

ProVen Health VCT plc  
Annual Report and Accounts  
For the year ended 31 January 2011



Managed by  
Beringea LLP

# Contents

	Page
Fund Overview	1
Chairman's Statement	2
Investment Manager's Review	4
Investment Portfolio	6
Review of Investments	7
Directors	12
Report of the Directors	13
Corporate Governance Statement	21
Directors' Remuneration Report	27
Independent Auditor's Report	29
Income Statement	31
Reconciliation of Movements in Shareholders' Funds	31
Balance Sheet	32
Cash Flow Statement	33
Notes to the Accounts	34
Shareholder Information	46
Company Information	47
Notice of Annual General Meeting	48

# ProVen Health VCT plc

## Investment Objective

*ProVen Health VCT plc aims to provide investors with an attractive return by maximising the stream of tax free dividend distributions from the capital gains and income generated from a diversified portfolio of investments in the health sector.*

## The Case for Healthcare Investment

The Investment Manager believes that there are a number of trends which make an attractive case for investment in the health sector. These include the following:

- A progressively ageing population which will further increase demand for healthcare related products and services at an increased cost to taxpayers. In the UK, government spending on health in 2009/2010 was estimated at nearly £120 billion and has more than doubled in real terms since 1997.
- In the US, the healthcare reform bill passed into law in March 2010 and will extend healthcare coverage to 32 million currently uninsured Americans at an estimated cost of US\$940 billion over 10 years and impact globally on all providers of healthcare.
- Technological developments and innovation resulting in improvements to existing practices and the opening of new products and markets.
- The increased level of healthcare spending, the need to contain costs and increasingly demanding and aware consumers will accelerate the search for improved healthcare products and services and their more efficient delivery.

## The Investment Approach

The portfolio is currently weighted towards early and mid-stage investments. The Fund is now targeting investments in later stage businesses that will benefit from the trends outlined above and which will complement the existing portfolio as it continues to mature. Specifically, the Fund will look to provide capital for businesses which display some or all of the following characteristics:

- Medical devices, healthcare services and healthcare information technology businesses with proven technology and recognised barriers to entry for competitors.
- Businesses with established and increasing revenues, which are at or near profitability.
- Businesses which could provide the opportunity for an attractive ongoing yield to investors and strong capital growth potential.
- Businesses with a strong, balanced and well motivated management team with a proven track record of achievement.
- Businesses with a clearly identifiable route for a profitable realisation within a 3-4 year period.

# Fund Overview

## Highlights

- Disposal of Plum Baby in May 2010 returning 1.9 times cost in under three years
- Disposal of Biovex to NASDAQ quoted Amgen: upfront payment to the VCT of \$1.1 million and potential future payments of up to \$2.0 million
- Dividends paid during the year of 2p per share and further dividend now proposed of 1p per share

## Financial summary

	31 January 2011	31 January 2010
Net asset value per share ("NAV")	48.0p	52.1p
Dividends paid since launch	16.5p	14.5p
Total return (NAV plus dividends paid since launch)	64.5p	66.6p
Mid market share price	42.0p	49.0p

## Dividend history (since launch)

Year end (including interim dividends)	pence per share	Year end (including interim dividends)	pence per share
2002	-	2007	2.0
2003	1.0	2008	6.5
2004	2.0	2009	-
2005	-	2010	1.0
2006	2.0	2011	2.0
Cumulative dividends paid to date			16.5
Proposed dividend (payable 17 June 2011)			1.0

# Chairman's Statement

## Introduction

The year to 31 January 2011 was dominated in the UK by the election and the formation of a coalition government which immediately instigated an austerity programme to improve the UK's debt position. Whilst this was well received by the markets, opinions vary as to whether the regime will stifle the growth which had begun to be seen and indeed the fourth quarter of 2010 showed a decline of 0.5% in GDP. The situation is further complicated by the unrest in the Middle East and North Africa with rising oil prices and concerns over inflation.

Against this uncertain background, however, the long term fundamentals for healthcare investment and the Company's returns remain attractive with governments needing to provide ever increasing healthcare services to progressively demanding populations, particularly the elderly, with reduced resources.

## Net asset value

At the year end, the Company's net asset value per share ("NAV") stood at 48.0p, a decrease of 2.1p per share or 4.0% over the year after adjusting for the two dividends of 1.0p per share which were paid during the year.

The total return (NAV plus cumulative dividends paid) to ordinary shareholders who invested at the outset of the Company was 64.5p per share at 31 January 2011.

## Portfolio activity and valuation

At 31 January 2011, the Company's investment portfolio consisted of 9 unquoted investments and 3 quoted investments at a total valuation of £6.0 million. In addition, the Company had cash and liquidity fund investments of £3.2 million.

During the year the work on the restructuring of the portfolio continued. Plum Baby, a later stage investment bought in 2007, was realised during the year at a profit of £0.7 million and Biovex, an early stage company which had been held for several years and whose value had been substantially written down, received an offer from US NASDAQ quoted Amgen just before the year end which resulted in an initial payment to the VCT of \$1.1 million and a right to further payments, depending on the achievement of commercialisation and sales milestones, of up to a further \$2.0 million. Whilst the initial payment alone reflects a loss against cost of £170,000, it is well above the figure at which the holding was reflected in last year's accounts and in accordance with accepted accounting practice no allowance has been made in the accounts for the potential future payments which could turn it into a substantial profit.

Two investments, Optasia Medical Limited and 1st Dental Laboratories plc, entered administration crystallising a loss against cost of £1.0 million, although much of this had already been reflected in the valuations at the end of last year. More details of the portfolio activity are contained in the Investment Manager's Review on the following pages.

The Investment Manager continues to look for later stage investment opportunities and we were very disappointed that two attractive prospects failed to complete at the very final stages of negotiation. The realisations made since the change of manager have left us with the finance available to take advantage of opportunities as they arise and I look forward to having more to report in this respect.

## Results and dividends

The loss on activities after taxation for the year was £428,000 (2010: profit £305,000), comprising a revenue loss of £170,000 and a capital loss of £258,000.

The Company paid two dividends during the year: a final dividend for the year to 31 January 2010 of 1.0p per share on 11 June 2010 and an interim dividend for the year to 31 January 2011 of 1.0 p per share on 26 November 2010. The Board is proposing a final dividend of 1.0p per share. Subject to shareholder approval at the forthcoming Annual General Meeting ("AGM"), this dividend will be paid on 17 June 2011 to shareholders on the register at 20 May 2011.

## Share buybacks

The Company maintained a share buyback policy during the year. Shares are repurchased at a discount which is currently set at 10% to the last published NAV as adjusted for any dividends paid since publication. The share buyback policy is subject to annual shareholder approval and to continuous review by the Board.

## Chairman's Statement (continued)

During the year the Company purchased 491,217 shares for cancellation for an aggregate consideration of £219,000 at an average price of 44.3p per share (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 2.6% of the issued share capital held at 1 February 2010.

A special resolution to allow the Board to continue to purchase shares for cancellation will be proposed at the forthcoming AGM.

### Fundraising and dividend reinvestments

Between 1 April 2010 and 28 May 2010, 311,188 shares were issued at an average price of 53.4p. The aggregate consideration for the shares was £166,000 with related share issue costs thereon amounting to £9,000.

Under the Company's dividend reinvestment scheme, 135,950 shares were issued during the year following the payment of the two dividends. The aggregate consideration for these shares was £67,000 with related share issue costs thereon amounting to £9,000.

On 5 April 2011, a further 400,074 shares were issued at a price of approximately 50.8p per share. The aggregate consideration for the shares was £199,000 with related share issue costs thereon amounting to £7,000.

At the date of this report the total number of shares in issue was 19,580,870.

### Directorate changes

On 1 March 2011, Diane James was appointed to the Board of the Company. Diane has a wealth of healthcare experience in the both the public and private sectors including founding and selling a successful healthcare communications business. She will, I am sure, be a valuable addition to the Board and I am glad to take this opportunity to welcome her formally. Ann Hacker stepped down from the Board on 19 April 2011 after eight years of service as a director. The Board and I would like to thank Ann for her service and wise counsel to the Company over the years and we wish her well in the future.

### Annual general meeting

The AGM of the Company will be held at 39 Earlam Street, London WC2H 9LT at 10.00 am on 9 June 2011. Notice of the meeting is at the end of this document. Resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions. Further details of the resolutions are provided in the Report of the Directors on page 14.

I would also draw your attention to the Investment Manager's annual shareholder presentation which is expected to held in central London in November. This provides shareholders with an opportunity to meet the Investment Manager and, additionally, to hear directly from some of the portfolio companies and to meet other VCT shareholders. Further details of the event will be communicated to shareholders in the Autumn. The corresponding event in 2010 was very successful and I look forward to welcoming you to this year's event.

### Outlook

Whilst there are interesting opportunities within the existing portfolio, including the potential for further gains relating to the sale of Biovex, the key focus in the coming year will be the introduction of new later stage investments into the portfolio. The Board is also looking at the possibility of offering an opportunity for shareholders to sell their shares back to the company and reinvest the proceeds in new shares, through an enhanced share buyback scheme. Whilst there would be a modest cost involved, shareholders would, if eligible, be able to claim the 30% income tax relief on the new investment provided the shares are held for five years. Further details will be provided as appropriate.

**Charles Pinney**  
Chairman  
19 April 2011

# Investment Manager's Review

## Introduction

We are pleased to present our investment management review for the year to 31 January 2011, the second anniversary of taking over the management of the Company's investment portfolio.

The Company's total return fell slightly over the year. Quoted stockmarkets in the UK (and elsewhere) continued to respond to improved market sentiment and the impact of government intervention in financial markets. The increase in the FTSE All Share Total Return Index was 18% over the same period. As we mentioned in last year's report, the comparison of a largely unquoted venture capital trust investment portfolio to any quoted stockmarket index needs to be viewed with care. The Company's performance has, however, again been impacted by the significant proportion of its net assets held in cash and liquidity funds during a continued phase of low interest rates. Additionally, the early stage nature of many of the Company's investments and the development time for their products, together with some specific disappointments, has impacted Company returns.

## Portfolio performance and activity

At 31 January 2011, the Company's investment portfolio comprised holdings in 12 companies, of which 9 were unquoted and 3 quoted, at a valuation of £6.0 million and original acquisition cost of £8.5 million. In addition, the Company had cash and liquidity funds of £3.2 million.

During the year, £688,000 was invested into four existing portfolio companies. One investment, Plum Baby, was sold generating a profit on the original cost of £678,000. Two investments went into administration and have been treated as realised resulting in a loss of £1.0 million against cost. The tables below summarise the transactions during the year:

Additions	Cost £'000	Description
Altacor Limited	300	Follow on investment
Biovex Group Inc	54	Follow on investment
Optasia Medical Limited	122	Follow on investment
Population Genetics Technologies Limited	212	Follow on investment
	688	

## Disposals

	Cost £'000	Market value at 31/01/10 £'000	Proceeds £'000	Realised gain/(loss) £'000	Gain/ (loss) against cost £'000
1st Dental Laboratories plc	289	31	-	(31)	(289)
Inforsense Limited	-	-	19	19	19
Optasia Medical Limited	782	217*	17	(200)	(765)
Plum Baby Limited	749	1,067	1,427	360	678
	1,820	1,315	1,463	148	(357)

\* includes investments of £122,000 made in the year to 31 January 2011

We commented on the sale of Plum Baby in our half year report to 31 July 2010 but it is worth mentioning again as it illustrates the businesses we are targeting for future investment by the Company. Strong brand awareness, a quality management team and increasing revenues, achieved in part during difficult economic times, proved very attractive to a number of potential buyers and ultimately translated into a sale to a private equity buyer and a strong financial return to shareholders.

In contrast it was disappointing that both Optasia Medical and 1st Dental Laboratories were placed into administration in August and September respectively. Optasia was reliant on its institutional investors (including ProVen Health VCT) to provide continued funding in order to further develop its product. On balance it was decided that the risks of losing further investment outweighed the chances of success and the administrator was appointed.

## Investment Manager's Review (continued)

With 1st Dental we had no chance to influence strategy given its quoted status and our small shareholding, and trading was limited.

On a more positive note, Biovex reached agreement for its acquisition by NASDAQ quoted Amgen Inc in late January 2011. This was completed in March 2011. The acquisition values Biovex at up to \$1.0 billion and the Company's interest at up to \$3.1 million dependent on the achievement of future commercialisation and sales milestones. The year end valuation is based on the initial sales proceeds, received by the Company in March 2011, of \$1.1 million; future proceeds, if appropriate, may take a number of months to materialise but provide a potential significant upside to the Company. There was also good progress with regard to a number of other companies, notably Vectura and IS Pharma, which were both valued above their initial investment cost at the year end. Altacor and Population Genetics Technologies both continue to adapt well in their respective markets.

The investment portfolio showed a decrease in value of £284,000, taking into account the combined effect of additions and disposals. The key contributors to this change were the provisions against Amura Holdings and Digital Healthcare which were partially offset by upwards revaluations including Biovex and Onyx Scientific.

In April 2011, Sinclair Pharma and IS Pharma reached agreement for a merger though the acquisition of the entire share capital of IS Pharma by Sinclair. The transaction will, subject to various approvals, complete in May.

### Outlook

We had anticipated the completion of at least two new investments in the second half of the financial year but these failed to complete at the very final stages of negotiation. Both provided attractive growth opportunities which were unfortunately recognised by other acquirers. We continue, however, to believe in the opportunities afforded by the healthcare sector and are well positioned with significant cash reserves to identify and complete new investments.

**Beringea LLP**

19 April 2011



# Investment Portfolio

as at 31 January 2011

The following investments were held at 31 January 2011:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
<b>Top venture capital investments</b>				
Altacor Limited	1,020	1,241	-	13.4%
Population Genetics Technologies Limited	1,079	1,030	(49)	11.1%
Onyx Scientific Limited	850	997	147	10.7%
Biovex Group, Inc	848	678	568	7.3%
Vectura Group plc *	482	619	97	6.8%
Omni Dental Sciences Limited	750	580	(148)	6.3%
IS Pharma plc **	366	428	70	4.6%
Digital Healthcare Limited	1,010	381	(255)	4.1%
Sinclair Pharma plc *	219	68	11	0.7%
	6,624	6,022	441	65.0%
<b>Other venture capital investments</b>				
	1,898	-	(725)	0.0%
<b>Total venture capital investments</b>				
	8,522	6,022	(284)	65.0%
Standard Life Investments Liquidity Fund		1,800		19.4%
Cash at bank and in hand		1,446		15.6%
<b>Total investments</b>				
		9,268		100.0%

All venture capital investments are unquoted unless otherwise stated.

\* Quoted on the Main Market

\*\* Quoted on AIM

Other venture capital investments at 31 January 2011 comprise Amura Holdings Limited, Chromogenex Limited and DeltaDOT Limited.

All venture capital investments held at the year end are registered in England and Wales, with the exception of Biovex Group Inc which was registered in the US.

# Review of Investments

as at 31 January 2011

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

## Altacor Limited



Cost:	£1,020,000	Valuation at 31/01/11:	£1,241,000
Investment comprises:		Valuation at 31/01/10:	£941,000
Equity shares:	£1,020,000	Valuation method:	Price of recent investment

Audited abbreviated accounts:	31/12/09	31/12/08	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information			
Proportion of equity held:	15.6%			
Net assets/(liabilities):	£0.4 m	(£0.6 m)	Diluted equity:	14.4%

Altacor is an ophthalmology specialty pharmaceutical company which develops and markets products directed to the needs of both ophthalmologists and patients. Altacor uses its drug development skills and in depth market knowledge to build a portfolio of high quality, differentiated prescription medicines that set new standards in the sector. Altacor's pipeline consists of development and in-licensed products which address ocular surface disease, ocular infection and glaucoma.

[www.altacor-pharma.com](http://www.altacor-pharma.com)

## Population Genetics Technologies Limited



Cost:	£1,079,000	Valuation at 31/01/11:	£1,030,000
Investment comprises:		Valuation at 31/01/10:	£867,000
Equity shares:	£867,000	Valuation method:	Price of recent investment
2.5% Conv.Loan note:	£212,000		

Audited abbreviated accounts:	31/08/10	31/08/09	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information			
Proportion of equity held:	13.7%			
Net assets:	£1.4m	£2.9 m	Diluted equity:	11.9%

Population Genetics Technologies is creating new paradigms for performing large-scale population genetics studies. This novel technology, conceived by Nobel laureate Professor Sydney Brenner, samples large populations to identify the genetic variation responsible for human disease and drug response.

[www.populationgeneticstechnologies.com](http://www.populationgeneticstechnologies.com)

## Onyx Scientific Limited



Cost:	£850,000	Valuation at 31/01/11:	£997,000
Investment comprises:		Valuation at 31/01/10:	£850,000
Equity shares:	£500,000	Valuation method:	Revenue multiple
Preference shares:	£350,000		

Audited abbreviated accounts:	31/03/10	31/03/09	Dividend income:	£26,000
Turnover:	Unpublished information			
Profit before tax:	Unpublished information			
Proportion of equity held:	12.5%			
Net assets:	£1.9 m	£1.8 m	Diluted equity:	12.5%

Onyx provides a wide range of chemical services to the life sciences and pharmaceutical industries. Its key focus is scaling up the synthesis of new chemical entities for drug development. Onyx has more than 40 expert scientists specialising in drug development from medicinal chemistry to early stage Good Manufacturing Practice production.

[www.onyx-scientific.com](http://www.onyx-scientific.com)

## Review of Investments (continued)

### Biovex Inc



www.biovex.com

Cost:	£848,000	Valuation at 31/01/11:	£678,000
Investment comprises:		Valuation at 31/01/10:	£56,000
Equity shares:	£848,000	Valuation method:	Offer
Audited accounts:	Unpublished information	Dividend income:	£Nil
Turnover:	Unpublished information		
Loss before tax:	Unpublished information	Proportion of equity held:	0.3%
Net assets:	Unpublished information	Diluted equity:	0.3%

Biovex offers a new approach to cancer treatment based on oncolytic virus technology from the University of Oxford. At the time of establishment, the company had provisional data showing that the technology was effective and this has now been demonstrated in the recently concluded clinical studies, particularly in melanoma. The company was sold to NASDAQ quoted Amgen Inc in March 2011.

### Vectura Group plc



www.vectura.com

Cost:	£482,000	Valuation at 31/01/11:	£619,000	
Investment comprises:		Valuation at 31/01/10:	£523,000	
Equity shares:	£482,000	Valuation method:	Bid price	
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£40 m	£31 m		
Loss before tax:	(£14 m)	(£20 m)	Proportion of equity held:	0.2%
Net assets:	£147 m	£155 m	Diluted equity:	0.2%

Vectura develops products to treat respiratory diseases such as asthma, chronic obstructive pulmonary disease and cystic fibrosis. The company also develops products for non-respiratory diseases, where optimised delivery via the lungs could provide significant benefits, such as a rapid onset of action, improved efficacy and improved tolerability compared with current therapies.

### Omni Dental Sciences Limited



www.oraldent.co.uk

Cost:	£750,000	Valuation at 31/01/11:	£580,000	
Investment comprises:		Valuation at 31/01/10:	£728,000	
Equity shares:	£500,000	Valuation method:	Disc. cash flow	
6% loan note:	£250,000			
Abbreviated unaudited				
accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	Unpublished information		Loan note income:	£Nil
Profit before tax:	Unpublished information		Proportion of equity held:	38.0%
Net assets:	£1.0 m	£0.5 m	Diluted equity:	38.0%

Omni Dental Sciences is the holding company for two trading companies – Oraldent Limited which develops and sells oral care products and Professional Dental Supplies Limited which sells cross infection products. The core business is to provide high added value dental products where there is a proven market and scientific support for the products.

## Review of Investments (continued)

### IS Pharma plc

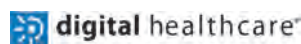


www.ispharma.plc.uk

Cost:	£366,000	Valuation at 31/01/11:	£428,000	
Investment comprises:		Valuation at 31/01/10:	£357,000	
Equity shares:	£366,000	Valuation method:	Bid price	
Audited accounts:	31/03/10	31/03/09	Dividend income:	£Nil
Turnover:	£14 m	£12 m		
Profit before tax:	£2.6 m	£2.0 m	Proportion of equity held:	1.0%
Net assets:	£30 m	£29 m	Diluted equity:	0.9%

IS Pharma (International Speciality Pharmaceuticals) develops, acquires and commercialises late-stage pharmaceuticals and medical devices, focusing in critical care, oncology and neurology. Based in the UK, IS Pharma commercialises its portfolio in the UK directly and internationally through a strong network of distributors. In April 2011, the company announced a merger with Sinclair Pharma plc, which, subject to regulatory and shareholder approvals, will complete in May 2011.

### Digital Healthcare Limited



www.oraldent.co.uk

Cost:	£1,010,000	Valuation at 31/01/11:	£381,000
Investment comprises:		Valuation at 31/01/10:	£636,000
Equity shares:	£1,010,000	Valuation method:	Cost less provision
Abbreviated unaudited			
accounts:	30/09/09	30/09/08	Dividend income: £Nil
Turnover:	Unpublished information		
Profit before tax:	Unpublished information		Proportion of equity held: 12.6%
Net assets:	£4.9 m	£2.3 m	Diluted equity: 9.5%

Digital Healthcare delivers software solutions that address some of the world's fastest growing healthcare issues. Founded to provide image management and storage solutions for the ophthalmology sector, the company has extended its product range based on its core competencies in clinical information and patient care management.

### Sinclair Pharma plc



www.sinclairpharma.com

Cost:	£219,000	Valuation at 31/01/11:	£68,000	
Investment comprises:		Valuation at 31/01/10:	£58,000	
Equity shares:	£219,000	Valuation method:	Bid price	
Audited accounts:	30/06/10	30/06/09	Dividend income:	£Nil
Turnover:	£28 m	£30 m		
Loss before tax:	(£18 m)	(£4 m)	Proportion of equity held:	0.1%
Net liabilities:	£66 m	£67 m	Diluted equity:	0.1%

Sinclair Pharma plc is an international specialty pharmaceutical company providing solutions to treat wounds, dermatological and oral diseases through advanced surface technology and innovative delivery systems. In April 2011, the company announced a merger with IS Pharma plc, which, subject to regulatory and shareholder approvals, will complete in May 2011.

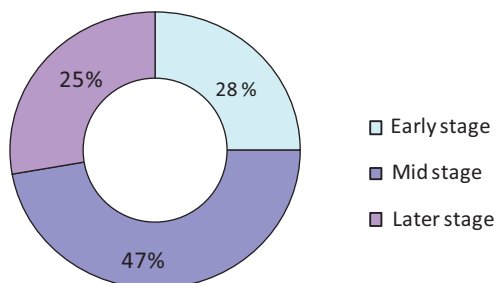
### Notes:

The proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment. Portfolio company financial information is based on publicly available information filed at Companies House in the UK (or equivalent locations in overseas jurisdictions). Certain information may not be required to be filed, dependent, for example, on the company's size, and, in the interests of portfolio company confidentiality, is not disclosed here.

## Review of Investments (continued)

### Analysis of top investments (by value)

#### By stage



#### Early stage investments

- Population Genetics Technologies (17%)
- Biovex Group (11%)

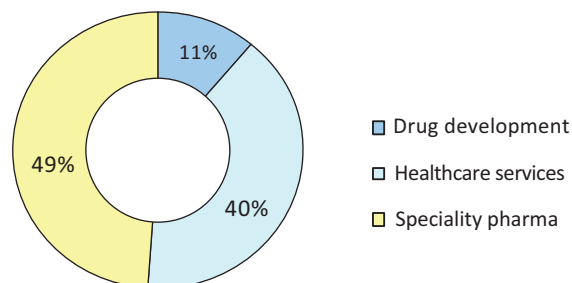
#### Mid stage investments

- Altacor (21%)
- Vectura Group (10%)
- Omni Dental Sciences (10%)
- Digital Healthcare (6%)

#### Later stage investments

- Onyx Research Chemicals (17%)
- IS Pharma (7%)
- Sinclair Pharma (1%)

#### By sector



#### Drug development

- Biovex Group (11%)

#### Healthcare services

- Population Genetics Technologies (17%)
- Onyx Research Chemicals (17%)
- Digital Healthcare (6%)

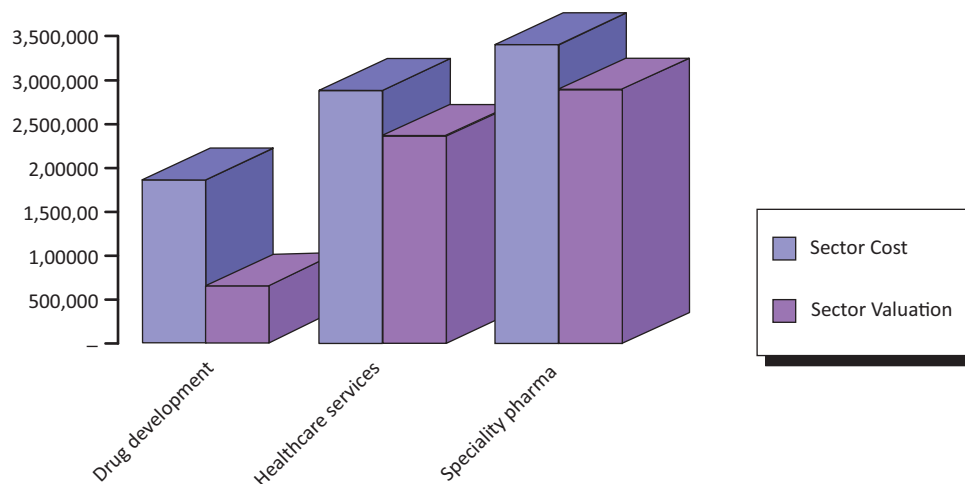
#### Specialty pharma

- Altacor (21%)
- Vectura Group (10%)
- Omni Dental Sciences (10%)
- IS Pharma (7%)
- Sinclair Pharma (1%)

## Review of Investments (continued)

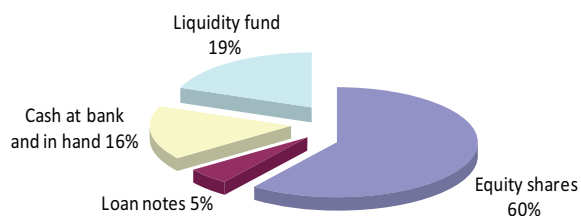
### Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by cost and by value at 31 January 2011) 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 January 2011):



### Portfolio balance

At 31 January 2011, 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 regulations)	Actual	Target
VCT qualifying investments	71.8%*	Minimum 70%
Other investments, including cash at bank and in hand and liquidity funds	28.1%	Maximum 30%
Total	100.0%	

\* For share issues to be included in the HMRC investment tests from 1 February 2011

## Directors

**Charles Pinney** is a director of Baronsmead VCT 5 plc and Amati VCT plc. He was, from 1994 to 2003, a director of Barclays Private Bank Limited, with overall responsibility for the operations of the investment department, and was managing director of BZW Portfolio Management Limited. From 2003 to 2009 he was a consultant to Rathbones Investment Management. He is a fellow of both the Association of Chartered Certified Accountants and the Chartered Institute for Securities & Investment. He is a former director of APCIMS (the Association of Private Client Investment Managers & Stockbrokers).

**Peter Arthur** is chairman of Aberdeen Asian Income Fund Ltd, a non-executive director of Longbow Growth and Income VCT plc, a Board member of the Association of Investment Companies (AIC) and also a non-executive director of a number of private companies. He was previously a managing director of ISIS Asset Management plc (now F&C Asset Management), where he was responsible for the institutional and investment trust businesses, and formerly chairman of Artemis AiM VCT 2 plc. He had previously worked for Franklin Templeton Inc and Edinburgh Fund Managers plc. Peter is a solicitor and a fellow of the Chartered Institute of Secretaries and Administrators.

**Frank Harding** is chairman of KLM Cityhopper UK Limited and until February 2006 was chairman of Provalis plc (a listed healthcare company). He is a chartered accountant with over 40 years experience at KPMG as an audit/general practice partner, latterly specialising in advising UK companies with subsidiaries outside the UK and non UK companies with subsidiaries in Europe. Frank was president of the International Federation of Accountants from 1997 to 2000.

**Diane James** is an independent adviser to a number of healthcare organisations involving healthcare innovation in the UK and Europe. She chairs the Surrey & Sussex CLRN (Comprehensive Local Research Network), part of the National Institute for Health Research which was established by the UK Department of Health in 2006, to support clinical innovation research in the UK. She has a wide range of healthcare experience at senior management level in both the public and private sectors and has founded, developed and sold a specialist healthcare communications business.

**Ann Hacker** (resigned 19 April 2011) is a non-executive director of Frimley Park NHS Foundation Trust Hospital, Karus Therapeutics Ltd and Isis Innovation Ltd and is a trustee of the William Harvey Research Foundation and of The Leonardo Trust. Ann has worked in the healthcare industry for over 35 years and has held senior management positions with Lilly and Glaxo Pharmaceuticals, now GSK, as well as having been CEO of three venture capital backed life science companies, Biocompatibles International Plc, Deltex Medical Limited and Metris Therapeutics Limited. In addition, she has held directorships in a number of private and public healthcare companies and health related government organisations.

None of the Directors are, or have been, employed by the Investment Manager, and all are considered to be independent of the Investment Manager.

Director	Appointment date	At date of this Report	
		Length of service	Age
Charles Pinney	27/06/07	3.8 years	63
Peter Arthur	22/04/08	3.0 years	54
Frank Harding	12/02/01	10.2 years	73
Diane James	01/03/11	0.1 years	51
Ann Hacker (resigned 19 April 2011)	25/03/03	8.1 years	59

# Report of the Directors

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 January 2011.

## Principal activity and status

The Directors initially obtained provisional approval for the Company to act as a venture capital trust from HM Revenue & Customs at formation. 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

The investment portfolio showed a fall in value over the 12 months to 31 January 2011 of £0.3 million. The movements underlying this change are set out in the investment portfolio on page 6.

The total running costs of the Company exceeded revenue arising from the investments held (including cash at bank and liquidity funds) by £292,000. This takes into account the reduction in the Investment Manager's fee by £87,000, as a result of the operation of the 3.6% cap on annual expenses (excluding trail commission). The total expense ratio at the year end compared to net assets, taking into account the expense cap, was 3.6% (2010: 3.7%).

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Manager's Review and the Review of Investments.

## Share capital

Between 1 April 2010 and 28 May 2010, 311,188 shares were issued at an average price of 53.4p. The aggregate consideration for the shares was £166,000 with related share issue costs thereon amounting to £9,000.

On 11 June 2010, 65,437 shares were issued at 51.5p per share under the Company's dividend re-investment scheme. The aggregate consideration for the shares was £34,000 with related share issue costs thereon amounting to £2,000. On 26 November 2010, 70,513 shares were issued at 46.5p per share under the Company's dividend re-investment scheme. The aggregate consideration for the shares was £33,000 with related share issue costs thereon amounting to £7,000.

During the year the Company purchased 491,217 shares for cancellation for an aggregate consideration of £219,000 at an average price of 44.3p per share (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 2.6% of the issued share capital held at 1 February 2010.

The total authorised share capital at 31 January 2011 was 245,000,000 ordinary shares of 1p each, with 19,180,796 such shares in issue. There are no other share classes in issue.

On 5 April 2011, the Company issued 400,074 shares for consideration at approximately 50.8p per share, under a 10% top up offer for subscription dated 24 January 2011. The aggregate consideration for the shares was £199,000 and share issue costs thereon amounted to £7,000. At the date of this report the total number of shares in issue was 19,580,870.

## Results and dividends

	2011		2010	
	£'000	Pence per share	£'000	Pence per share
(Loss)/return for the year	(428)	(2.2p)	305	1.6p
<i>Dividends paid</i>				
11 June 2010	195	1.0p	-	-
26 November 2010	192	1.0p	-	-
4 December 2009	-	-	192	1.0p

Subject to shareholder approval at the forthcoming AGM, it is proposed to pay a final dividend of 1p per share on 17 June 2011 to shareholders on the register at 20 May 2011.



## Report of the Directors (continued)

### Annual General Meeting

The AGM of the Company will be held at 39 Earlham Street, London WC2H 9LT at 10.00 am on 9 June 2011. Notice of the meeting is at the end of this document. Resolutions 1 to 9 will be proposed as ordinary resolutions, meaning that for each resolution to be passed, more than half of the votes cast at the meeting must be in favour of the resolution. Resolutions 10 to 12 will be proposed as special resolutions, meaning that for each resolution to be passed, at least 75% of the votes cast at the meeting must be in favour of the resolution.

Resolutions 9 and 10 are seeking to renew the Directors' general authority to allot shares up to a maximum nominal amount of £195,808 (representing 100% of the current issued share capital) and the Directors' authority to issue shares for cash without applying the statutory pre-emption rights. These authorities will lapse on the conclusion of the Company's next annual general meeting or 9 September 2012, whichever is the later. The Board may utilise these authorities in connection with the Company's dividend re-investment scheme and any offer or enhanced buyback facility (referred to below) which may be implemented by the Company.

Resolution 11 is seeking approval to renew the Company's existing authority to make market purchases of the Company's own shares. The authority will lapse on the conclusion of the Company's next annual general meeting or 9 September 2012, whichever is the later. The Board intends to utilise this authority in the same manner as previous years. Purchases will only be made on the London Stock Exchange and this authority will only be exercised in circumstances where the Board believes that it is in the best interests of the shareholders generally. The maximum to be paid for a share will be the higher of (i) an amount not more than 5% above the average of the middle market quotations for shares of the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the date of each purchase and (ii) the price stipulated by Article 5(1) of the Buyback and Stabilisation Regulation (EC No. 2273/2003).

Resolution 12 is seeking a similar authority to Resolution 11, namely to obtain authority for the Company to make market purchases of its own shares, but in this case, specifically in connection with an enhanced buyback facility. The Board is currently considering the implementation of an enhanced buyback facility; however, any implementation will be subject not only to approval of Resolution 12 but also to a further decision of the Board. There is consequently no guarantee that any such facility will be implemented. The amount that would be paid pursuant to the exercise of such authority would be a sum equal to the last published net asset value of the Company per share on the date of purchase (such amount being both the maximum and minimum amount that may be paid for a share). The authority will lapse on the conclusion of the Company's next annual general meeting or 9 September 2012, whichever is the earlier.

An enhanced buyback facility, if implemented, would enable participating shareholders' existing shares to be repurchased by the Company with the net proceeds from the buyback being wholly re-invested in new shares. Among the potential benefits to qualifying shareholders of an enhanced buyback facility would be the ability to obtain the income tax relief available on the purchase of new shares.

### Investment objective

ProVen Health VCT plc aims to provide investors with an attractive return by maximising the stream of tax-free dividend distributions from the capital gains and income generated from a diversified portfolio of investments in the health sector.

### Investment policy

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

#### General

The Company's policy is to create a balanced portfolio of growth companies in the health sector. Investments are made selectively across a range of health sub-sectors in companies that have:

- proven management and technology, or
- business propositions which are protected by patents and know-how and where there are barriers to entry for competitors

## Report of the Directors (continued)

### Investment policy (continued)

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, warrants and fixed interest securities as well as cash and liquidity funds. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are in ordinary shares. The Investment Manager targets companies with high growth prospects and bases its selection of investments on:

- the experience and quality of the management team;
- the maturity and stage of company development;
- existing revenues and revenue growth potential;
- potential exit value and timing;
- contribution to portfolio diversification.

### Geographical focus

Investments are usually made in UK companies, although these may trade outside of the UK. At least 70% of funds invested in companies as of the time of the initial investment will be invested in unquoted companies.

### Portfolio allocation

Investment is made primarily in VCT Qualifying Investments in the health sector. Any funds awaiting investment are generally held in cash and liquidity funds so that they are readily available for follow-on investments, buybacks or to meet the running costs of the fund although investments may be made in other investments as deemed appropriate by the Board.

### Diversification of risk

The Company invests in a variety of businesses within health industry sub-sectors using a mixture of securities to diversify risk. Health sub-sectors include, but are not limited to, services to patients and health professionals, diagnostics, information and data analysis, medical devices, drug delivery, and drug development companies, particularly where such companies are focussed on distinct niche opportunities or speciality pharmaceuticals where smaller companies can be more effective. In many cases the companies will have proprietary technology or know-how or some other barrier to entry. The maximum amount invested in any one company is limited to £1 million in a tax year and generally no more than £1.5 million, at cost, is invested in the same company.

### Investment style

Investments are selected through the application of stringent criteria. Where possible, the Investment Manager is represented at board level on unquoted investments in order to be able to monitor closely the companies' progress.

### VCT 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:

- The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
- At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" ("eligible shares" generally being ordinary share capital). For funds raised on or after 6 April 2011, there is a requirement to have at least 70% by value of qualifying investments in "eligible shares" which includes ordinary shares with certain preferential rights to dividends, but no preferential rights on a winding-up nor any rights to be redeemed;
- At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
- No investment constitutes more than 15% of the Company's total investments (by value at time of investment);
- The Company's income for each financial year is derived wholly or mainly from shares and securities;
- 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
- A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

## Report of the Directors (continued)

### Investment policy (continued)

#### Borrowings

The Company currently does not have any borrowings; however, the Company's Articles do permit borrowing to give a degree of flexibility. Any such borrowing would need to be approved by the Board.

At 31 January 2011, the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £1.0 million. There are no plans to utilise this borrowing limit at the current time.

#### Environmental and social policy

The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters where appropriate.

#### Investment management agreement

On 1 February 2009 Beringea LLP ("Beringea") replaced Noble Fund Managers Limited ("Noble") as the Company's Investment Manager. Beringea provides investment management services to the Company under a Discretionary Investment Management Agreement dated 12 February 2001 ("the Investment Management Agreement") and a Deed of Novation and Variation dated 23 December 2008. The Investment Management Agreement was for an initial period of four years from 26 March 2001 and continues thereafter unless terminated by either party giving not less than 12 months notice. Beringea is entitled to receive management fees of 2.5% per annum of the net assets of the Company calculated on a quarterly basis.

Under the terms of an Incentive Agreement dated 12 February 2001, the Investment Manager and the promoter of the original fundraising in 2001, Matrix-Securities Limited ("Matrix"), are entitled to 20% of the amount by which the actual compound annual growth in the net asset value of the Company, as adjusted to take account of cumulative dividends paid and proposed, exceeds a return of 2% over the NatWest bank base rate applied to the initial net value of the Company over the same period. No payment will be made pursuant to this agreement until the net asset value per share plus cumulative dividends per share paid and proposed have exceeded 174p, of which at least 50p per share must have been paid to shareholders in cash. Under the terms of the termination of Matrix's position as promoter of the VCT dated 5 July 2004, Matrix is not entitled to any incentive payments in respect of funds raised following the date of termination.

The Board considers that the continuing appointment of Beringea as the Investment Manager is in the interests of the Company's shareholders as a whole given Beringea's experience and track record in VCT fund management.

#### Administration and company secretarial services

On 1 February 2009 Beringea replaced Noble as the provider of Administration and Company Secretarial Services to the Company, under a Deed of Novation and Variation dated 23 December 2008. The agreement is terminable upon the cessation of the Investment Management Agreement. Beringea receives fees thereon of £30,000 plus VAT per annum.

#### Annual running costs cap

The Company's annual running costs (which exclude trail commission) are capped at 3.6% of the net assets at the year end. Any excess will be paid by Beringea by reducing their fees payable. As previously stated, Beringea's fee was capped for the year under review, with the total fee due being reduced by £87,000. As Beringea had taken a lower fee during the year (to account for the cap), at the year end £1,000 was due from Beringea in respect of overpaid management fees.

## Report of the Directors (continued)

### Directors

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

Director	At the date of this report	31 Jan 2011	31 Jan 2010
Charles Pinney	9,103	9,103	9,103
Peter Arthur	19,507	19,507	19,507
Ann Hacker (resigned 19 April 2011)	-	-	-
Frank Harding	23,038	23,038	22,124
Diane James (appointed 1 March 2011)	-	n/a	n/a

Directors' retirement and re-election are subject to the Articles of Association and the AIC Code of Corporate Governance.

Frank Harding retires by rotation at the forthcoming AGM and, having served as a Director for over nine years and in accordance with best practice as set out in the AIC Code of Corporate Governance, is now subject to annual re-election by shareholders. The remainder of the Board believe he continues to make a valuable contribution to the VCT and remains highly committed to his role. Frank Harding is considered to be independent of the Investment Manager as he has had no previous dealings with them in either a professional or personal capacity. The Board therefore recommends shareholders to re-elect Frank Harding at the forthcoming AGM. Charles Pinney and Peter Arthur retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. Diane James was appointed as a director on 1 March 2011 and, it being the first AGM since her appointment, retires and offers herself for re-election.

Each of the Directors has signed a service contract and Frank Harding also has, additionally, signed a consultancy agreement with the Company. The Directors' appointments are on a continuous basis unless otherwise terminated at the discretion of either party upon three months written notice. Consultancy agreements shall terminate at the same time as the directorships are terminated. 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 the Nomination Committee as, and when, it is deemed appropriate.

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 15.

Compliance with the main VCT regulations as at 31 January 2011 and for the year then ended, is summarised as follows:

• 70% of its investments in qualifying companies	71.8%*
• At least 30% of the Company's qualifying investments in "eligible shares"	70.0%*
• At least 10% of each investment held in "eligible shares"	Complied
• No investment constitutes more than 15% of the Company's portfolio	Complied
• Income is derived wholly or mainly from shares and securities;	81.1%
• No more than 15% of the income from shares and securities is retained;	Complied
• A maximum unit size of £1 million in each VCT qualifying investment (per tax year).	Complied

\* For share issues to be included in the HMRC investment tests from 1 February 2011

## Report of the Directors (continued)

### Creditor payment policy

The Company's policy is to pay all suppliers' invoices in accordance with agreed terms. Trade creditors and creditor days as at 31 January 2011 were £22,000 and 24 days (2009: £16,000 and 5 days).

### Key performance indicators

The Board considers the main key performance indicators for the Company to be the following:

In comparison to similar VCTs:

- net asset value and total return (page 1).
- share price (page 1) (including buyback price) and the discount level to NAV (page 2).

In relation to the Company:

- diversification of the investee portfolio by sector and by stage in relation to meeting the investment strategy (as shown on pages 10 and 11).
- compliance with the Venture Capital Trust Regulations (as shown on page 17).
- the total expense ratio of the Company (as shown on page 13)

These are monitored by the Board at each Board meeting, and are also kept under review by the Investment Manager.

### Principal risks and uncertainties

The principal financial risks faced by the Company, which include market risks, credit risks and liquidity risks are disclosed within note 19 to the financial statements.

In addition to these risks the Board considers the following to be risks to the Company:

#### Investment risk

This is the risk of investment in poor quality assets which reduce the capital and income returns to shareholders and negatively impact on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes are more fragile than larger, long-established businesses.

To reduce the risk, the Board places reliance upon the skills and expertise of the Investment Manager and its track record. In addition, the Investment Manager operates a formal and structured investment process, which includes a formal investment committee. Investments are actively and regularly monitored by the Investment Manager and the Board receives detailed reports on each investment as part of the Investment Manager's report at regular Board meetings.

#### Compliance risk

As a venture capital trust, and a fully listed company on the London Stock Exchange, the Company 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 UKLA Listing Rules and the Companies Act 2006, could lead to suspension from the London Stock Exchange and damage to the Company's reputation.

The Company's compliance with the VCT regulations is continually monitored by the Investment Manager, who reports regularly to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level. Board members have considerable experience of operating at senior levels within quoted and unquoted businesses. The Company employs Beringea LLP as Company Secretary to ensure that compliance with UK Listing Rules is maintained and seeks legal and regulatory advice from appropriate third-party experts when required.

The Board reviews and agrees policies for managing each of these risks. It receives quarterly reports from the Investment Manager, which monitor the compliance of these risks, and places reliance on the Investment Manager to give updates in the intervening period. These policies have remained unchanged since the beginning of the period.

## Report of the Directors (continued)

### Substantial shareholdings

As at 31 January 2011 and at the date of this report, the Company was not aware of any individual shareholdings exceeding 3 per cent of the issued share capital.

### Auditor

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

### 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 or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements, and the Directors' Remuneration Report, comply with the requirements of 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 relating to the Company included on the Investment Manager'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 17 confirms that, to the best of his or her knowledge:

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

### Electronic publication

The financial statements are published on [www.provenvcts.co.uk](http://www.provenvcts.co.uk) (maintained by the Investment Manager).

### Corporate governance

The Company's compliance with The AIC Code of Corporate Governance ([www.aic.co.uk](http://www.aic.co.uk)) is shown on pages 21 to 26.

## Report of the Directors (continued)

### Statement as to disclosure of information to auditor

The Directors in office at the date of the 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

#### **Beringea LLP**

Secretary of ProVen Health VCT plc

Company number: 04131354

Registered Office:

39 Earlham Street

London WC2H 9LT

19 April 2011



# Corporate Governance Statement

The Board of ProVen Health VCT plc has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to ProVen Health VCT plc.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of ProVen Health VCT plc, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## The Board

At the date of this report, the Company had a Board of five directors (including Ann Hacker who resigned as a director following the approval of the report). As a whole the Board comprises an appropriate balance of skills, experience and tenure. It also believes that each non-executive director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any directors. Biographical details of all Board members are shown on page 12. The Company has no staff other than the Directors and Officers and does not have a chief executive officer. Frank Harding is the approved Senior Independent Director.

Directors are not appointed for specified terms but are subject to re-election by shareholders at the first opportunity after their appointment and to further re-election thereafter at three year intervals. Directors who have been on the Board for more than nine years will be subject to annual re-election provided that the Board is satisfied as to their continued independence. Frank Harding was re-elected during the year and, having served on the Board for more than nine years, is subject to re-election at the forthcoming AGM. The Board is satisfied of Mr Harding's continuing independence, as prior to the appointment of Beringea as Investment Manager, he had no previous dealings with them in either a professional or personal capacity. Charles Pinney and Peter Arthur retire by rotation and, being eligible, offer themselves for re-election. Diane James, having been appointed to the Board on 1 March 2011, is subject to re-election by shareholders at the AGM.

All non-executive directors have signed contracts and one has a signed consultancy agreement. Directors' contracts and agreements are available for inspection by shareholders immediately before and after the Company's Annual General Meeting.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Investment Manager. The Investment Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. Shareholdings are generally voted at the Investment Manager's discretion, with the objective of seeking to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. The Board has direct access to company secretarial advice through the Company Secretary, which is responsible for ensuring that Board procedures are followed.

All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Code, the Company has in place Directors' and Officers' liability insurance. On appointment any new Director will be given a comprehensive introduction to the Company's business including meeting the Company's key advisers where appropriate.



# Corporate Governance Statement (continued)

## The Board (continued)

The Board is responsible to shareholders for the proper management of the Company and meets at least quarterly. The Code states that the Board should have a formal schedule of matters specifically reserved to it for decision, to ensure that it has firm direction and control of the Company. This is achieved by a management agreement between the Company and the Investment Manager, which sets out the matters over which the Investment Manager has authority and the limits above which Board approval must be sought. All other matters including strategy, investment and dividend policies, gearing and corporate governance proceedings are reserved for the approval of the Board of Directors.

The Chairman, together with the Company Secretary, establishes the agenda for each Board meeting. The necessary papers for each meeting are distributed well in advance of each meeting.

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 at the forthcoming AGM to renew this authority.

The Board also has authority to issue new shares up to 10.0% of the current issued share capital. This authority was granted at the last AGM and a resolution will be put to shareholders at the forthcoming AGM to renew this authority.

The Company's capital structure is disclosed on page 13.

## Committees to the Board

The Company has an Audit Committee, Nomination Committee and Remuneration Committee, all of which have defined terms of reference and duties, which are available from the Company Secretary and on the Investment Manager's website, [www.provenvcts.co.uk](http://www.provenvcts.co.uk). A Management Engagement Committee has not been constituted with matters thereon being dealt with by the Board as a whole.

## Audit Committee

A fully constituted committee of the Board of Directors, established to perform the duties set out below and to report on those matters to the Board.

- To monitor the integrity of the Company's financial statements including its annual and half yearly reports and review significant financial reporting judgements contained in them.
- To review the Company's internal controls and risk management systems.
- To review the need for an internal audit function.
- To make recommendations to the Board for it to put to shareholders for their approval at the AGM, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- To discuss, and to report to the board on, any matters arising from the external audit and any matter the auditor may wish to discuss.
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- To report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- The chairman shall attend the AGM of the Company prepared to respond to any shareholder questions on the Committee's activities.

The Audit Committee comprises Frank Harding (chairman), Charles Pinney, Peter Arthur and Diane James. Ann Hacker resigned as a member of the Audit Committee on 19 April 2011. The Board has deemed it appropriate that all directors sit on the Audit Committee due to their experience in such matters.

# Corporate Governance Statement (continued)

## Audit Committee (continued)

The Audit Committee reviews the performance and continued suitability of the Company's auditors on an annual basis. In advance of each audit, PKF (UK) LLP ("PKF") provide an audit strategy plan for consideration by the Committee, including confirmation of PKF's compliance with the Ethical Standards of the Auditing Practices Board and of the audit and non-audit fees chargeable to the Company. PKF liaise directly with the Investment Manager during the audit process and attend the Audit Committee meeting at which the Annual Report is considered. PKF provide a detailed Audit Committee Report outlining their audit process and setting out their findings. The Audit Committee and Investment Manager are able to assess the quality of PKF's work and of PKF's understanding of the business. Based on these procedures, the Audit Committee has obtained sufficient assurance as to PKF's independence and performance and it therefore recommends to shareholders that PKF be re-appointed as Auditor for the forthcoming year.

## Nomination Committee

A fully constituted committee of the Board of Directors, established to perform the duties set out below and to report on those matters to the Board.

- To review the structure of the Company's Board, its size and composition and to make recommendations to the Board with regard to any changes that are deemed necessary.
- To be responsible for identifying and nominating candidates for the approval of the Board and to fill Board vacancies as and when they arise as well as putting in place plans for succession, in particular, of the Chairman of the Company.
- To make recommendations to the Board for the continuation (or not) in service of any Director who has reached the age of 70.
- To make recommendations to the Board for the continuation (or not) in service of any Director who has held office for more than nine years.
- To recommend Directors who are retiring by rotation to be put forward for re-election.
- The chairman shall attend the AGM of the Company prepared to respond to any shareholder questions on the Committee's activities.

The Nomination Committee comprises Peter Arthur (chairman), Frank Harding and Diane James. Ann Hacker resigned as chairman and as a member of the Nomination Committee on 19 April 2011.

The Nomination Committee recommended the appointment of Diane James to the board of the Company shortly after the year end. This recommendation was approved by the Board and Ms James was appointed as a director on 1 March 2011. The Nomination Committee did not use an external consultancy nor open advertising to recruit for this position, instead utilising the experience gained from a previous external search in 2008 and the directors' own extensive network of contacts and business associates.

## Remuneration Committee

A fully constituted committee of the Board of Directors, established to perform the duties set out below and to report on those matters to the Board.

- To consider the levels and make up of remuneration which are sufficient to attract, retain and motivate directors of the quality required and which are needed to run the Company successfully.
- To ensure that provisions regarding disclosure of remuneration including pensions are fulfilled.
- To produce an annual report of the remuneration policy which will form part of the Company's Annual Report and Accounts and ensure that each year it is put to shareholders for approval at the AGM.
- The chairman shall attend the AGM of the Company prepared to respond to any shareholder questions on the Committee's activities and directors' remuneration.

The Remuneration Committee comprises Peter Arthur (chairman), Frank Harding and Diane James. Ann Hacker resigned as chairman and as a member of the Remuneration Committee on 19 April 2011. The Committee's annual report can be found on pages 27 and 28 of this report.

## Corporate Governance Statement (continued)

### Board and Committee meetings

The following table sets out the Directors' attendance at full Board and Committee meetings held during the year ended 31 January 2011.

Director	Board meetings		Audit Committee meetings		Nomination Committee meetings		Remuneration Committee meetings	
	held	attended	held	attended	held	attended	held	attended
Charles Pinney	5	5	2	2	N/A	N/A	N/A	N/A
Peter Arthur	5	5	2	2	1	1	1	1
Ann Hacker	5	3	2	1	1	1	1	1
Frank Harding	5	5	2	2	1	1	1	1

The Board is in regular contact with the Investment Manager between Board meetings.

### Whistle blowing

The Board has considered the Code's recommendations in respect of arrangements by which staff of the Investment Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for proportionate and independent investigation of such matters, and where necessary, for appropriate follow up action to be taken within their respective organisations.

### Board performance

During the year, the performance of the Board and individual directors was evaluated through an assessment process led by the Chairman. The Directors, led by the Senior Independent Director, were responsible for performance evaluation of the Chairman.

### Financial reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Directors' Report on page 19, and a statement by the Auditor about their reporting responsibilities is set out in the Auditor's Report on page 29.

### Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Shareholders have the opportunity to meet the Board and representatives of the management team at the Annual General Meeting. All shareholders are welcome to attend the meeting and to ask questions of the Directors. The Investment Manager also holds an annual investor day for the VCTs it manages and shareholders are welcome to attend. The Board is also happy to respond to any written queries made by shareholders during the course of the year. All communication from shareholders is recorded and reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved.

The Company's Senior Independent Director, Frank Harding, is available to shareholders who have concerns that other channels have failed to allay and can be contacted through the registered office. As disclosed in the Report of the Directors on page 19, at the year end there were no shareholders holding a substantial interest in the Company.

Separate resolutions are proposed at the AGM on each substantially separate issue. Proxy votes are collated 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 Company also communicates with shareholders through annual and half yearly reports. The Board as a whole approves the terms of the Chairman's Statement and the Investment Manager's Review which form part of these reports in order to ensure that they present a balanced and understandable assessment of the Company's position. The Company also releases quarterly interim management statements, and other information as required, to the London Stock Exchange.

# Corporate Governance Statement (continued)

## Internal control

The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. In accordance with Principle C2 of the Combined Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Internal controls are designed to manage the particular needs of the Company and the risks to which it is exposed. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. They can by their nature only provide reasonable and not absolute assurance against material misstatement or loss. The controls operated by the Board include the authorisation of the investment strategy and regular reviews of the results and investment performance.

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, i.e. investment management, administration functions (including the financial reporting process) and cash management to Beringea. This contract was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers regular reports from the Investment Manager. Ad hoc reports and information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the management agreement with the Investment Manager and to evaluate the performance of the Investment Manager.

An annual review of the control systems is carried out which covers consideration of the key risks in a number of areas. Each risk is considered with regard to the likelihood that the risk may occur, the impact of the risk on the performance and reputation of the Company should it occur, and the controls exercised over that risk. The Investment Manager reports to the Board on the operation of the controls; in addition the external auditor may report on control weaknesses identified during the course of the audit as part of its Audit Committee Report. The main aspects of the internal controls that were in place during the financial year to 31 January 2011 were:

- All proposed investments are approved by the Beringea Investment Committee and signed off by the Beringea Managing Partner;
- An independent review of portfolio valuations is undertaken by the Board on a quarterly basis;
- Monthly bank reconciliations are performed by the Investment Manager; and
- The annual and half year reports, interim management statements and any changes to net asset value are approved by the Board prior to publication.

The Board has identified no significant problems with the Company's internal controls that warrant disclosure in the annual report.

## 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 page 2, the Investment Manager's Review on page 4 and the Report of the Directors on page 13. The financial position of the Company, its cash flows and liquidity position are shown in the Cash Flow Statement on page 33 and the Report of the Directors on page 16. In addition, notes 18 to 20 to 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.

In accordance with "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", issued by the Financial Reporting Council, the Board has assessed the Company's operation as a going concern. The Company has considerable financial resources both at the year end and at the date of this report, and holds a number of different venture capital 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 have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Corporate Governance Statement (continued)

### Statement of compliance

The Directors consider that the Company has complied throughout the year ended 31 January 2011, and continues to comply at the date of this report, with all the relevant provisions set out in the AIC Code of Corporate Governance, subject to the exceptions noted above.

By order of the Board

### **Beringea LLP**

Secretary

39 Earlham Street

London WC2H 9LT

19 April 2011

# Directors' Remuneration Report

## Introduction

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 9 June 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 29.

## Remuneration Committee

The membership of the Remuneration Committee comprises three non-executive directors. The current members are Peter Arthur (chairman), Frank Harding and Diane James. Ann Hacker resigned as chairman and as a member of the Committee on 19 April 2011. The secretary to the Committee is Beringea LLP which is also the secretary to the Company.

The Remuneration Committee, which is a committee of the Board, meets at least annually, to consider the Directors' remuneration and to make recommendations thereon to the Board. The secretary provides a comparison of the Directors' remuneration with that of venture capital trusts of similar size. This comparison, together with the consideration of any alteration in Directors' responsibilities, is used to consider whether any change in remuneration is necessary.

## Policy on Directors' fees

The Board's policy is that the remuneration of directors should be fair and comparable with that of other venture capital trusts of similar size. The level of remuneration should be sufficient to attract and retain the directors required to oversee effectively the Company.

In addition, it should reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue in force.

The fees for the Directors are determined within the limits set out in the Company's articles of association. The present aggregate limit for directors' remuneration is £100,000 per annum and the approval of shareholders at a general meeting would be required to change this limit.

## Directors' service contracts

Frank Harding, Charles Pinney, Peter Arthur and Diane James have each signed a service contract and Frank Harding also has a consultancy agreement with the Company. The Directors' appointments are on a continuous basis unless otherwise terminated at the discretion of either party upon three months written notice. Consultancy agreements shall terminate at the same time as the directorships are terminated.

## Directors' remuneration (audited)

Director	2011 £	2010 £
Charles Pinney	16,000	16,000
Peter Arthur	12,000	12,000
Ann Hacker (resigned 19 April 2011)	12,000	12,000
Frank Harding	12,000	12,000
	52,000	52,000

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 and no performance incentive fees are due to the Directors.

# Directors' Remuneration Report (continued)

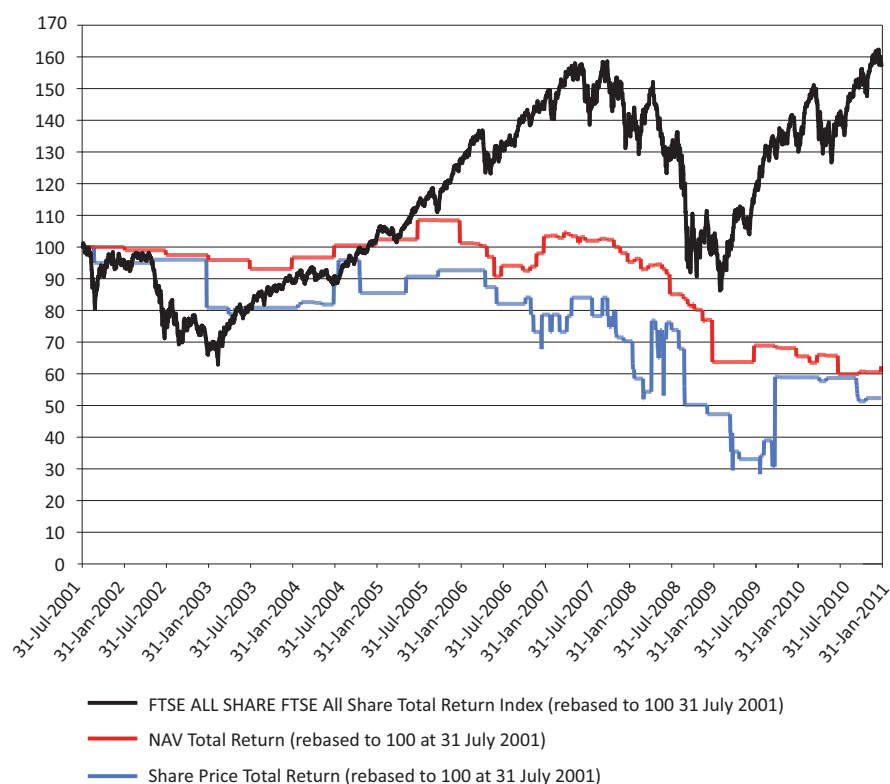
## 2012 remuneration

Following a recent review, the Remuneration Committee agreed the following revised remuneration levels effective from 1 February 2011:

Director	Annual rate £
Charles Pinney	20,000
Peter Arthur	15,000
Ann Hacker (resigned 19 April 2011)	15,000
Frank Harding	15,000
Diane James (appointed 1 March 2011)	15,000

## Performance graph

The graph below compares the change in the Company's net asset value total return and share price total return with that of the FTSE All Share Total Return Index since 31 July 2001. The Company's net asset value total return is calculated as the net asset value with dividends reinvested at the net asset value prevailing on the date the dividends were paid. The Company's share price total return is calculated as mid market share price with dividends reinvested at the mid market price prevailing on the date the dividends were paid. The graph does not take into account the initial tax benefits on subscription received by shareholders. There are no options, issued or exercisable, in the Company which would distort the graphical representation below.



On behalf of the Board

**Beringea LLP**

Secretary

39 Earlham Street

London WC2H 9LT

19 April 2011

# Independent Auditor's Report to the Members of ProVen Health VCT plc

We have audited the financial statements of ProVen Health VCT plc for the year ended 31 January 2011 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 Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 of the financial statements

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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

## 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 January 2011 and of its loss 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.



# Independent Auditor's Report to the Members of ProVen Health VCT plc (continued)

## 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 page 25, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

### **Rosemary Clarke**

Senior Statutory Auditor

For and on behalf of PKF (UK) LLP

Statutory Auditor

London UK

19 April 2011

# Income Statement

for the year ended 31 January 2011

	Note	2011			2010		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	44	-	44	41	-	41
(Losses)/gains on investments	9	-	(136)	(136)	-	631	631
		44	(136)	(92)	41	631	672
Investment management fees	3	(41)	(122)	(163)	(51)	(152)	(203)
Other expenses	4	(173)	-	(173)	(164)	-	(164)
<b>(Loss)/return on ordinary activities before tax</b>		(170)	(258)	(428)	(174)	479	305
Tax on ordinary activities	6	-	-	-	-	-	-
<b>(Loss)/return attributable to equity shareholders</b>		(170)	(258)	(428)	(174)	479	305
<b>Basic and diluted (loss)/return per share</b>	8	(0.9p)	(1.3p)	(2.2p)	(0.9p)	2.5p	1.6p

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 Income Statement, there were no differences between the result as stated above and at historical cost.

## Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January 2011

	Note	2011 £'000	2010 £'000
<b>Opening shareholders' funds</b>		10,018	9,950
Proceeds from share issues		233	36
Share issue costs		(18)	(7)
Purchase of own shares		(219)	(74)
Total recognised (loss)/gain for the period		(428)	305
Dividends paid	7	(387)	(192)
<b>Closing shareholders' funds</b>		9,199	10,018

The accompanying notes are an integral part of this statement.

# Balance Sheet

as at 31 January 2011

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Investments	9	6,022	6,933
<b>Current assets</b>			
Debtors	10	21	9
Current investments	11	1,800	1,791
Cash at bank and in hand		1,446	1,358
		3,267	3,158
<b>Creditors: amounts falling due within one year</b>	12	(90)	(73)
<b>Net current assets</b>		3,177	3,085
<b>Net assets</b>		9,199	10,018
<b>Capital and reserves</b>			
Called up share capital	13	192	192
Capital redemption reserve	14	398	393
Share premium account	14	7,170	6,960
Special distributable reserve	14	7,586	8,192
Capital reserve - realised	14	(2,914)	(2,444)
Capital reserve - unrealised	14	(2,500)	(2,712)
Revenue reserve	14	(733)	(563)
<b>Total equity shareholder's funds</b>		9,199	10,018
<b>Basic and diluted net asset value per share</b>	15	48.0p	52.1p

The financial statements on pages 31 to 45 were approved and authorised for issue by the Board of Directors on 19 April 2011 and were signed on its behalf by:

**Charles Pinney**  
Chairman

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

# Cash Flow Statement

for the year ended 31 January 2011

	Note	2011 £'000	2010 £'000
<b>Net cash outflow from operating activities</b>	16	(292)	(77)
<b>Capital expenditure</b>			
Purchase of investments		(688)	(710)
Disposal of investments		1,463	1,427
<b>Net cash inflow from capital expenditure</b>		775	717
<b>Equity dividends paid</b>		(321)	(155)
<b>Net cash inflow before financing</b>		162	485
<b>Financing</b>			
Proceeds from share issues		166	-
Share issue costs		(18)	(2)
Purchase of own shares		(222)	(70)
<b>Net cash (outflow)/inflow from financing</b>		(74)	(72)
<b>Increase in cash</b>	17	88	413

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

# Notes to the Accounts

## for the year ended 31 January 2011

### 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.

The Company implements new Financial Reporting Standards (“FRS”) 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.

#### Fixed assets 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 International Private Equity and Venture Capital Valuation Guidelines (“IPEVCVG”) issued in September 2009 together with FRS26.

Publicly traded investments are measured using bid prices.

The valuation methodologies used by the Directors for assessing the fair value of unquoted investments are as follows:

- investments are usually retained at cost for an appropriate period following investment, except where a company’s performance against plan is significantly below the expectations on which the investment was made in which case a provision against cost is made as appropriate;
- where a company is in the early stage of development it will normally continue to be held at cost, reviewed for impairment on the basis described above;
- where a company is well established after an appropriate period, the investment may be valued by applying a suitable earnings or revenue multiple to that company’s maintainable earnings or revenue. The multiple used is based on comparable listed companies or a sector but discounted to reflect factors such as the different sizes of the comparable businesses, different growth rates and the lack of marketability of unquoted shares;
- where a value is indicated by a material arms-length transaction by a third party in the shares of the company, the valuation will normally be based on this, reviewed for impairment as appropriate; and
- where alternative methods of valuation, such as net assets of the business or the discounted cash flows arising from the business are more appropriate, then such methods may be used.

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. Methodologies are applied consistently from year to year except where a change results in a better estimate of fair value.

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

# Notes to the Accounts (continued)

for the year ended 31 January 2011

## 1 Accounting policies (continued)

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item.

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 dividends or interest accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

### Current assets investments

Current assets investments comprise investments in liquidity funds with AAA rating and are redeemable on call. These investments are valued at bid price.

### Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, normally the ex dividend date or, where no dividend date is established, when the Company's right to receive payment is established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investments.

### 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 from the Capital Account;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- 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 and accordingly the investment management fee has been allocated 25% to revenue and 75% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

### Taxation

The tax effects of 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.

Deferred taxation 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 and is not discounted. 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 financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

### 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.

### Share issue costs

Expenses in relation to share issues are deducted from the Share Premium Account.

# Notes to the Accounts (continued)

## for the year ended 31 January 2011

### 2 Income

	2011 £'000	2010 £'000
<b>Income from investments</b>		
Loan stock interest	-	9
Dividend income	26	17
Income from global liquidity funds	10	13
	36	39
<b>Other income</b>		
Deposit interest	8	2
	44	41

### 3 Investment management fees

	2011 £'000	2010 £'000
Investment management fee	163	203

Investment management fees are payable to Beringea, under a Discretionary Investment Management Agreement dated 12 February 2001 and Deed of Novation dated 23 December 2008, and are 2.5% per annum of the net assets of the Company, calculated on a quarterly basis. These fees are not subject to VAT.

The annual running costs of the Company for the year are subject to an expenses cap of 3.6% of the Company's net assets, based on the balance sheet date. Annual running costs exceeding the cap are borne by the Investment Manager and their investment management fee is reduced accordingly. The net position, after accounting for the annual running costs cap is therefore disclosed in the table above.

### 4 Other expenses

	2011 £'000	2010 £'000
Administration services	36	36
Directors' fees	52	52
Social security costs	3	3
Auditor's remuneration for - audit	20	20
- taxation services	2	2
Trail commission	5	10
Legal and professional	-	1
Other	55	40
	173	164

### 5 Directors' remuneration

Details of remuneration (excluding VAT and employers' NIC) are given in the Directors' Remuneration Report on page 27. The Company had no employees other than the Directors during either year. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Directors.

# Notes to the Accounts (continued)

for the year ended 31 January 2011

## 6 Taxation on ordinary activities

	2011 £'000	2010 £'000
(a) Tax charge for year		
Current year		
UK corporation tax (charged to the Revenue Account)	-	-
Tax credited to Capital Account	-	-
Charge for year	-	-
(b) Factors affecting tax charge for the year		
(Loss)/return on ordinary activities before taxation	(428)	305
Tax charge calculated on (loss)/return on ordinary activities before taxation at the applicable rate of 21.0% (2010: 21.0%)	(90)	64
Effects of:		
(Gains)/losses on investments	29	(132)
UK dividend income	(7)	(6)
Expenses disallowed for taxation purposes	1	2
Excess management fees carried forward	67	72
Charge for year	-	-
(c) A deferred tax asset has not been recognised in respect of timing difference relating to excess management expenses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £407,000 (2010: £340,000) and would only be recovered were the Company to make sufficient taxable profits in the future.		

## 7 Dividends

	2011 £'000	2010 £'000
Paid in year:		
Final dividend of 1.0p per share paid on 11 June 2010	195	-
Interim dividend of 1.0p per share paid on 26 November 2010	192	-
Interim dividend of 1.0p per share paid on 4 December 2009	-	192
	387	192
Split as:		
Paid directly to shareholders	321	155
Shares issued under dividend re-investment scheme	66	37
	387	192
Proposed final dividend:		
1.0p per share payable on 17 June 2011	196	-
1.0p per share payable on 11 June 2010	-	195

## 8 Basic and diluted return per share

	Weighted average number of shares in issue	Revenue loss per share (pence)	Revenue loss £'000	Capital gain/(loss) per share (pence)	Capital gain/ (loss) £'000
Year ended 31 January 2011	19,296,351	(0.9p)	(170)	(1.3)p	(258)
Year ended 31 January 2010	19,298,309	(0.9p)	(174)	2.5p	479

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 to the Accounts (continued)

for the year ended 31 January 2011

### 9 Investments

“Fair value through profit or loss” assets

	Investments quoted on Main Market £'000	Investments quoted on AIM £'000	Unquoted investments £'000	Total £'000
<b>Opening cost at 1 February 2010</b>	701	655	8,289	9,645
Unrealised losses at 1 February 2010	(121)	(267)	(2,324)	(2,712)
<b>Opening fair value at 1 February 2010</b>	580	388	5,965	6,933
<b>Movement in year</b>				
Purchases at cost	-	-	688	688
Sales - proceeds	-	-	(1,463)	(1,463)
- realised (losses)/gains on sales	-	(30)	178	148
Unrealised gains/(losses) in the income statement	107	70	(461)	(284)
<b>Closing fair value at 31 January 2011</b>	687	428	4,907	6,022
Closing cost at 31 January 2011	701	366	7,455	8,522
Unrealised (losses)/gains at 31 January 2011	(14)	62	(2,548)	(2,500)
<b>Closing fair value at 31 January 2011</b>	687	428	4,907	6,022

A schedule disclosing the material additions and disposals during the year is disclosed in the Investment Manager's Review on page 4. There was a material writedown in the valuation of Amura Holdings Limited compared to the prior year.

The basis of valuation was changed, and gave rise to a material difference in valuation relative to the previous year, as highlighted on page 6, for Biovex Group Inc. The valuation of Biovex Group (31 January 2011 valuation £678,000) was changed from a price of recent investment basis to an offer valuation basis following an agreement for NASDAQ quoted Amgen to acquire Biovex Group. The transaction completed in March 2011 and proceeds were received. Further proceeds of up to \$2.0 million may be received dependent on the achievement of commercialisation and sales milestones.

FRS 29 requires disclosure to be made if changing one or more of the inputs to reasonably possible alternative assumptions would result in a significant change in the fair value of the investments. The portfolio has been reviewed and both downside and upside alternative assumptions identified. These reflect discounts applied to multiples, cost impairments and discounted cash flow assumptions and result in an increase of £444,000 to the value of the unquoted investments, for an upside scenario and a decrease of £119,000 to the value of the unquoted investments, for a downside scenario.

## Notes to the Accounts (continued)

for the year ended 31 January 2011

### 10 Debtors

	2011 £'000	2010 £'000
Other debtors	-	2
Prepayments and accrued income	21	7
	21	9

### 11 Current investments

	2011 £'000	2010 £'000
Liquidity fund	1,800	1,791

### 12 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	22	16
Other social security costs	5	5
Other creditors	17	12
Accruals and deferred income	46	40
	90	73

### 13 Called up share capital

	2011 £'000	2010 £'000
<b>Authorised:</b>		
245,000,000 (2010: 245,000,000) ordinary shares of 1p each	2,450	2,450
<b>Issued, allotted, called up and fully-paid:</b>		
19,180,796 (2009: 19,224,875) ordinary shares of 1p each	192	192

Between 1 April 2010 and 28 May 2010, 311,188 shares were issued at an average price of 53.4p. The aggregate consideration for the shares was £166,000 with related share issue costs thereon amounting to £9,000.

On 11 June 2010, 65,437 shares were issued at 51.5p per share under the Company's dividend re-investment scheme. The aggregate consideration for the shares was £34,000 with related share issue costs thereon amounting to £2,000.

On 26 November 2010, 70,513 shares were issued at 46.5p per share under the Company's dividend re-investment scheme. The aggregate consideration for the shares was £33,000 with related share issue costs thereon amounting to £7,000.

During the year the Company purchased 491,217 shares for cancellation for an aggregate consideration of £219,000 at an average price of 44.3p per share (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 2.6% of the issued share capital held at 1 February 2010.

# Notes to the Accounts (continued)

for the year ended 31 January 2011

## 14 Reserves

	Capital redemption reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
<b>At 1 February 2010</b>	393	6,960	8,192	(2,444)	(2,712)	(563)
Issue of new shares	-	228	-	-	-	-
Share issue costs	-	(18)	-	-	-	-
Purchase of own shares	5	-	(219)	-	-	-
Expenses capitalised	-	-	-	(122)	-	-
Gains/(losses) on investments	-	-	-	148	(284)	-
Realisation of revaluations from previous years	-	-	-	(496)	496	-
Dividends paid	-	-	(387)	-	-	-
Retained net loss	-	-	-	-	-	(170)
<b>At 31 January 2011</b>	398	7,170	7,586	(2,914)	(2,500)	(733)

The special reserve is a distributable reserve that allows the Company to make market purchases of its own shares and to pay dividends.

Distributable reserves comprise the special reserve, capital reserve – realised and revenue reserve. At the year end there were £1,439,000 (2010: £2,473,000) of reserves available for distribution after deducting the capital reserve – unrealised of £2,500,000 (2010: £2,712,000).

## 15 Basic and diluted net asset value per share

	Shares in issue		2011 Net asset value		2010 Net asset value	
	2011	2010	Pence per share	£'000	Pence per share	£'000
Ordinary shares	19,180,796	19,224,875	48.0p	9,199	52.1p	10,018

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 net asset value per share.

## 16 Reconciliation of return on ordinary activities before tax to net cash flow from operating activities

	2011 £'000	2010 £'000
(Loss)/return on ordinary activities before tax	(428)	305
Losses/(gains) on investments	136	(631)
Re-invested liquidity fund dividends	(9)	(13)
(Increase)/decrease in debtors	(11)	266
Increase/(decrease) in creditors	20	(4)
Net cash outflow from operating activities	(292)	(77)

## Notes to the Accounts (continued)

for the year ended 31 January 2011

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

	Net funds at 1 February 2010 £'000	Cash flows £'000	Other non cash changes £'000	Net funds at 31 January 2011 £'000
Cash at bank and in hand	1,358	88	-	1,446
Liquidity fund	1,791	-	9	1,800
	3,149	88	9	3,246

### 18 Financial instruments and derivatives

The Company's financial instruments comprise investments in quoted companies, unquoted companies, liquidity funds, loans and receivables (including cash at bank and debtors) and other financial liabilities. Investments are designated as "fair value through profit or loss" assets. The main purpose of these investments is to generate revenue and capital appreciation for the Company's operations. The fair value of investments is determined using the accounting policies as shown in note 1.

Loans and receivables 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 at fair value through profit and loss using the fair value hierarchy as follows:

- Level 1 Reflects financial instruments quoted in an active market (liquidity fund investments, investments quoted on the Main Market and investments quoted on AIM);
- Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly (no such investments currently held);
- Level 3 Reflects financial instruments that are not based on observable market data (unquoted equity investments and loan note investments).

	2011				2010			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted on the Main Market	687	-	-	687	580	-	-	580
AIM quoted	428	-	-	428	388	-	-	388
Loan notes	-	-	476	476	-	-	707	707
Unquoted	-	-	4,431	4,431	-	-	5,258	5,258
Liquidity fund	1,800	-	-	1,800	1,791	-	-	1,791
	2,915	-	4,907	7,822	2,759	-	5,965	8,724

# Notes to the Accounts (continued)

for the year ended 31 January 2011

## 18 Financial instruments and derivatives (continued)

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

	2011 £'000	2010 £'000
Balance at the beginning of the financial year	5,965	5,104
Transfer from Level 1 following delisting of investment	-	6
<i>Movements in the income statement:</i>		
Unrealised (losses)/gains in the income statement	(461)	524
Realised gains/(losses) in the income statement	178	(53)
	(283)	471
Purchases at cost	688	710
Sales proceeds	(1,463)	(326)
Balance at the end of the financial year	4,907	5,965

### Interest rate risk profile of financial assets and financial liabilities

There are five levels of interest which are attributable to the financial instruments:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise certain loan note investments.
- "Variable floating rate" assets represent investments which bear interest at rates linked to Bank of England base rate plus an agreed fixed rate, and comprise certain loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank and liquidity funds.
- "Libor rate" assets represent a preference share investment where the level of dividends receivable are based on the average overnight LIBOR plus an agreed fixed rate.
- "No interest rate" assets do not attract interest and comprise equity investments (with the exception of the preference share noted above), certain loan note investments, loans and receivables (excluding cash at bank and liquidity funds) and other financial liabilities.

	Average interest rate	Average period until maturity	2011 £'000	2010 £'000
Fixed rate	6.0%	180 days	264	96
Floating rate	0.5%	-	3,458	3,149
Variable floating rate	-	-	-	263
Libor rate	7.3%	1,065 days	497	388
No interest rate		365 days	4,980	6,122
			9,199	10,018

### Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the Balance Sheet (2010: none).

# Notes to the Accounts (continued)

for the year ended 31 January 2011

## 18 Financial instruments and derivatives (continued)

### Currency exposure

As at 31 January 2011, the Company had one American investment valued at £678,000, (2010: one American investment valued at £56,000).

### Borrowing facilities

The Company has no committed borrowing facilities as at 31 January 2011 (2010: None).

## 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 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.

Further information about the VCT's investment policy is set out in the Report of the Directors on pages 14 to 16.

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. Additionally, unquoted (level 3) investments may be further analysed between equity and non-equity investments.

In addition to its investment portfolio, the VCT maintains a portfolio of liquidity funds and cash balances with two of the main UK banks. The Directors consider that the risk profile associated with cash deposits and liquidity fund investments is low and thus the carrying value in the financial statements is a close approximation of the fair value.

The Board has reviewed the Company's financial risk profile and is of the opinion that the exposure to financial risk has not changed significantly since the previous year.

A review of the specific financial risks faced by the Company is presented below.

### Market risks

The key market risk to which the Company is exposed is 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. The impact of a reasonable sensitivity in interest rates is not considered to be significant on either the return or net assets of the VCT. The level of interest rates does impact more generally on the business environment in which the portfolio companies operate and on the supply and demand for their goods and services. It is, however, not considered practical to quantify accurately the impact of various interest rate scenarios either on the portfolio overall or on individual companies.

# Notes to the Accounts (continued)

for the year ended 31 January 2011

## 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 January 2011, the unrealised gain on quoted investments was £48,000 (2010: loss £388,000).

The investments the Company holds are, 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.

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 involved.

The sensitivity analysis below assumes that each of the sub categories of financial instruments (ordinary shares, preference shares, loan stocks and liquidity funds) held by the Company produces an overall movement of 20%. Shareholders should note that equal correlation between these sub categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. This is because the loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of the initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

Sensitivity	2011			2010		
	20% fall			20% fall		
	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
Venture capital investments	6,022	(1,204)	(6.3p)	6,933	(1,387)	(7.2p)
Liquidity fund	1,800	(360)	(1.9p)	1,791	(358)	(1.9p)
	7,822	(1,564)	(8.2p)	8,724	(1,745)	(9.1p)

The range in equity prices is considered reasonable given the historic changes that have been observed. 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:

	2011 £'000	2010 £'000
<i>Fair value through profit or loss assets</i>		
Investments in loan stocks	476	707
<i>Loans and receivables</i>		
Investments in liquidity funds	1,800	1,791
Cash and cash equivalents	1,446	1,358
Interest, dividends and other receivables	21	3
	3,743	3,859

# Notes to the Accounts (continued)

for the year ended 31 January 2011

## 19 Principal financial risks (continued)

### Credit risk (continued)

Investments in loan stocks comprise a fundamental part of the Company's venture capital investments and are managed within the main investment management procedures. At 31 January 2011, loan stock valued at £293,000, including interest of £43,000, was past due for payment, due to interest not being paid, but had not been impaired. £14,000 of interest was past due by less than 12 months; £19,000 of interest was past due between 12 and 24 months and £10,000 of interest was past due between 24 and 36 months.

Credit risk in respect of investments in liquidity funds is minimised by, where possible, investing in AAA-rated funds.

Cash is held at Bank of Scotland plc and Natwest Bank plc, and, consequently, the Directors consider that the risk profile associated with cash deposits is low. There have been no changes in fair value that are directly attributable to changes in credit risk.

Interest, dividends and other receivables are predominantly covered within the investment management procedures. There have been no changes in fair value that are directly attributable to changes in credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. As the Company only ever has a very low level of creditors (2011: £90,000, 2010: £73,000) and has no borrowings, the Board believes that the Company's exposure to liquidity risk is minimal.

## 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 and to provide an adequate return to shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under tax legislation) of which must be invested, and retained, in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its Company's capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon the changing capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase its own shares, issue new shares or sell assets if so required to maintain a level of liquidity to remain a going concern. Although, the Company is permitted to borrow to give a degree of flexibility, there are no current plans to do so.

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 Post balance sheet events

In March 2011, the sale of Biovex to Amgen Inc was concluded and proceeds of approximately \$1.1 million were received. Additionally, Chromogenex concluded a financial restructuring which led to the Company's ordinary shareholding being acquired by a new investor and proceeds of £31,000 being received. In April 2011, Sinclair Pharma plc and IS Pharma plc agreed to a merger which, subject to regulatory and shareholder approvals, will complete in May.

On 5 April 2011, the Company issued 400,074 shares for consideration at approximately 50.8p per share. The aggregate consideration for the shares was £199,000 and share issue costs thereon amounted to £7,000.



# Shareholder Information

## Share price

The Company's share price can be found on various financial websites, including the London Stock Exchange ([www.londonstockexchange.com](http://www.londonstockexchange.com)) with the TIDM/EPIC code **PHV**. A link to the share price is also available on Beringea's dedicated VCT website ([www.provenvcts.co.uk](http://www.provenvcts.co.uk)).

Latest mid market share price (18 April 2011): **38p per share**

## Financial calendar

9 June 2011	Annual general meeting
17 June 2011	Payment of final dividend
June 2011	Release of interim management statement to 30 April 2011
September 2011	Announcement of half yearly results to 31 July 2011
December 2011	Release of interim management statement to 31 October 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. Queries relating to dividends and requests for mandate forms should therefore be directed to the Company's registrar, Computershare Investor Services plc, on 0870 707 1657 (calls charged at national rate), or by writing to them at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.

## Selling shares

The Company's shares can be bought and sold in the same way as any other company listed on the London Stock Exchange using a stockbroker. 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 or purchased shares within the last five years.

The Company currently operates a policy of buying its own shares for cancellation as they become available. Any shareholder wishing to sell their shares should contact Beringea LLP, the Company Secretary, on **020 7845 7820**.

## Unsolicited calls to shareholders

We are aware of cases of shareholders in other VCTs having received unsolicited phone calls, e-mails or correspondence concerning investment matters. Please note that it is very unlikely that the Company, Beringea or the Company Registrar, Computershare Investor Services plc, would make unsolicited telephone calls, or send e-mails, to shareholders. Shareholders can, however, expect official documentation in connection with the Company and may receive details of investment activity and new VCT offers from the Investment Manager. Furthermore, please be assured that the Company limits access to its share register to the maximum extent permissible under the Companies Act 2006. If you receive either an unexpected phone call or correspondence about which you have concerns, please contact Beringea LLP, the Company Secretary, on **020 7845 7820**.

## 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, Computershare Investor Services plc, under the signature of the registered holder.

## Websites

Latest financial information, including information on recent investment transactions, newsletters and electronic copies of Annual Reports, Half-Yearly Reports and Interim Management Statements can be found on the Investment Manager's website: [www.provenvcts.co.uk](http://www.provenvcts.co.uk). Shareholders can also check details of their shareholdings using Computershare Investor Services plc's website [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Please note that to access this facility investors will need to quote the reference number shown on their share/dividend certificate.

## Company Information

### Directors

**Charles Pinney (Chairman)**

**Peter Arthur**

**Frank Harding**

**Diane James**

all of:

39 Earlham Street

London

WC2H 9LT

### Registrar

**Computershare Investor Services PLC**

The Pavilions

Bridgwater Road

Bristol

BS99 6ZZ

Tel: 0870 707 1657

(calls charged at national rate)

### Secretary and registered office

**Beringea LLP**

39 Earlham Street

London

WC2H 9LT

Tel: 020 7845 7820

### VCT status adviser

**PricewaterhouseCoopers LLP**

1 Embankment Place

London

WC2N 6RH

### Investment manager

**Beringea LLP**

39 Earlham Street

London

WC2H 9LT

Tel: 020 7845 7820

[www.provenvcts.co.uk](http://www.provenvcts.co.uk)

### Solicitors

**Martineau**

No 1 Colmore Square

Birmingham

B4 6AA

### Auditors

**PKF (UK) LLP**

Farringdon Place

20 Farringdon Road

London

EC1M 3AP

### Principal bankers

**National Westminster Bank Plc**

Financial Institutions Group

7th Floor

280 Bishopsgate

London

EC2M 4RB

### Bank of Scotland plc

Edinburgh Royal Mile

300 Lawnmarket

Edinburgh

EH1 2PH

# Notice of the Annual General Meeting

## of ProVen Health VCT plc

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of ProVen Health VCT plc (“the Company”) will be held at 39 Earlham Street, London WC2H 9LT at 10.00 am on 9 June 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 January 2011 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 1.0p per share.
4. To re-appoint 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 Charles Pinney as a Director.
6. To re-elect Peter Arthur as a Director.
7. To re-elect Frank Harding as a Director.
8. To re-elect Diane James as a Director.

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

### Ordinary Resolution

9. That, in substitution for all existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company (“Rights”) up to an aggregate nominal amount of £195,808 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company’s next annual general meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make before the expiry of this authority, offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired.

### Special Resolution

10. That, conditional upon the passing of Resolution 9 set out in this Notice, in substitution for any existing authority, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company’s next annual general meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), to allot equity securities (as defined in Section 560(1) of the Companies Act 2006 (“the Act”)) for cash pursuant to the authority conferred by Resolution 9 above, as if Section 561(1) of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

# Notice of the Annual General Meeting

of ProVen Health VCT plc (continued)

11. That, in substitution for existing authorities, 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 2,935,172 Ordinary Shares;
- (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 the higher of (1) an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations for 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 (2) the amount stipulated by Article 5(1) of the Buyback and Stabilisation Regulation (EC No. 2273/2003); 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, if earlier, on the expiry of 15 months from the passing of this resolution.

12. 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 Company ("Ordinary Shares") in connection with and limited to any enhanced buyback facility operated by the Company from time to time on such terms and in such manner as the Directors may determine, provided that:

- (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 2,935,172;
- (ii) the amount which must be paid for an Ordinary Share shall be a sum equal to the last published net asset value of the Company per Ordinary Share on the date of purchase (such amount being both the maximum and minimum amount that may be paid for an Ordinary Share);
- (iii) 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
- (iv) this authority is in addition to, and not in substitution for, any existing authorities of the Company to make market purchases of Ordinary Shares;

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, if earlier, on the expiry of 15 months from the passing of this resolution.

By order of the Board

**Beringea LLP**

Secretary

Registered Office:

39 Earlham Street

London WC2H 9LT

19 April 2011

**Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006 (the "Act"), is available from [www.provenvcts.co.uk](http://www.provenvcts.co.uk).**

# Notice of the Annual General Meeting

of ProVen Health VCT plc (continued)

## 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 notorially 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 Beringea LLP, 39 Earlham Street, London WC2H 9LT or electronically at [proxy@beringea.co.uk](mailto:proxy@beringea.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 ProVen Health VCT plc, 39 Earlham Street, London WC2H 9LT. 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@beringea.co.uk](mailto:proxy@beringea.co.uk). In either case, the revocation notice must be received by ProVen Health VCT plc 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.

# Notice of the Annual General Meeting

## of ProVen Health VCT plc (continued)

- (e) Copies of the Directors' Non-Executive Service Contracts, and in the case of Frank Harding, Consultancy Agreement, with the Company together with 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 10.00 am on 7 June 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 10.00 am on 7 June 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.
- (g) As at 9.00 am on 19 April 2011, the Company's issued share capital comprised 19,580,870 Ordinary Shares and the total number of voting rights in the Company was 19,580,870. The Manager's website, [www.provenvcts.co.uk](http://www.provenvcts.co.uk), 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.

# ProVen Health VCT plc

## FORM OF PROXY

For use at the Annual General Meeting of the above-named Company to be held on 9 June 2011 at 39 Earlam Street, London WC2H 9LT at 10.00 am  
I/We\* ..... (in BLOCK CAPITALS please)

of .....

being the holder(s)\* of shares of 1p each in the above-named Company, hereby appoint the Chairman of the meeting (see notes 1 and 2)

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 39 Earlam Street, London WC2H 9LT on 9 June 2011 at 10.00 am or at any adjournment thereof.

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

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

### ORDINARY BUSINESS

	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' Report and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the payment of a final dividend.	<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 Charles Pinney as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Peter Arthur as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Frank Harding as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect Diane James as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SPECIAL BUSINESS

9. To authorise the Directors to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Directors to dis-apply pre-emption rights.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. To authorise the Company to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. To authorise the Company to make market purchases of its shares in connection with any enhanced buyback facility.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this..... day of ..... 2011

Signature(s)\* ...../.....

#### 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 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 ProVen Health VCT plc, 39 Earlam Street, London WC2H 9LT or electronically at proxy@beringea.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 Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the 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 General Meeting.

\* Delete as appropriate





sterling 145781