/2014	1,827	1,911	87	7.9%
United Kingdom 2¾% Gilt 22/01/2015	1,032	1,029	(3)	4.3%
United Kingdom 4½% Bond 07/03/2013	878	876	(2)	3.6%
	<u>3,737</u>	<u>3,816</u>	<u>82</u>	<u>15.8%</u>
	<u>17,983</u>	<u>20,662</u>	<u>1,424</u>	<u>85.6%</u>
Cash at bank and in hand		1,463		6.1%
Royal Bank of Scotland plc 3.41% 2012 deposit		2,000		8.3%
Total investments		<u>24,125</u>		<u>100.0%</u>

All investments are unquoted unless otherwise stated.

* Quoted on AIM

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 October 2010

Additions

	Total £'000
New investments	
Autocue Limited	300
VEEMEE Limited	350
Follow on investments	
British International Holdings Limited	158
G-Crypt Holdings Limited	96
Life's Kitchen Limited	135
Restructuring	
Ensign Communications Holdings Limited	567
 Total venture capital investment additions	 <u>1,606</u>
 Listed fixed income securities	
United Kingdom 4½% Bond 07/03/2013	1,639
United Kingdom 2¼% Gilt 07/03/2014	802
United Kingdom 2¾% Gilt 22/01/2015	1,636
	<u>4,077</u>
 Total investments	 <u>5,683</u>

Disposals

	Cost	MV at 31/10/09*	Proceeds	Profit/ (loss) vs cost	Realised gain/ (loss)
	£'000	£'000	£'000	£'000	£'000
<i>Venture Capital disposals</i>					
Breaking Views Limited	-	141	159	159	18
CPI Acquisitions UK Limited	68	68	75	7	7
Component Source Inc	-	-	4	4	4
Ensign Communications Limited **	500	1,282	792	292	(490)
Ensign Communications Holdings Limited	45	45	45	-	-
Glisten plc	149	136	260	111	124
Heath and Green Pub Company Limited	30	-	-	(30)	-
Optima Data Intelligence Limited	651	-	-	(651)	-
Real Time Logistic Solutions Limited	270	270	270	-	-
 <i>Liquidation proceeds</i>	 -	 -	 2	 2	 2
	<u>1,713</u>	<u>1,942</u>	<u>1,607</u>	<u>(106)</u>	<u>(335)</u>
 <i>Listed fixed income securities</i>					
Smith & Williamson Cash Trust	57	56	56	(1)	-
United Kingdom 4¼% Gilt 07/03/2011	1,883	1,986	1,927	44	(59)
United Kingdom 3¼% Gilt 07/12/2011	1,293	1,289	1,280	(13)	(9)
United Kingdom 5¼% Gilt 2012	1,477	1,553	1,552	75	(1)
United Kingdom 8%Gilt 2013	1,163	1,184	1,181	18	(3)
United Kingdom 4½% Bond 07/03/2013	761	761	758	(3)	(3)
United Kingdom Gilt 2¼% 07/03/2014	1,488	1,486	1,553	65	67
United Kingdom 2¾% Gilt 22/01/2015	604	604	600	(4)	(4)
	<u>8,726</u>	<u>8,919</u>	<u>8,907</u>	<u>181</u>	<u>(12)</u>
 Total	 <u>10,439</u>	 <u>10,861</u>	 <u>10,514</u>	 <u>75</u>	 <u>(347)</u>

* Adjusted for purchases in the year

** Proceeds include £292,000 of re-invested equity into Ensign Communications Holdings Limited

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments (by value) follow:

Wessex Advanced Switching
Products Limited



www.waspswitches.co.uk

Cost:	£704,000	Valuation at 31/10/10:	£3,123,000
Investment comprises:		Valuation at 31/10/09:	£3,426,000
Equity Shares:	£704,000	Valuation method:	Earnings multiple
Audited accounts:	31/12/09 31/12/08	Dividend income:	£57,000
Turnover:	£7.8m £9.4m	Proportion of equity held:	28.3%
Profit before tax:	£1.4m £2.0m	Diluted equity:	28.3%
Net assets:	£3.0m £2.7 m		

Wessex Advanced Switching Products manufactures a range of rotary switches for military communications systems, membrane switches and touch screens for electronic control panels. It also designs and manufactures a range of passenger control units for the aerospace industry. The company has continued to grow turnover and profits. After an exceptional year for rotary switches in 2008, the performance in 2009 returned to a more normal level. Cash generation has continued to be good which has enabled the company to pay dividends. The company is ungeared. During the year, Chrysalis received dividends of £57,000.

Precision Dental Laboratories Group
Limited



www.precisiondentalstudio.co.uk

Cost:	£2,110,000	Valuation at 31/10/10:	£2,161,000
Investment comprises:		Valuation at 31/10/09:	£2,175,000
Equity Shares:	£1,110,000	Valuation method:	Earnings multiple
5.0% Loan Note:	£1,000,000		
Audited accounts:	30/09/09 30/09/08	Dividend income:	£Nil
Turnover:	£4.6m £5.5m	Loan note income:	£50,000
Profit before tax:	£0.3m £0.7m	Proportion of equity held:	37.0%
Net assets:	£1.1m £1.0m	Diluted equity:	36.5%

Precision Dental is one of the UK's leading dental laboratory groups, manufacturing a full range of dental products such as crowns, bridges and replacement teeth. The company has suffered during the downturn with customers delaying non-essential dental work but it has remained profitable and continues to generate cash. The prospects for 2011 are more encouraging.

Locale Enterprises Limited




www.localerestaurants.com

Cost:	£1,500,000	Valuation at 31/10/10:	£2,155,000
Investment comprises:		Valuation at 31/10/09:	£2,020,000
Equity Shares:	£100,000	Valuation method:	Earnings multiple
5.85% Loan Note:	£750,000		
6.50% Loan Note:	£650,000		
Audited accounts:	31/05/09 31/05/08	Dividend income:	£Nil
Turnover:	£3.2m £3.0m	Loan note income:	£86,000
(Loss)/profit before tax:	(£0.1m) (£0.1m)	Proportion of equity held:	22.9%
Net assets:	£0.8m £0.3m	Diluted equity:	20.0%


Locale operates four Italian restaurants at County Hall, Fulham, Blackheath and Dulwich (acquired during the year). Sales continue to grow and in February 2009 it attracted a £540,000 all equity institutional investment to fund further sites. Sales for the year to 31/05/10 were up 25% and further increases are forecast this year. Locale pays £86,000 annual interest to Chrysalis but still made a pre-tax profit last year.

REVIEW OF INVESTMENTS (continued)

British International 	British International Holdings Limited	Cost:	£908,000	Valuation at 31/10/10:	£1,719,000	
		Investment comprises:		Valuation at 31/10/09:	£869,000	
		Equity Shares:	£170,000	Valuation method:	Earnings multiple	
		9.0% Loan Note:	£580,000			
		12.0% Loan Note:	£158,000			
		Audited accounts:	31/12/09	31/12/08	Dividend income:	£Nil
		Turnover:	£16m	£24m	Loan note income:	£11,000
		(Loss)/Profit before tax:	(£0.4m)	£0.4m	Proportion of equity held:	7.5%
		Net assets:	£3.0m	£3.3m	Diluted equity:	7.5%


British International provides helicopter services to a range of commercial and military clients. It also operates the UK's only scheduled public helicopter service between Penzance and the Isles of Scilly. The company has a long standing relationship with the Ministry of Defence providing helicopter support to the Falkland Island garrison and to the Royal Navy in Plymouth. 2009 was adversely affected by a low level of leasing activity. 2010 has seen activity levels increase, returning the company to profitability.

www.islesofscillyhelicopter.com

	Ensign Communications Holdings Limited	Cost:	£522,000	Valuation at 31/10/10:	£1,656,000
		Investment comprises:		Valuation at 31/10/09:	Not held
		Equity Shares:	£292,000	Valuation method:	Earnings multiple
		12.0% Loan Note:	£230,000		
		Audited accounts:	None yet published	Dividend income:	£Nil
		Turnover:	N/A	Loan note income:	£5,000
		Profit before tax:	N/A	Proportion of equity held:	39.3%
		Net assets:	N/A	Diluted equity:	39.3%

Ensign is a provider and integrator of wireless and conventional network solutions. In September 2010, a new company was established to facilitate the exit of a group of EIS shareholders. Chrysalis exchanged its shares in Ensign Communications Limited for shares in the new company, the original Chrysalis loan was repaid, including premium, realising £500,000. A new loan of £275,000 was advanced to the new company to facilitate the transaction, with the original equity stake being rolled into the new company at an effective price of £3.50 per share. £45,000 of that loan had been repaid by the year end. The net uplift, taking into account the effective loss on sale of the original holding and the uplift in the new investment, is £560,000.

www.ensign-net.co.uk

	Centre Design Limited	Cost:	£1,350,000	Valuation at 31/10/10:	£1,386,000	
		Investment comprises:		Valuation at 31/10/09:	£1,572,000	
		Equity Shares:	£145,000	Valuation method:	After date sale	
		10% Loan Note:	£1,205,000		proceeds	
		Audited accounts:	31/01/10	31/01/09	Dividend income:	£Nil
		Turnover:	£3.9m	£4.2m	Loan note income:	£Nil
		Profit/(loss) before tax:	£0.1m	(£0.2m)	Proportion of equity held:	40.0%
		Net assets:	£0.6m	£0.5m	Diluted equity:	45.0%

Centre Design is a market leader in the provision of Christmas displays to shopping centres in the United Kingdom. The Company's investment was sold for £1.4 million in December 2010.

www.centredesign.co.uk

REVIEW OF INVESTMENTS (continued)

Escape Studios Limited



Cost:	£750,000	Valuation at 31/10/10:	£990,000	
Investment comprises:		Valuation at 31/10/09:	£750,000	
Equity Shares:	£200,000	Valuation method:	Earnings multiple	
10.0% Loan Note:	£300,000			
6.0% Loan Note:	£250,000			
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£9.5m	£7.8m	Loan note income:	£45,000
Profit before tax:	£0.1m	£0.1m	Proportion of equity held:	20.1%
Net assets:	£0.8m	£0.6m	Diluted equity:	19.1%

www.escapestudios.co.uk

Escape is one of the leading computer graphics academies in Europe. It provides classroom and online learning courses for people seeking to enter the computer graphics industry. Escape also has a specialist recruitment agency and is a supplier of hardware and software to the computer graphics industry. As part of its international expansion, Escape will open its first academy in Los Angeles in the spring of 2011.

London Italian Restaurants Limited



Cost:	£1,000,000	Valuation at 31/10/10:	£875,000
Investment comprises:		Valuation at 31/10/09:	£1,000,000
Equity Shares:	£125,000	Valuation method:	Earnings multiple
8.5% Loan Note:	£875,000		
Audited accounts:	31/05/09	Dividend income:	£Nil
Turnover:	£0.8m	Loan note income:	£57,000
Loss before tax:	(£0.1m)	Proportion of equity held:	25.0%
Net liabilities:	(£0.1m)	Diluted equity:	25.0%

www.ferrarisrestaurants.co.uk

London Italian Restaurants is jointly funded by Chrysalis and Framlington Aim VCT 2. It acquired two Italian restaurants in December 2008 in Bromley and Balham and the management team are looking for additional targets but they are keen not to overpay. Unfortunately increased local competition has damaged margins and necessitated a reduction in valuation. However, since the year end one of the competitors in Bromley has been acquired at an attractive price and will be re-branded as a steak house. Therefore, prospects for this year are brighter.

Triaster Ltd.



Cost:	£758,000	Valuation at 31/10/10:	£686,000	
Investment comprises:		Valuation at 31/10/09:	£829,000	
Equity Shares:	£72,000	Valuation method:	Earnings multiple	
10.0% Loan Note:	£686,000			
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£0.9m	£1.4m	Loan note income:	£67,000
Profit before tax:	£0.1m	£0.1m	Proportion of equity held:	35.0%
Net liabilities:	(£0.6m)	(£0.5m)	Diluted equity:	31.7%

www.triaster.co.uk

Triaster is a developer of easy to use process-mapping software and has developed an add-on product to Microsoft Visio called Process navigator. It is a specialist market and dramatic sales growth is difficult but Triaster enjoys the benefit of significant maintenance income and repeat business. Unfortunately current trading has been behind budget and therefore there has been a reduction in value.

The Capital Pub Company plc

THE CAPITAL PUB COMPANY PLC

Cost:	£505,000	Valuation at 31/10/10:	£540,000	
Investment comprises:		Valuation at 31/10/09:	£353,000	
Equity Shares:	£505,000	Valuation method:	Bid price	
Audited accounts:	27/03/10	28/03/09	Dividend income:	£Nil
Turnover:	£22m	£20m	Proportion of equity held:	2.5%
(Loss)/profit before tax:	(£1.5 m)	£0.4m		
Net assets:	£31m	£30m		

www.capitalpubcompany.com

Capital Pubs owns and operates over 30 predominantly freehold pubs in London. The company floated on AIM in June 2007. Improved trading and more positive sentiment about the sector has seen the share price rise from 70p to 107p over the year and has risen further since the year end.

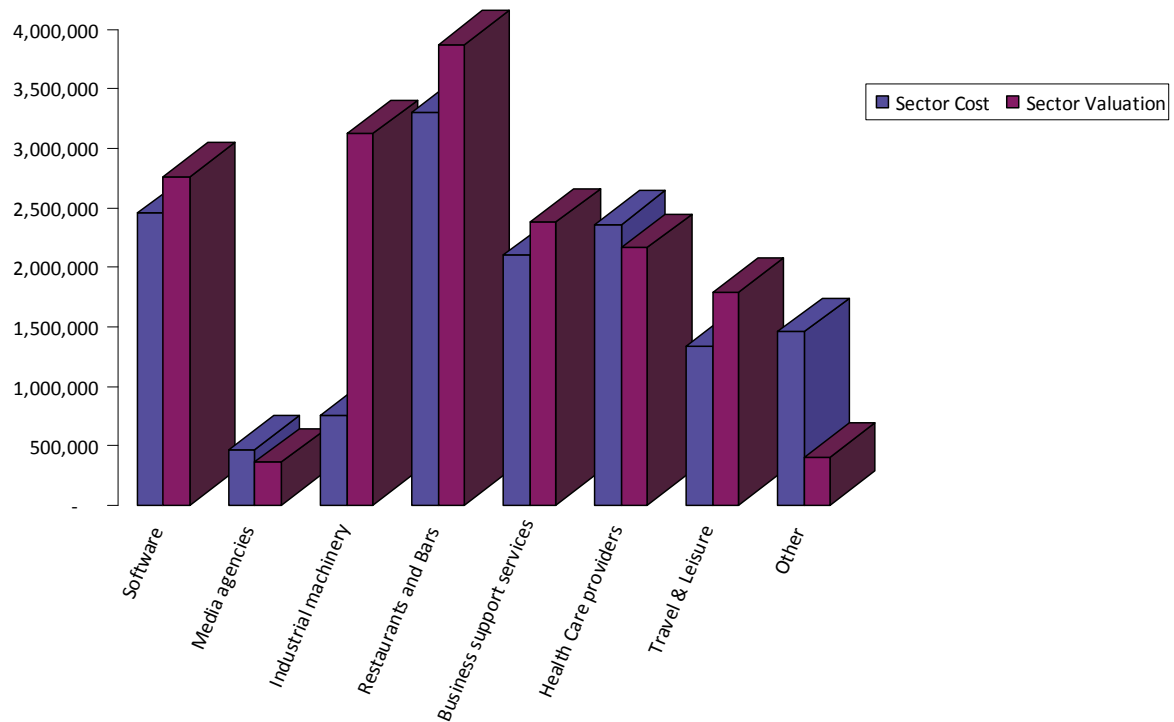
REVIEW OF INVESTMENTS (continued)

Note:

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

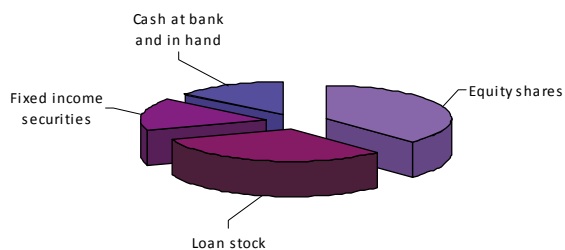
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 October 2010) is as follows:



Analysis of investments by nature of instrument

The following chart summarises the Company's investment portfolio by the nature of instrument held (by value at 31 October 2010) as follows:



Portfolio balance

At 31 October 2010, the Company assets employed were broadly in line with the targets within the investment policy. These are summarised as follows:

Type of Investment (by value, according to HMRC rules)	Actual	Target
VCT qualifying investments	80.0%	Minimum 70%
Other investments	12.3%	Maximum 30%
Cash at bank and in hand	7.6%	-
Total	100.0%	100%

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 31 October 2010.

Principal activity and status

The Directors initially obtained approval for the Company to act as a venture capital trust from HM Revenue & Customs and have continued to meet the standards set out by HM Revenue & Customs.

The Company revoked its status as an investment company on 3 September 2004 upon the payment of a capital distribution. The Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Part 6 of the Income Tax Act 2007.

Business review and developments

At the year end, there were net unrealised gains on the investment portfolio of £1.4 million. Losses of £347,000 arose from the disposal of assets.

Additionally, the total running costs of the Company exceeded revenue income arising from the portfolio investments by £43,000.

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.

Share capital

During the year the Company repurchased 272,000 Ordinary Shares of 1p each for an aggregate consideration of £167,000 being an average price of 61.1p per Ordinary Share of 1p each (approximately equal to a 25% discount to the most recently published NAV at the time of purchase) and representing 0.9% of the issued Ordinary Share capital held at 1 November 2009. These shares were subsequently cancelled.

The total number of Ordinary Shares of 1p each in issue at 31 October 2010 was 30,903,509. There are no other share classes in issue.

On 11 November 2010, the Company repurchased 60,000 Ordinary Shares of 1p each at 49.5p. These shares have subsequently been cancelled. The total number of Ordinary Shares in issue at the date of this report is, therefore, 30,843,509.

Results and dividends

	£'000	Pence per share
Return for the year	<u>1,034</u>	<u>3.3</u>
<i>Dividends paid in respect of year ended 31 Oct 2010</i>		
Ordinary Share	<u>465</u>	<u>1.5</u>
<i>Dividends paid in respect of year ended 31 Oct 2009</i>		
Ordinary Share	<u>622</u>	<u>2.0</u>

Subject to Shareholder approval, at the forthcoming AGM, your Board is proposing to pay a final dividend of 1.5p per share on 31 March 2011 to Shareholders on the register at 25 February 2011.

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 amounted to £8,000 (2009: £14,000).

Investment Policy

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

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

Venture Capital Investments

The Company holds a portfolio of Venture Capital Investments, predominantly comprising unquoted companies, but also including a proportion of investments in companies trading on AIM. Maximum exposure to such investments is 100%.

REPORT OF THE DIRECTORS (continued)

Investment Policy (continued)

Venture Capital Investments (continued)

The Company will hold over 70% of its investments in a portfolio of Qualifying Companies each of which, in the opinion of the Directors, have, or are expected to have:

- a strong management team and board;
- good opportunities for growth in value; and
- realistic prospects of achieving a stock market flotation or being sold within three to five years.

Fixed Income Securities

The Company holds a portfolio consisting of 'A' rated bonds issued by the UK Government, major companies and institutions with a minimum credit rating of A minus (Standard & Poor's rated) or A3 (Moody's rated) at the time of investment. Maximum exposure to such investments is 100%.

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital);
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;
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; and
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

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;
- 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;
- 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 profit and loss account.

At 31 October 2010, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £3.8 million. There are no plans to utilise this ability at the current time.

Environmental and social policy

As a VCT with all of its executive and administrative activities delegated to third parties, the Company does not have a policy on either environmental or social and community issues.

Investment Management fees

Chrysalis VCT Management Limited, the Company's wholly owned subsidiary, provides investment management services to the Company for a fee of 1.65% of net assets per annum. As the Group is self-managed there is no formal contract or notice period in place.

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.

REPORT OF THE DIRECTORS (continued)

Administration Management fees

Downing Management Services Limited ("Downing") provides administration services to the Company for a fee of 0.5% of gross proceeds raised, subject to a maximum of £60,000 per annum, increasing each year in line with RPI (plus VAT). With effect from 1 May 2010, the Company and Downing agreed a reduction in the fee to £55,000 per annum (plus VAT). Either the Company or Downing is entitled to serve upon the other 12 months' notice of termination.

Fixed interest investment management

Smith & Williamson Investment Management Limited provided investment management services to the Company in respect of fixed income securities for a fee of 0.15% per annum (plus VAT) of the amount invested in fixed income securities.

Trail commission

The Company has an agreement to pay trail commission annually to Downing Corporate Finance Limited in connection with the Company's original fundraising of Ordinary Shares. This is calculated at 0.25% of the Net Asset Value per share of the Company at each year end multiplied by 21,388,768, being the number of shares in issue on 29 January 2005, the day that the merger with the Chrysalis VCTs was announced.

Directors

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

31 October	2010 Ordinary Shares	2009 Ordinary Shares
Peter Harkness	74,462	14,462
Julie Baddeley	36,517	21,517
Martin Knight	65,652	25,652

Martin Knight retires at the forthcoming AGM and, being eligible, offers himself for re-election. The other Directors recognise that Martin continues to make a valuable contribution as a non-executive Director and remains committed to the role and therefore recommend that Shareholders vote for his re-election at the AGM.

Each of the Directors, with the exception of Martin Knight, entered into an agreement for services dated 30 January 2006, which is terminable on 12 months' notice by either side. Martin Knight has entered into an agreement for services dated 20 October 2008 which is terminable on 12 months' notice by either side. Each Director is required to

devote such time to the affairs of the Company as the Board reasonably requires and their powers are bound by the Company's Articles of Association. Appointments of new Directors to the Board are considered by all existing Directors as, and when, required.

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

VCT status

The Company retains PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with VCT requirements, including evaluation of investment opportunities, as appropriate and regular review of the portfolio.

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 13.

Compliance with the main VCT regulations as at 31 October 2010 and for the year then ended is summarised as follows:

- | | |
|---|----------|
| 1. 70% of its investments in qualifying companies | 80.0% |
| 2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" | 54.9% |
| 3. At least 10% of each investment in a qualifying company is held in "eligible shares" | Complied |
| 4. No investment constitutes more than 15% of the Company's portfolio; | Complied |
| 5. The Company's income for each financial year is derived wholly or mainly from shares and securities; | 91.0% |
| 6. For the year ended 31 October 2010, 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 |
| 7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year). | Complied |

REPORT OF THE DIRECTORS (continued)

Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. The Company did not have any trade creditors at the year end.

Key performance indicators

The main key performance indicators for the Company are the Venture Capital Trust Regulations as shown in the table above. The Investment and Administration Managers, together with PwC, review compliance with the regulations monthly, and the Board reviews the position at the quarterly Board meetings.

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its investment policy (as shown on pages 12 and 13). The Board believes the Company's key performance indicators, for comparison purposes against similar VCTs, are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 1).

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, market price, credit and liquidity risk, are summarised within note 19 of the financial statements.

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces a number of related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the UK Listing Authority Listing rules and the Companies Act, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board reviews and agrees policies for managing each of these risks. They receive quarterly reports from the Investment and Administration Managers ("the Managers"), which monitor the compliance of these risks, and place reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial period.

Substantial interests

As at 31 October 2010, and the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of the issued Ordinary Share capital.

Auditors

A resolution, to re-appoint PKF (UK) LLP as the Company's Auditor, will be proposed at the forthcoming AGM.

Annual General Meeting

The forthcoming AGM will be held at 10 Lower Grosvenor Place, London, SW1W 0EN at 11:30 am on 23 March 2011. The Notice of the AGM and Form of Proxy are at the end of this document.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, 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 Services 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 and 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 estimates that are reasonable and prudent;
- state whether applicable 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.

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

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

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and results of the Company; and
- the management report within the Report of the Directors, Chairman's Statement, Investment Manager's Report and the Review of Investments 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 the Investment Manager) and on www.downing.co.uk (maintained by the Administration Manager).

Corporate Governance

The Company's compliance with, and departures from, the Financial Reporting Council's Combined Code on Corporate Governance June 2008 (www.frc.org.uk), is shown on pages 19 to 21.

Statement as to disclosure of information to auditors

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 Auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

By order of the Board



Grant Whitehouse

Secretary of Chrysalis VCT plc
Company number: 4095791
Registered Office:
10 Lower Grosvenor Place
London SW1W 0EN

7 February 2011

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Section 420 of the Companies Act 2006. A resolution to approve this report will be put to the members at the AGM to be held on 23 March 2011.

Under the requirements of Section 497, the Company's Auditors are required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditors' Report on page 22.

Directors' remuneration policy

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- (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 £75,000 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. The provisions of this Article shall not apply to the remuneration of any Managing Director or Executive Director which shall be determined pursuant to the separate provisions within the Articles of Association.
- (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.
- (iii) The salary or remuneration of any Managing Director or such executive Director of the Company shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, or may include the making of

provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance benefits, or may be upon such other terms as the Directors determine.

Directors' remuneration, as shown in the following table, is set at a level designed to reflect the time commitment and the high level of responsibility borne by the non-executive Directors and should be broadly comparable with those paid by similar companies.

Agreement for Services

Each of the Directors, with the exception of Martin Knight, has entered into an agreement for services, dated 30 January 2006, which is terminable on 12 months' notice by either side. Martin Knight has entered into an agreement for services, dated 20 October 2008, which is terminable on 12 months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Directors' remuneration (audited)

Directors' remuneration for the Company and its subsidiary for the year under review were as follows:

	2010	2009
	Annual fee	Annual fee
	£	£
Peter Harkness	37,500	35,938
Julie Baddeley	18,750	18,750
Martin Knight	18,750	17,187
Robert Drummond	-	3,125
	75,000	75,000

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.

2010/2011 Remuneration

The remuneration level for the forthcoming year will be based on the 2010 annual fee as highlighted in the table above.

DIRECTORS' REMUNERATION REPORT (continued)

Performance graph

The following chart represents the Company's Ordinary Share price performance over the reporting periods since incorporation, and compares the Ordinary Share NAV Total Return of the Company (dividends reinvested) and Ordinary Share Price Total Return of the Company to the FTSE AIM All-Share Total Return Index. The FTSE AIM All-Share Total Return Index has been chosen as, although not a benchmark, the Board believes it is the most appropriate of the publicly available indices to compare the Company's performance against. The Index has been rebased to 100 at November 2000.

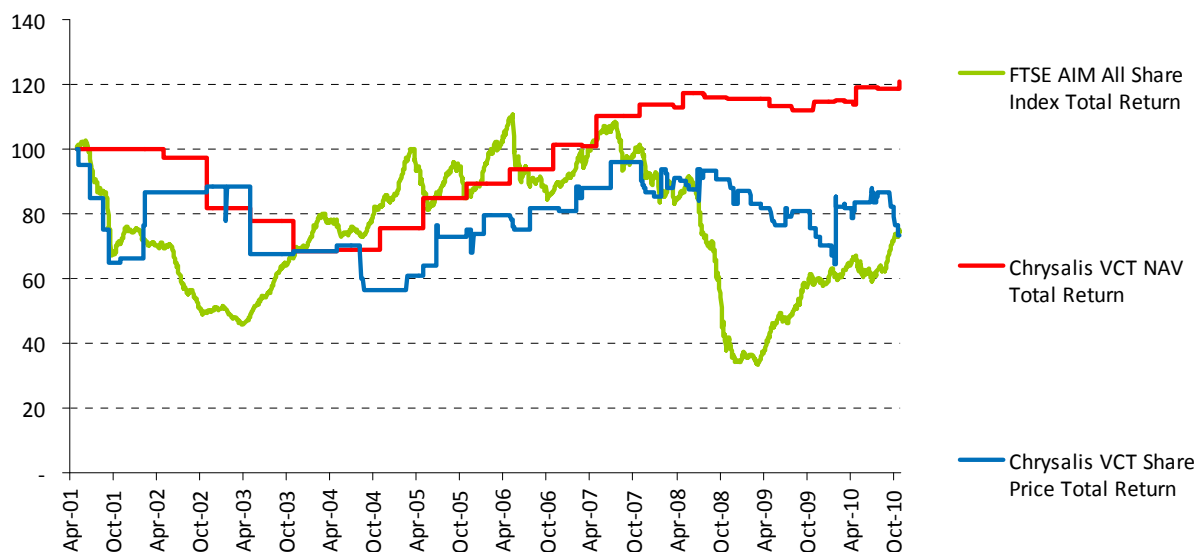
By order of the Board

G. Whitehouse

Grant Whitehouse

Secretary
10 Lower Grosvenor Place
London SW1W 0EN

7 February 2011



CORPORATE GOVERNANCE

The Directors support the relevant principles of the Combined Code being the principles of good governance and the code of best practice.

The Board

The Company has a Board comprising three non-executive Directors. The Chairman and senior director is Peter Harkness. The Company does not have a senior independent director. Biographical details of all Board members (including significant commitments of the chairman) are shown on page 2.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with the Combined Code, one Director was re-elected during the year. A further Director is offering himself for re-election by rotation at the next AGM.

Full Board meetings take place quarterly and additional meetings are held as required to address specific issues including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and it reviews, periodically, the terms of engagement of all third party advisers (including the Administration Manager). The Board has a formal schedule of matters specifically reserved for its decision.

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

Share capital

The Board has authority to make market purchases of the Company's own shares. This authority for up to 14.9% of the Company's issued share capital was granted at the last AGM. 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 12.

Committees to the Board

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

Board and committee meetings

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

	Board meetings (4 held)	Committee meetings		
		Audit (2 held)	Nom. Co (1 held)	Rem. Co (1 held)
Peter Harkness	4	2	1	1
Julie Baddeley	4	2	1	1
Martin Knight	4	2	1	1

Note: Nom. Co refers to Nomination Committee; Rem. Co refers to Remuneration Committee.

Audit committee

The Audit Committee is responsible for reviewing the half yearly and annual accounts before they are presented to the Board, the terms of appointment of the Auditors, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

Any non-audit services provided by the Auditors (e.g. provision of corporation tax services) are reviewed and approved by the Committee prior to being undertaken, to ensure that auditor objectivity and independence is safeguarded. In addition, yearly reports are received from the Auditor confirming their independent status.

The Committee is satisfied with the performance of the Auditor and has seen no cause to request they step down. They therefore recommend to Shareholders that they be re-appointed as Auditor for the forthcoming year.

During the year the Committee reviewed the internal financial control manual. They also considered the need for an internal audit function and concluded that this function would not be an appropriate control for a venture capital trust.

As the Company has no staff, other than directors, there are no procedures in place in respect of C3.4 of the Combined Code, relating to whistle blowing. The Audit Committee understands that the Investment Manager and Administration Manager have whistle blowing procedures in place.

CORPORATE GOVERNANCE (continued)

Nomination committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee has not recommended any changes to the composition of the existing Board.

Remuneration committee

The Remuneration Committee meets as required, to discuss the existing levels of remuneration for the non-executive Directors, and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards. Where deemed necessary, they will recommend adjustments to the remuneration levels or fee structure. The Committee has not recommended any changes to the fee structure of the existing Board.

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 Management Services Limited 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 Combined 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 terms of reference of the Committees and terms and conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Report of the Directors' on pages 15 and 16, and a statement by the Auditors about their reporting responsibilities is set out in the Auditors' Report on page 22.

Internal control

The Board has adopted an Internal Control Manual ("Manual"), for which they are responsible, which has been compiled in order to comply with the Combined Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to the following advisers:

<i>Investment Management</i>	Chrysalis VCT Management Ltd
<i>Administration</i>	Downing Management Services Ltd
<i>Listed Fixed Income</i>	Smith & Williamson Investment Management Limited
<i>Securities Management</i>	

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 and 4, the Investment Manager's Report on page 5 and the Report of the Directors on page 12. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow statement on page 25 and the Report of the Directors on page 13. In addition, notes 18 to 20 of the financial statements include 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.

CORPORATE GOVERNANCE (continued)

Going concern (continued)

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

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

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 31 October 2010 with the provisions set out in Section 1 of the Combined Code.

- a) New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. Also the Company has no major Shareholders so Shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the AGM. (A5-1, D1-1, D1-2)
- b) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (A7-2, B1-6) The Directors do have consultancy agreements in place.

- c) Due to the size of the Board, a formal performance evaluation of the Board, its committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (A6, A7-2)

By order of the Board



Grant Whitehouse
Secretary
10 Lower Grosvenor Place
London SW1W 0EN

7 February 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHRYSALIS VCT PLC

We have audited the financial statements of Chrysalis VCT plc for the year ended 31 October 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2010 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on pages 20 and 21, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



Stuart Collins (Senior Statutory Auditor)

For and on behalf of PKF (UK) LLP

Statutory Auditors

London UK

7 February 2011

INCOME STATEMENT
for the year ended 31 October 2010

	Note	Year ended 31 October 2010			Year ended 31 October 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	713	-	713	1,187	-	1,187
Gains/(losses) on investments	9	-	1,077	1,077	-	(237)	(237)
		713	1,077	1,790	1,187	(237)	950
Investment management fees	3	(106)	(319)	(425)	(112)	(337)	(449)
Performance incentive fees	3	-	(8)	(8)	-	(14)	(14)
Other expenses	4	(320)	(3)	(323)	(429)	(1)	(430)
Return/(loss) on ordinary activities before tax		287	747	1,034	646	(589)	57
Tax on ordinary activities	6	(57)	57	-	(108)	98	(10)
Return/(loss) attributable to equity Shareholders		230	804	1,034	538	(491)	47
Basic and diluted return/(loss) per share	8	0.7p	2.6p	3.3p	1.7p	(1.6p)	0.1p

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 profit and loss account of the Company.

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

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 October 2010

	Note	2010 £'000	2009 £'000
Opening shareholders' funds		25,858	28,342
Purchase of own shares	13	(167)	(408)
Total recognised gains for the year		1,034	47
Dividends paid	7	(1,087)	(2,123)
Closing shareholders' funds		25,638	25,858

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

BALANCE SHEET
at 31 October 2010

		2010		2009	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Investments	9		20,662		24,416
Current assets					
Debtors	10	1,672		523	
Current investments	11	2,000		-	
Cash at bank and in hand		1,463		1,137	
		<u>5,135</u>		<u>1,660</u>	
Creditors: amounts falling due within one year	12	<u>(159)</u>		<u>(218)</u>	
Net current assets			4,976		1,442
Net assets			<u>25,638</u>		<u>25,858</u>
Capital and reserves					
Called up share capital	13		309		312
Capital redemption reserve	14		78		75
Share premium	14		1,064		1,064
Merger reserve	14		2,832		8,694
Special reserve	14		6,599		1,795
Capital reserve – realised	14		11,333		11,493
Revaluation reserve	14		2,679		1,678
Revenue reserve	14		744		747
Total equity shareholders' funds	15		<u>25,638</u>		<u>25,858</u>
Basic and diluted net asset value per share	15		83.0p		82.9p

The financial statements on pages 23 to 39 were approved and authorised for issue by the Board of Directors on 7 February 2011 and were signed on its behalf by:



Peter Harkness
Chairman

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

CASH FLOW STATEMENT
for the year ended 31 October 2010

		2010	2009
	Note	£'000	£'000
Net cash (outflow)/inflow from operating activities	16	<u>(8)</u>	<u>327</u>
Taxation		<u>(10)</u>	<u>(78)</u>
Capital expenditure			
Purchase of investments		(5,391)	(5,612)
Sale of investments		<u>9,030</u>	<u>4,645</u>
Net cash inflow/(outflow) from capital expenditure		<u>3,639</u>	<u>(967)</u>
Management of liquid resources			
Purchase of current investment		<u>(2,000)</u>	<u>-</u>
Net cash outflow from liquid resources		<u>(2,000)</u>	<u>-</u>
Equity dividends paid		<u>(1,083)</u>	<u>(2,121)</u>
Net cash inflow/(outflow) before financing		538	(2,839)
Financing			
Purchase of own shares		<u>(212)</u>	<u>(422)</u>
Net cash outflow from financing		<u>(212)</u>	<u>(422)</u>
Increase/(decrease) in cash	17	<u>326</u>	<u>(3,261)</u>

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

NOTES ON THE ACCOUNTS

for the year ended 31 October 2010

1. Accounting policies

Basis of accounting

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

The financial statements are prepared under the historical cost convention except for certain financial instruments measured at fair value and on the basis that it is not appropriate to prepare consolidated accounts as explained in note 9.

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

Presentation of Income Statement

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

Investments

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

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

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

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

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

Where an investee company has gone into receivership, liquidation, or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised.

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.

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

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

1. Accounting policies (continued)

Current asset investments

Current asset investments comprise amounts held on fixed term deposits at a banking institution and are valued at par.

Income

Dividend income from investments is recognised when the shareholders' rights to receive payment has 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 manager's 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, equivalent to the fair value of the expected balance receivable/payable by the Company.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

2. Income

	2010 £'000	2009 £'000
Income from investments		
Loan stock interest	380	513
Dividend income	61	314
Listed fixed income security interest	209	329
	<u>650</u>	<u>1,156</u>
Other income		
Deposit interest	63	31
	<u>713</u>	<u>1,187</u>

3. Investment management fees

	2010 £'000	2009 £'000
Basic fees	425	449
Performance incentive fees	8	14
	<u>433</u>	<u>463</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

	2010 £'000	2009 £'000
Directors' fees	75	75
Social security costs	-	2
Redundancy payment	-	37
Administration services	75	87
Auditors' remuneration for		
- audit	19	18
- taxation services	2	2
Trail commission	44	45
Doubtful income	28	71
Other running costs	80	93
	<u>323</u>	<u>430</u>

5. Directors' fees

Details of remuneration (excluding VAT and employers' NIC) are given in the Directors' Remuneration Report on page 17.

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 17.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

6. Taxation on ordinary activities

	2010	2009
	£'000	£'000
(a) Tax charge for year		
Current year:		
UK Corporation tax (charged to the Revenue Account)	57	108
Tax credited to Capital Account	<u>(57)</u>	<u>(98)</u>
Charge for year	<u><u>-</u></u>	<u><u>10</u></u>
(b) Factors affecting tax charge for year		
Return on ordinary activities before tax	<u>1,034</u>	<u>57</u>
Tax at effective rate of 21.0% (2009: 21.0%)	217	15
Effects of:		
(Gains)/losses on investments	(226)	62
Expenses disallowed for tax purposes	10	15
UK dividend income	(13)	(82)
Excess management fees carried forward	<u>12</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>10</u></u>

7. Dividends

	2010			2009			
	Pence	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year							
2010 interim Ordinary Share	1.50	-	465	465	-	-	-
2009 final Ordinary Share	2.00	233	389	622	-	-	-
2009 interim Ordinary Share	2.00	-	-	-	157	472	629
2009 Special 'D' Share	16.75	-	-	-	-	89	89
2009 Special 'E' Share	26.75	-	-	-	-	161	161
2008 interim Ordinary Share	4.00	-	-	-	777	467	1,244
		<u>233</u>	<u>854</u>	<u>1,087</u>	<u>934</u>	<u>1,189</u>	<u>2,123</u>
Dividends proposed							
2010 final Ordinary Share	1.50	<u>232</u>	<u>232</u>	<u>464</u>	<u>234</u>	<u>390</u>	<u>624</u>

8. Basic and diluted return per share

	2010	2009
Return per Share based on:		
Net revenue return for the financial year (£'000)	<u>230</u>	<u>538</u>
Capital return per Share based on:		
Net capital gain/(loss) for the financial year (£'000)	<u>804</u>	<u>(491)</u>
Weighted average number of Shares in issue	<u>31,060,084</u>	<u>31,183,605</u>

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

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

9. Investments

“Fair value through profit of loss” assets

	Unquoted £'000	Quoted on AIM £'000	Listed fixed income securities £'000	Total £'000
Opening cost at 1 November 2009	12,685	1,667	8,386	22,738
Gains/(losses) at 1 November 2009	<u>2,477</u>	<u>(989)</u>	<u>190</u>	<u>1,678</u>
Opening fair value at 1 November 2009	15,162	678	8,576	24,416
Movement in year				
Purchased at cost	1,606	-	4,077	5,683
Sales - proceeds	(1,347)	(260)	(8,907)	(10,514)
- realised gains/(losses) on sales	(460)	125	(12)	(347)
Unrealised gains in the income statement	<u>1,230</u>	<u>112</u>	<u>82</u>	<u>1,424</u>
Closing fair value at 31 October 2010	<u>16,191</u>	<u>655</u>	<u>3,816</u>	<u>20,662</u>
Closing cost at 31 October 2010	13,053	1,193	3,737	17,983
Gains/(losses) at 31 October 2010	<u>3,138</u>	<u>(538)</u>	<u>79</u>	<u>2,679</u>
	<u>16,191</u>	<u>655</u>	<u>3,816</u>	<u>20,662</u>

Costs of acquisition of investments acquired during the year amounted to £2,000 (2009: £2,000) and costs of investments disposed of during the year were £5,000 (2009: £Nil). A schedule disclosing the additions and disposals during the year are disclosed on page 7.

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 2010 is 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	433	-	-

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, which the Directors also consider is the most useful presentation for Shareholders.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

10. Debtors

	2010	2009
	£'000	£'000
Other debtors	1,493	305
Prepayments and accrued income	179	218
	1,672	523

11. Current investments

	2010	2009
	£'000	£'000
Fixed rate deposit account	2,000	-

The fixed rate deposit account matures in December 2012.

12. Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Corporation tax	-	10
Other taxes and social security	2	2
Other creditors	5	48
Accruals and deferred income	152	158
	159	218

13. Share capital

	2010	2009
	£'000	£'000
Authorised:		
81,375,000 (2009: 81,375,000) Ordinary Shares of 1p each	814	814
Issued, allotted, called up and fully paid:		
30,903,509 (2009: 31,175,509) Ordinary Shares of 1p each	309	312

During the year the Company repurchased 272,000 Ordinary Shares of 1p each for an aggregate consideration of £167,000 being an average price of 61.1p per Ordinary Share of 1p each (approximately equal to a 25% discount to the most recently published NAV at the time of purchase) and representing 0.9% of the issued Ordinary share capital held at 1 November 2009. These shares were subsequently cancelled.

On 11 November 2010 the Company repurchased 60,000 Ordinary Shares of 1p each at 49.5p per share. These shares have subsequently been cancelled. The total number of Ordinary Shares in issue at the date of this report is 30,843,509.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

14. Reserves

	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - realised £'000	Revaluation reserve £'000	Revenue reserve £'000
At 1 November 2009	75	1,064	8,694	1,795	11,493	1,678	747
Shares repurchased	3	-	-	(167)	-	-	-
Expenses capitalised	-	-	-	-	(330)	-	-
Tax on capital expenses	-	-	-	-	57	-	-
Gains/(losses) on investments	-	-	-	-	(347)	1,424	-
Realisation of revaluation from previous years	-	-	-	-	423	(423)	-
Transfer between reserves	-	-	(5,862)	4,971	891	-	-
Dividends paid	-	-	-	-	(854)	-	(233)
Retained net revenue for the year	-	-	-	-	-	-	230
At 31 October 2010	<u>78</u>	<u>1,064</u>	<u>2,832</u>	<u>6,599</u>	<u>11,333</u>	<u>2,679</u>	<u>744</u>

The Special reserve is a distributable reserve, which was created to enable the Company to purchase its own shares in the market without affecting its ability to pay dividends/capital distributions.

Distributable reserves comprise the special reserve, capital reserve – realised and revenue reserve, and are reduced by investment holding losses of £2,711,000 (2009: £3,014,000). The Merger Reserve is also partly distributable as follows:

	Non- Distributable £'000	Distributable £'000	Merger reserve £'000
At 1 November 2009	2,557	6,137	8,694
Realised investments, transferred to special reserve	-	(5,862)	(5,862)
At 31 October 2010	<u>2,557</u>	<u>275</u>	<u>2,832</u>

At the year end there were £16,240,000 (2009: £17,158,000) of reserves available for distribution.

15. Basic and diluted net asset value per ordinary share

	Shares in issue		2010 Net Asset Value		2009 Net Asset Value	
	2010	2009	Pence per share	£'000	Pence per share	£'000
Ordinary Shares	30,903,509	31,175,509	83.0p	25,638	82.9p	25,858

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

On 11 November 2010 the Company repurchased 60,000 Ordinary Shares of 1p each at 49.5p per share. These shares have subsequently been cancelled. The total number of Ordinary Shares in issue at the date of this report is 30,843,509.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

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

	2010	2009
	£'000	£'000
Return on ordinary activities before taxation	1,034	57
(Gains)/losses on investments	(1,077)	237
Capital income adjustment	-	(19)
Decrease in debtors	40	44
(Decrease)/increase in creditors	(5)	8
Net cash (outflow)/inflow from operating activities	<u>(8)</u>	<u>327</u>

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

	Net funds at		Net funds at
	1 November	Cash flows	31 October
	2009	£'000	2010
	£'000		£'000
Cash at bank and in hand	1,137	326	1,463
Liquidity fund	-	2,000	2,000
	<u>1,137</u>	<u>2,326</u>	<u>3,463</u>

18. Financial instruments and derivatives

The Company's financial instruments comprise investments in quoted companies, unquoted companies, listed fixed interest investments and current investments and are all designated as "fair value through profit or loss" assets. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The fair value of investments is determined using the detailed accounting policy as shown in note 1.

Loans and receivables (including cash at bank and debtors) and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

The Company has not entered into any derivative transactions.

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

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

	Level 1	Level 2	Level 3	2010	Level 1	Level 2	Level 3	2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current investments	2,000	-	-	2,000	-	-	-	-
Listed fixed interest securities	3,816	-	-	3,816	8,576	-	-	8,576
AIM quoted shares	655	-	-	655	678	-	-	678
Loan notes	-	-	7,716	7,716	-	-	7,492	7,492
Unquoted shares	-	-	8,475	8,475	-	-	7,670	7,670
	<u>6,471</u>	<u>-</u>	<u>16,191</u>	<u>22,662</u>	<u>9,254</u>	<u>-</u>	<u>15,162</u>	<u>24,416</u>

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

18. Financial instruments and derivatives (continued)

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

	£'000
Balance at 31 October 2009	15,162
<i>Movements in the income statement:</i>	
Unrealised gains in the income statement	1,230
Realised losses in the income statement	(460)
	<u>770</u>
Purchases at cost	1,606
Sales proceeds	(1,347)
Balance at 31 October 2010	<u><u>16,191</u></u>

Interest rate risk profile of financial assets and financial liabilities

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

- “Fixed rate” assets represent investments with predetermined yield targets and comprise fixed interest and loan note investments.
- “Floating rate” assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank and Cash Trust investments.
- “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	2010 £'000	2009 £'000
Fixed rate	3.2%	976 days	13,532	16,009
Floating rate	0.5%		1,463	1,193
No interest rate			<u>10,643</u>	<u>8,656</u>
			<u><u>25,638</u></u>	<u><u>25,858</u></u>

Financial liabilities

The Company has no financial liabilities or guarantees other than the creditors disclosed within the Balance Sheet (2009: none).

Currency exposure

As at 31 October 2010, the Company had no foreign currency exposures (2009: one investment valued at £Nil).

Borrowing facilities

The Company had no committed borrowing facilities as at 31 October 2010.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

19. Principal financial risks

As a VCT, the majority of the Company's assets are represented by financial instruments which are held as part of the investment portfolio. In order to ensure continued compliance with relevant VCT regulations and to be in a position to deliver the long term capital growth, which is part of the Company's investment objective, the Board is very much aware of the need to manage and mitigate the risks associated with these financial instruments.

The management of these risks starts with the application of a clear investment policy which has been developed by the Board who are experienced investment professionals. Furthermore, the Board has appointed an experienced Investment Manager to whom they have communicated the Company's investment objectives and whose remuneration is linked to the achievement of those objectives. The Investment Manager reports regularly to the Board on performance, and to facilitate the direct Board involvement with key decisions, on whether or not to invest, disinvest and the nature, terms and the security of investments being made.

Further information about the VCT's investment policy is set out in the Report of the Directors on pages 12 and 13.

In assessing the risk profile of its investment portfolio, the Board has identified three principal classes of financial instrument which are analysed within note 9. Investments are "fair value through the profit and loss account" and are recognised as such on initial recognition.

In addition to its investment portfolio, the VCT holds cash balances with one of the main UK banks and the Listed Fixed Income Securities Manager. The Directors consider that the risk profile associated with cash deposits is low and thus the carrying value in the Financial Statements is a close approximation of its fair value.

The Board has reviewed the Company's financial risk profile and concluded that the current sensitivity level remains appropriate.

A review of the specific financial risks faced by the Company follows.

Market risks

The key market risks to which the Company is exposed are interest rate risk and market price 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.

Interest rate risk

Board decisions in relation to amounts to be retained as cash deposits and held in fixed interest investments (including yields) are influenced by actual and potential changes in the Bank of England base rate. Sensitivity has been tested by the impact on the NAV over a one year period of a fall in the base rate to nil, being the largest possible fall, and also a graduating increase in base rate to 1.25%. The impact is summarised below.

Movement in interest rate	Risk exposure £'000	Impact on Net Assets £'000	2010 Impact on NAV per share Pence	Risk exposure £'000	Impact on Net Assets £'000	2009 Impact on NAV per share Pence
Base rate changes to:						
Zero	1,463	(9)	-	1,137	(4)	-
1.25% (2009: 4%)	1,463	4	-	1,137	62	0.2p

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

19. Principal financial risks (continued)

Market price risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. At 31 October 2010, the net unrealised gain on the quoted portfolios (AIM-quoted and fixed income investments) was £194,000 (2009: net unrealised loss of £799,000).

The investments the Company holds are (with the exception of listed fixed income securities), in the main, thinly traded (due to the underlying nature of the investments) and, as such, the prices are more volatile than those of more widely traded, full list, securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for VCTs.

The Board considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Company's policy to use derivative instruments to mitigate market risk, as the Board believes that the effectiveness of such instruments does not justify the cost or risk involved.

The Company's sensitivity to fluctuations in the share prices of its quoted investments (AIM-quoted but excluding listed fixed interest investments) is summarised below. A 50% rise or fall in the share price in each of the quoted investments held by the Company would have an effect as follows:

Sensitivity	2010			2009		
	50% mvmt			50% mvmt		
	Risk exposure £'000	Impact on Net Assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on Net Assets £'000	Impact on NAV per share Pence
Ordinary Shares	655	327	1.1	678	339	1.1

A rise or fall in shares prices generally may have a lesser impact on the valuation of the unquoted portfolio, due to the underlying nature of the investment and securities held within each individual company. A 25% rise or fall in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

Sensitivity	2010			2009		
	25% mvmt			25% mvmt		
	Risk exposure £'000	Impact on Net Assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on Net Assets £'000	Impact on NAV per share Pence
Ordinary Shares	16,191	4,048	13.1p	15,162	3,790	12.2p

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

19. Principal financial risks (continued)

The Company also has exposure to variations in the price of its non-qualifying investments. As the investment is a government gilt, such securities are typically subject to lower price fluctuations. A 2.5% rise or fall in the valuation of these assets held by the Company would have the following impact:

Sensitivity	2010			2009		
	Risk exposure £'000	Impact on Net Assets £'000	Impact on NAV per share Pence	Risk exposure £'000	Impact on Net Assets £'000	Impact on NAV per share Pence
Ordinary Shares	3,816	95	0.3p	8,576	214	0.7p

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

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

	2010 £'000	2009 £'000
Fair value through profit or loss assets		
Investments in listed fixed income securities	3,816	8,576
Investments in loan stocks	7,716	7,557
Loans and receivables		
Cash and cash equivalents	1,463	1,137
Current investments	2,000	-
Interest and other receivables	108	207
	<u>15,103</u>	<u>17,477</u>

Investments in loan stocks comprise a fundamental part of the Company's venture capital investments and are managed within the main investment management procedures.

The Company only has one current investment, which is held in a three year fixed rate deposit account at Royal Bank of Scotland plc, which is a "Long Term" Aa3 rated financial institution (Moody's) and, consequently the Directors consider that the risk profile associated with this deposit is low.

Operating cash is mainly held by Bank of Scotland plc, which is an Aa3 rated financial institution (Moody's) and, consequently the Directors consider that the risk profile associated with cash deposits is low.

Interest, dividends and other receivables are predominantly covered within the investment management procedures.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

19. Principal financial risks (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. As the Company only ever has a low level of creditors (2010: £159,000, 2009: £218,000), has no borrowings and has a healthy bank balance, the Board believes that the Company's exposure to liquidity risk is minimal.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows a maturity analysis of the assets, representing the length of time that it could take the Company to realise assets if it were required to do so.

As at 31 October 2010	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Past due £'000	Total £'000
<i>Financial assets readily realisable:</i>						
Listed fixed interest securities	3,816	-	-	-	-	3,816
<i>Other financial assets</i>						
Current asset investments	-	-	-	2,000	-	2,000
AIM quoted investments	-	30	625	-	-	655
Loan note investments	-	1,205	650	5,164	697	7,716
Unquoted investments	-	181	-	8,294	-	8,475
	<u>3,816</u>	<u>1,416</u>	<u>1,275</u>	<u>15,458</u>	<u>697</u>	<u>22,662</u>

Past due financial assets, as shown above, relate to one loan note investment on which the interest is overdue and which otherwise would fall between three months and one year. This is still deemed recoverable, in full, by the Investment Manager.

20. Management of capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for Shareholders.

The requirements of the Venture Capital Trust Regulations and the fact that the Company has a policy of not having any borrowings mean that there is limited scope to manage the Company's capital structure. However, to the extent it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to Shareholders, purchasing its own shares or issuing new shares.

As the Company has a low level of liabilities, the Board considers the Company's net assets to be its capital.

The Company does not have any externally imposed capital requirements.

There has been no change in the objectives, policies or processes for managing capital from the previous year.

21. Contingencies, guarantees and financial commitments

The Company had no contingencies or guarantees at the year end. It had committed £750,000 for the purchase of one investment which completed shortly after the year end.

NOTES ON THE ACCOUNTS (continued)
for the year ended 31 October 2010

22. Related party transactions

Chrysalis VCT Management Limited, a wholly owned subsidiary, is the Company's Investment Manager which receives a fee of 1.65% of net assets per annum. During the period, £425,000 (2009: £449,000) was paid to Chrysalis VCT Management Limited in respect of these fees. No amounts were outstanding at the year end.

An exit fee is payable quarterly to Chrysalis VCT Management Limited (with effect from 1 May 2006) 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 exit 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 exit fees of £8,000 (2009: £14,000) were due to Chrysalis VCT Management Limited. At the year end, £4,000 was outstanding (2009: £10,000).

23. Controlling party

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

24. Post Balance Sheet Event

On 11 November 2010, the Company repurchased 60,000 Ordinary Shares of 1p each at 49.5p per share. These shares have subsequently been cancelled.

SHAREHOLDER INFORMATION

Share price

The Company's share price can be found in various financial websites with the TIDM/EPIC code "CYS". A link to the share price is also available on Chrysalis's website (www.chrysalisvct.co.uk) and on Downing's website (www.downing.co.uk).

Latest share price (7 February 2011): 48.75p per share

Financial calendar

23 March 2011	Annual General Meeting
31 March 2011	Payment of final dividend
June 2011	Announcement of half yearly report to 30 April 2011

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.capitaregistrars.com). Queries relating to dividends and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras), 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, should contact Michael Bellamy at Singer Capital Markets Ltd on 0203 205 7517 (further details shown on the inside cover of these accounts.)

Share scam warning

We have become aware that a significant number of shareholders of VCTs have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website. If you have any concerns, please contact Downing on 020 7416 7780.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Capita Registrars, under the signature of the registered holder.

Other information for Shareholders

Up to date Company information (including financial statements, share price and dividend history) may be obtained from Downing's website at www.downing.co.uk. Financial information is also available on Chrysalis' website (www.chrysalisvct.co.uk) under "Shareholder Info".

If you have any queries regarding your shareholding in Chrysalis VCT plc, please contact the Registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

COMPANY INFORMATION

Directors

Peter Harkness (Chairman)
Julie Baddeley
Martin Knight
all of
10 Lower Grosvenor Place
London SW1W 0EN

Company number

4095791

Secretary and registered office

Grant Whitehouse
10 Lower Grosvenor Place
London SW1W 0EN
Tel No: 020 7416 7780

Investment manager

Chrysalis VCT Management Limited
46 Dorset Street
London W1U 7NB
Tel No: 020 7486 7454
www.chrysalisvct.co.uk

Administration manager

Downing Management Services Limited
10 Lower Grosvenor Place
London SW1W 0EN
Tel No: 020 7416 7780
www.downing.co.uk

Listed fixed income securities manager

Smith & Williamson Investment Management Ltd
25 Moorgate
London EC2R 6AY

Auditors

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

VCT status adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6NN

Registrar

Capita Registrars Ltd
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel No: 0871 664 0300
(calls cost 10p per minute plus network extras
lines open Mon-Fri from 8.30am to 5.30pm)
www.capitaregistrars.com

Principal banker

Bank of Scotland
300 Lawnmarket
Royal Mile
Edinburgh
EH1 2PH

Corporate Broker and Share buybacks contact

Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ
Tel No: 0203 205 7517
www.singercm.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 10 Lower Grosvenor Place, London, SW1W 0EN at 11.30 am on 23 March 2011 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 2010, together with the report of the Auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 1.5p per Ordinary Share.
4. To reappoint PKF (UK) LLP as Auditors 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 by rotation and, being eligible, offers himself for re-election.

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

6. 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 shall not exceed 14.9% of the present issued capital of the Company, which equates to 4,595,683 Ordinary Shares of 1p each;
 - (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

7 February 2011

Registered Office:
10 Lower Grosvenor Place
London SW1W 0EN

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

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

Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN 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 Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN. 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 Management Services Limited 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 (Saturday and Public Holidays excluded) 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 am on 21 March 2011 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 am on 21 March 2011 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.

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

- (g) As at 9.00 am on 7 February 2011, the Company's issued share capital comprised 30,843,509 Ordinary Shares and the total number of voting rights in the Company was 30,843,509. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

FORM OF PROXY

CHRYSALIS VCT PLC

For use at the Annual General Meeting of the above-named Company to be held at 10 Lower Grosvenor Place, London, SW1W 0EN at 11.30 am on 23 March 2011.

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 10 Lower Grosvenor Place, London, SW1W 0EN on 23 March 2011 or at any adjournment thereof.

I/We* desire to vote on the Resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the Resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS **FOR** **AGAINST** **WITHHELD**

1. To receive and adopt the 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 1.5p per share.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the Auditors 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"/>

SPECIAL BUSINESS

6. To authorise the Directors to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Dated this day of 2011

Signature(s)

*Delete as appropriate

Notes:

- 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.
- 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.
- Any alterations to the Form of Proxy should be initialled.
- 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 Management Services Limited, 10 Lower Grosvenor Place, London SW1W 0EN 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.
- 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.
- 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.
- 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.
- 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.



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Business Reply
Licence Number
RRJU-PLYH-CTJK



CHRYSALIS VCT plc
c/o DOWNING MANAGEMENT SERVICES LIMITED
10 Lower Grosvenor Place
London
SW1W 0EN

Second Fold

First fold

