ProVen Health VCT plc

Annual Report and Accounts

For the year ended 31 January 2012

Managed by
Beringea LLP

ProVen Health VCT plc

Contents

ProVen Health VCT plc

Investment Objective

The Company aims to provide investors with an attractive investment return through a stream of tax free dividend distributions from the capital gains and income generated from a diversified portfolio of investments in small and medium sized companies.

Investment Policy

The Company's investment policy is to create a portfolio of growth companies. Investments will be made selectively across a range of sectors.

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stock, 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 stock while AIM investments are in ordinary shares.

The Investment Manager targets companies with high growth prospects and bases its selection of investments on:

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

The Investment Approach

The portfolio is currently weighted towards early and mid-stage investments. The Company is now targeting investments in later stage businesses that 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:

- proven technology and recognised barriers to entry for competitors;
- established and increasing revenues, which are at or near profitability;
- an opportunity for an attractive ongoing yield to investors and strong capital growth potential;
- a strong, balanced and well motivated management team with a proven track record of success and achievement, and
- a clearly identifiable route for a profitable realisation within a three to four year period.

Fund Overview

Highlights

- New investments totalling £1.1 million in APM Healthcare and Polytherics
- Disposals including Biovex and Onyx Scientific
- Dividend of 1p per share paid during the year and 1p per share paid after the year end
- Post year end merger of the Company with Longbow Growth and Income VCT plc resulting in an increase in assets under management of 11% and new liquid funds for investment of £0.8 million
- Post year end enhanced share buyback with a takeup of 15% of the year end shares in issue and funds reinvested of £1.2 million
- Change in investment policy allowing wider investment remit

Financial summary

	31 January 2012	31 January 2011
Net asset value per share ("NAV")	44.2p	48.0p
Dividends paid since launch	17.5p	16.5p
Total return (NAV plus dividends paid since launch)	61.7p	64.5p
Mid market share price	37.5p	42.0p

Dividend history (since launch)

Ordinary share dividends paid in the year ended 31 January	pence per share	Ordinary share dividends paid in the year ended 31 January	pence per share
2002	–	2008	6.5
2003	1.0	2009	–
2004	2.0	2010	1.0
2005	–	2011	2.0
2006	2.0	2012	1.0
2007	2.0		
		Cumulative dividends paid to 31 January 2012	**17.5**
		Further dividend paid 9 March 2012	**1.0**

Chairman's Statement

Introduction

I have pleasure in presenting the Annual Report and Accounts for the year ended 31 January 2012 for ProVen Health VCT plc.

At the year end, the Company's net asset value per share ("NAV") stood at 44.2p, a decrease of 2.8p per share, or 5.8%, over the year after adjusting for the dividend of 1.0p per share paid on 17 June 2011. A further dividend of 1.0p per share was paid on 9 March 2012 in respect of the year ended 31 January 2012. The total return (NAV plus cumulative dividends paid) to ordinary shareholders who invested at the outset of the Company was 61.7p per share at 31 January 2012.

Portfolio activity and valuation

At 31 January 2012, the Company's investment portfolio consisted of 8 unquoted investments and 2 quoted investments at a total valuation of £5.0 million. In addition, the Company had cash and liquidity fund investments of £3.6 million.

Two new investments were added to the portfolio during the year. APM Healthcare Limited is the holding company of Community Pharmacies (UK) Limited which aims to develop pharmacies in existing medical centres in partnership with local GPs. Polytherics Limited is a biotechnology company that applies precision chemistry to develop protein and peptide-based drugs. Both of these new investments are valued at cost and are progressing to plan.

The Company realised its investments in Biovex, Chromogenex and Onyx Scientific as well as disposing of part of its holding in Vectura Group. The realisations of Biovex and Chromogenex occurred early in the financial year and were highlighted in last year's Chairman's Statement and Investment Manager's Review. Biovex provided an initial receipt of over US$1.1 million (£661,000) and a further US$134,000 (£83,000), being the release of initial sales proceeds held in escrow, was received in March 2012. Further payments of up to $1.9 million may be received dependent on the achievement of certain commercialisation and sales milestones of Biovex products. There is considerable uncertainty as to whether these payments will be received and, if so, over what timescale. We are constrained in what information we receive from Amgen Inc, the acquirer of Biovex, in regards to the ongoing progress of the Biovex products because of Amgen's US stock exchange listing. Accordingly, the Board does not consider the fair value of any future receipts to be material at this point and therefore no value has been ascribed to these potential payments at the balance sheet date. This is subject to ongoing review to ensure that any material changes are reflected in the net asset value of the Company.

The remaining investments showed an overall loss of £0.3 million with gains on Population Genetics Technologies and Digital Healthcare being partially offset by unrealised losses on Omni Dental Sciences and Sinclair IS Pharma (created from the merger of Sinclair Pharma plc and IS Pharma plc in May 2011).

Further details on portfolio activity are provided in the Investment Manager's Review.

Results

The loss on activities after taxation for the year was £559,000 (2011: loss £428,000), comprising a revenue loss of £156,000 and a capital loss of £403,000. The revenue element of the income statement continues to be impacted by the historic low interest rates achievable on cash deposits and the low income from the venture capital portfolio which is largely in the form of ordinary shares.

Company strategy and development

In the Company's Half Year Report to 31 July 2011, I announced that the Board and Investment Manager had been looking at ways of increasing the size of the Company and were seeking shareholder input into the process by way of a short survey. The Board and the Investment Manager would like to thank all shareholders who took the time to complete the survey and also to provide additional comments.

On 22 December 2011, we were pleased to announce that the boards of the Company and Longbow Growth and Income VCT plc ("LGIV") had entered discussions regarding a possible merger of the two companies to be effected by means of a scheme of reconstruction and winding up of LGIV. These discussions proceeded satisfactorily and on 10 February 2012, we were able to announce firm proposals for the merger. At the same time, shareholder approval was sought for an enhanced share buyback, to enable existing shareholders to sell Ordinary Shares back to the Company with the sale proceeds used to subscribe for New Ordinary Shares (allowing shareholders effectively to retain substantially all of their investment in the Company while obtaining new income tax relief of up to 30% on the amount subscribed); a revision to the investment policy to allow the Investment Manager to invest in a more diversified portfolio of growth companies, rather than be restricted to investments in the health sector; and an offer for subscription. Shareholder approval was subsequently received on 12 March 2012.

The results of the Merger, enhanced share buyback and offer are provided in more detail in Note 21 to the Accounts.

Dividend policy

The Board is aware of the importance of tax free dividends to many investors, particularly in the current low interest rate environment. At the same time, the Company needs to ensure it has sufficient liquidity to meet working capital requirements and to retain funds to remain at an economically viable size. The Board will take these factors into account when determining dividends to be paid to shareholders.

Shareholder communications

I would like to take this opportunity to draw your attention to the Investment Manager's annual shareholder presentation which is expected to be held in central London later in the year. This event 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 Board welcomes the opportunity to meet shareholders at this event and I would encourage you to attend if at all possible.

I would like to thank those long term shareholders who continue to support the Company through their shareholding and extend a warm welcome to those investors who have become new shareholders. The Board is always pleased to hear comments from shareholders and can be contacted through the Company's registered office at 39 Earlham Street, London WC2H 9LT.

Outlook

The Company has entered into a new phase of its development with a revised investment policy which allows it to continue to pursue attractive opportunities in the health sector and to take advantage of opportunities in other sectors. The Investment Manager is optimistic that it can repeat the successes of the original ordinary share portfolios of both ProVen VCT and ProVen Growth and Income VCT which have a similar investment policy to ProVen Health VCT and which continue to be among the best performing of all VCT share classes in their respective years of launch.

Charles Pinney
Chairman
25 April 2012

Investment Manager's Review

Introduction

During the year the Company's investment portfolio saw the addition of two new portfolio companies, a further investment into an existing portfolio company, the merger of two quoted company investments, three disposals of unquoted companies and one partial disposal of a quoted holding. Including revaluations of the existing companies, the value of the venture capital portfolio decreased by £346,000. The value of cash and liquidity funds increased by £338,000.

Portfolio performance and activity

At 31 January 2012, the Company's investment portfolio comprised holdings in 10 companies, of which 8 were unquoted and 2 quoted, at a valuation of £5.0 million and original acquisition cost of £7.5 million. In addition, the Company had cash and liquidity funds of £3.6 million. A summary of venture capital investments and disposals is provided below:

Additions	Cost
	£'000
APM Healthcare Limited	375
Polytherics Limited	750
Population Genetics Technologies Limited	50
	1,175

Disposals	Cost	Market value at 31/01/11	Proceeds	Realised gain/(loss)	Gain/ (loss) against cost
	£'000	£'000	£'000	£'000	£'000
Biovex Inc	848	678	661	(17)	(187)
Chromogenex Limited	253	–	31	31	(222)
Vectura Group plc	232	225	278	53	46
Onyx Scientific Limited	850	997	990	(7)	140
	2,183	1,900	1,960	60	(223)

The two additions to the portfolio, APM Healthcare, which is the holding company of Community Pharmacies (UK) Limited (CPL), and Polytherics received, between them, growth capital of £1,125,000 during the year. CPL is aiming to become a prominent niche player in the prescription pharmacy sector in partnership with GP practices. Since our investment, CPL has opened 5 new pharmacies. Staffed by professional pharmacists, the business encourages operating freedom to allow each outlet to provide exactly what local customers need, with support and expert guidance from a centralised head office. Further funding, dependent on the achievement of milestones, will be available to support the development of the business as it continues to expand.

Polytherics is a biotechnology company that applies precision chemistry to develop protein and peptide-based drugs. These drugs are administered to patients by injection, which are often painful and have to be given frequently. Polytherics is researching methods to increase the time that these drugs remain in the body, thereby increasing their efficacy and reducing the need for them to be administered so frequently. In addition, Polytherics is researching the use of proteins as a conduit for highly targeted medication, such as cytotoxic drugs used in the treatment of cancer. If these drugs can be delivered to their point of use without leaching on the way, they will be more effective and side effects will be reduced. Polytherics is well known to our investment management team having received capital from investment funds at an earlier stage of its development.

A further investment was made in Population Genetics Technologies, which is at the forefront of the fast growing industry using genome technology for the pharmaceutical and agrochemical industries, alongside a major investment from Syngenta Venture, part of Syngenta, a leader in crop development. Population Genetics Technologies' research into the identification of where and how genomes vary will unlock the conundrum of why individual patients or crops react differently to disease and treatment, and provide the platform to improve treatment and remedy.

The Company realised its investments in Biovex, Chromogenex and Onyx Scientific as well as disposing of part of its holding in Vectura Group. The Biovex sale provided an initial receipt of over US$1.1 million (£661,000) and a further payment of US$134,000 (£83,000), being the release of initial sales proceeds held in escrow, was received in March 2012. Further payments of up to $1.9 million may be received dependent on the achievement of certain commercialisation and sales milestones of Biovex products. As outlined in the Chairman's Statement, there is considerable uncertainty as to whether these individual payments will be received and, if so, over what timescale. Accordingly, no further value to these potential payments has been reflected in the net assets of the Company at this stage.

In August 2011, we were pleased to conclude the sale of Onyx Scientific to an Indian company resulting in a capital return of 16% on the initial investment cost. We also disposed of a significant part of the Company's holding in Vectura Group plc following a strong run in the company's share price. On a final point, the merger of two of the Company's holdings, IS Pharma and Sinclair Pharma, was completed in May 2011. The newly merged company Sinclair IS Pharma moved its listing to AIM shortly after the merger.

The investment portfolio, after taking into account the effect of additions and disposals showed a decrease in value of £346,000. The key contributors to this change were uplifts in the value of Population Genetics Technologies and Digital Healthcare, offset by decreases in valuations for Omni Dental Sciences and the quoted company holdings.

Post year end developments

In March 2012, Altacor, a company in the ophthalmology sector, received a significant new investment from French listed healthcare company NiCox S.A. A key part of the transaction is the right of NicOx to acquire the entire share capital of Altacor through a combination of shares and/or cash in mid 2012. The future value of Altacor to the Company is dependent on whether this transaction proceeds to completion, the nature of the consideration, any restrictions on the disposal of any non-cash consideration and the future value of the non-cash consideration. Altacor is currently being valued at the price of an earlier investment funding round.

In April 2012, the Company received founder shares in Long Eaton Healthcare Limited, a Midlands based GP-centre pharmacy, by virtue of its investment in APM Healthcare. Major external funding was provided by ProVen Planned Exit VCT plc which is also managed by Beringea.

The merger of the Company with Longbow Growth and Income VCT plc (LGIV) which was effected on 16 March 2012, following approval by both companies' shareholders, has resulted in the Company acquiring a further investment, at cost, of £135,000 in Polytherics and £0.8 million of cash for further investment.

At the time of approval of the merger, the shareholders of the Company voted overwhelmingly (98% of shareholders who voted) to allow the Company to invest in a wider range of investment opportunities.

Consequently the Company is now able to focus on businesses with strong growth potential, without being limited to the health sector. A broader range of sectors is a feature of two other VCTs which Beringea manages, ProVen VCT and ProVen Growth and Income VCT. The original ordinary share classes of these VCTs are among the best performing of all VCT share classes.

Outlook

The widening of the investment policy marks the start of a new phase in the development of ProVen Health VCT plc. We are aware that returns to shareholders since the launch of the Company have been less than anticipated. Whilst the health sector remains attractive, the widening of the investment policy gives us greater flexibility and allows us to utilise fully our business experience and gain maximum benefit from our network of contacts across all sectors. The combination of the new opportunities and the use of more of our skills provides an optimistic outlook for the development of the Company.

Beringea LLP
25 April 2012

Investment Portfolio

as at 31 January 2012

The following investments were held at 31 January 2012:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Top venture capital investments				
Altacor Limited	1,020	1,241	–	14.5%
Population Genetics Technologies Limited	1,129	1,129	49	13.2%
Polytherics Limited****	750	750	–	8.8%
Digital Healthcare Limited	1,010	518	137	6.1%
APM Healthcare Limited***	375	375	–	4.4%
Omni Dental Sciences Limited	750	335	(245)	3.9%
Sinclair IS Pharma plc **	585	321	(175)	3.8%
Vectura Group plc *	250	282	(112)	3.3%
	5,869	4,951	(346)	58.0%
Other venture capital investments	1,647	–	–	0.0%
Total venture capital investments	7,516	4,951	(346)	58.0%
Deutsche Global Liquidity Managed Sterling Fund		1,812		21.2%
Cash at bank and in hand		1,772		20.8%
Total investments		8,535		100.0%

All venture capital investments are unquoted unless otherwise stated.

* Quoted on the Main Market

** Quoted on AIM

*** APM Healthcare Limited is also held by ProVen VCT plc and ProVen Growth and Income VCT plc, both of which are managed by Beringea LLP

**** Polytherics Limited was also held by Longbow Growth and Income VCT plc which merged with the Company on 16 March 2012

Other venture capital investments at 31 January 2012 comprise Amura Holdings Limited and DeltaDOT Limited.

All venture capital investments held at the year end are registered in England and Wales.

Review of Investments
as at 31 January 2012

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

Altacor Limited

Altacor is an ophthalmology specialty pharmaceutical company which develops and markets products directed to the needs of both ophthalmologists and patients.

www.altacor-pharma.com

Cost:		£1,020,000	**Valuation at 31/01/12:**	£1,241,000
Investment comprises:			**Valuation at 31/01/11:**	£1,241,000
Equity shares:		£1,020,000	**Valuation method:**	Price of recent investment, reviewed for impairment
Audited abbreviated accounts:	31/12/10	31/12/09	**Dividend income:**	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		**Proportion of equity held:**	15.6%
Net assets:	£1.2 m	£0.4 m	**Diluted equity:**	14.4%

Population Genetics Technologies Limited

Population Genetics Technologies has developed a novel, proprietary approach for performing large-scale population genetics studies. This technology, conceived by Nobel Laureate Professor Sydney Brenner, identifies the genetic variation responsible for human disease and drug response.

www.populationgenetics.com

Cost:		£1,129,000	**Valuation at 31/01/12:**	£1,129,000
Investment comprises:			**Valuation at 31/01/11:**	£1,030,000
Equity shares:		£1,129,000	**Valuation method:**	Price of recent investment, reviewed for impairment
Audited accounts*:	31/08/11	31/08/10	**Dividend income:**	£Nil
Turnover:	£72,000	£9,000		
Loss before tax:	(£1.9 m)	(£1.7m)	**Proportion of equity held:**	11.5%
Net (liabilities)/ assets:	(£0.4 m)	£1.4m	**Diluted equity:**	10.4%

*The company filed full audited accounts for the first time to 31 August 2011; comparative figures for the prior year have therefore been provided

Polytherics Limited

Polytherics Limited is a biotechnology company that applies precision chemistry technologies to develop protein and peptide-based drugs. These technologies can extend the duration of action of these drugs, so patients require fewer injections, and can create more efficacious products.

www.polytherics.com

Cost:		£750,000	**Valuation at 31/01/12:**	£750,000
Investment comprises:			**Valuation at 31/01/11:**	n/a
Equity shares:		£75,000	**Valuation method:**	Price of recent investment
Preferred shares:		£675,000		
Audited abbreviated accounts:	31/12/10	31/12/09	**Dividend income:**	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		**Proportion of equity held:**	6.9%
Net (liabilities)/ assets:	(£0.2 m)	£0.8 m	**Diluted equity:**	6.7%

Digital Healthcare Limited

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.

www.digital-healthcare.co.uk

Cost:		£1,010,000	**Valuation at 31/01/12:**	£518,000
Investment comprises:			**Valuation at 31/01/11:**	£381,000
Equity shares:		£1,010,000	**Valuation method:**	Cost less provision
Audited accounts:	30/09/11	30/09/10	**Dividend income:**	£Nil
Turnover:	£2.6 m	£2.7 m		
Loss before tax:	(£0.2 m)	(£0.5 m)	**Proportion of equity held:**	11.1%
Net assets:	£1.3 m	£1.1 m	**Diluted equity:**	9.1%

APM Healthcare Limited

APM Healthcare is the holding company of Community Pharmacies (UK) Limited, a provider of integrated pharmacy services. The pharmacies operate at the heart of primary care in partnership with local surgery practices, but with expert support from a central head office.

www.communitypharmacies.co.uk

Cost:		£375,000	**Valuation at 31/01/12:**	£375,000
Investment comprises:			**Valuation at 31/01/11:**	n/a
Equity shares:		£115,000	**Valuation method:**	Price of recent investment
Loan notes:		£260,000		
Abbreviated unaudited accounts:	31/03/11	31/03/10	**Dividend income:**	£Nil
Turnover:	Unpublished information		**Loan note income:**	£4,213
Profit before tax:	Unpublished information		**Proportion of equity held:**	10.8%
Net assets:	£ Nil	£2,000	**Diluted equity:**	9.9%

Omni Dental Sciences Limited

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.

www.oraldent.co.uk

Cost:		£750,000	**Valuation at 31/01/12:**	£335,000
Investment comprises:			**Valuation at 31/01/11:**	£580,000
Equity shares:		£500,000	**Valuation method:**	Discounted cash flow
Loan notes:		£250,000		
Abbreviated unaudited accounts:	31/03/11	31/03/10	**Dividend income:**	£Nil
Turnover:	Unpublished information		**Loan note income:**	£Nil
Profit before tax:	Unpublished information		**Proportion of equity held:**	38.0%
Net assets:	£1.1 m	£1.0 m	**Diluted equity:**	38.0%

Sinclair IS Pharma plc

Sinclair IS Pharma is an international specialty pharmaceutical company providing solutions to treat wounds, dermatological and oral diseases through advanced surface technology and innovative delivery systems The company merged with IS Pharma plc, another ProVen Health VCT portfolio company, in May 2011.

www.sinclairispharma.com

Cost*:		£585,000	**Valuation at 31/01/12*:**	£321,000
Investment comprises:			**Valuation at 31/01/11:**	£68,000
Equity shares:		£585,000	**Valuation method:**	Bid price
Audited accounts:	30/06/11	30/06/10	**Dividend income:**	£Nil
Turnover:	£33 m	£28 m		
Loss before tax:	(£12 m)	(£18 m)	**Proportion of equity held:**	0.4%
Net assets:	£124 m	£66 m	**Diluted equity:**	0.4%

*Cost/valuation at 31 January 2012 includes the cost/valuation of shares previously held by ProVen Health VCT plc in IS Pharma plc, which merged with Sinclair Pharma plc in May 2011.

Vectura Group plc

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.

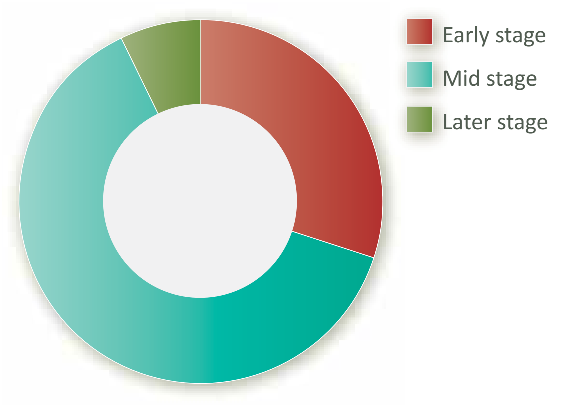
www.vectura.com

Cost:		£250,000	**Valuation at 31/01/12:**	£282,000
Investment comprises:			**Valuation at 31/01/11:**	£619,000
Equity shares:		£250,000	**Valuation method:**	Bid price
Audited accounts:	31/03/11	31/03/10	**Dividend income:**	£Nil
Turnover:	£43 m	£40 m		
Loss before tax:	(£13 m)	(£14 m)	**Proportion of equity held:**	0.2%
Net assets:	£140 m	£147 m	**Diluted equity:**	0.1%

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.

Analysis of top investments (by value)

By Stage

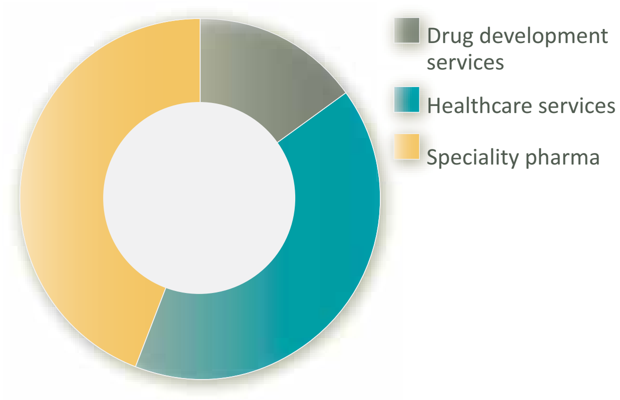


Early stage investments
- Population Genetics Technologies (23%)
- APM Healthcare (7%)

Mid stage investments
- Altacor (25%)
- Polytherics (15%)
- Digital Healthcare (11%)
- Omni Dental Sciences (7%)
- Vectura Group (5%)

Later stage investments
- Sinclair IS Pharma (7%)

By Sector



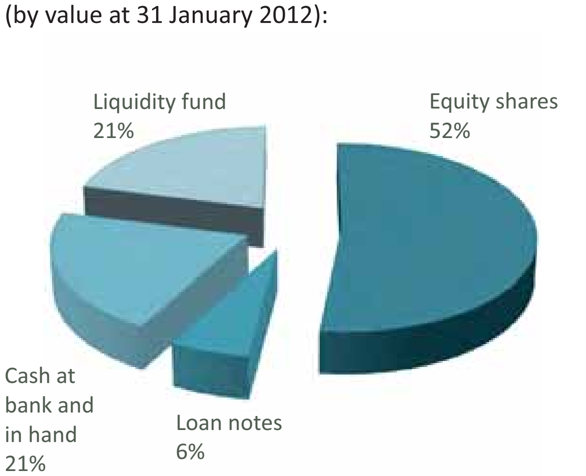
Specialty pharma
- Altacor (25%)
- Omni Dental Sciences (7%)
- Sinclair Pharma (7%)
- Vectura Group (5%)

Healthcare services
- Population Genetics Technologies (23%)
- Digital Healthcare (11%)
- APM Healthcare (7%)

Drug development services
- Polytherics (15%)

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 2012):



Portfolio balance

At 31 January 2012, 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	81.4%*	Minimum 70%
Other investments, including cash at bank and in hand and liquidity funds	18.6%	Maximum 30%
Total	100.0%	

*For share issues to be included in the HMRC investment tests from 1 February 2012

Beringea LLP works closely with the ProVen Health VCT plc portfolio companies with the aim of maximising returns to its shareholders. Below we provide further information on some of the current portfolio investments.

Altacor

Altacor is a company in the ophthalmology sector. It is a pharmaceutical development and distribution company, developing and marketing products directed to the needs of both ophthalmologists and patients.

One of its key product ranges 'Artificial Tears', marketed under the brand name Clinitas, treats dry eye syndrome, which affects 10% of people worldwide. Causes of dry eye syndrome are varied; it can be a symptom of other conditions, a side effect of other medication or a consequence of local conditions and lifestyle. In addition to irritation, dry eye syndrome, if left untreated, can cause serious long term problems and lasting impairment. As well as alleviating the symptoms, these prescription and over the counter remedies can prevent further damage.

Altacor has a team of scientists who are researching the reformulation of ingredients in known drug products for use in the ophthalmology field. For example, an anti-bacterial product, already in use as a mouthwash, has been reformulated as a cleanser for contact lenses as well as a novel medicine against eye infections.

Altacor also has in-depth licensing knowledge and has particular experience in the European regulatory system, which makes it a partner of choice for foreign companies seeking to expand in UK and Europe. Altacor has already licensed products from Switzerland and Italy and is currently in discussions with organisations in France and the USA, with a view to registering in-licence products and distributing them.

ProVen Health first invested in the company in early 2007, at a relatively early stage, to finance sales and marketing and to help engineer the first product licence.

Population Genetics Technologies

Co-founded by Nobel Laureate, Professor Sydney Brenner, Population Genetics Technologies is at the forefront of the fast growing industry using genome technology for the pharmaceutical and agrochemical industries. Its specific area of research and development is in the identification of points along the genome sequence at which variance occurs. There are two strands to this research, one in the treatment of serious illness or disease and the other in the improvement and resilience of crops.

Identifying both where and how genomes vary will unlock the conundrum of why individual patients or crops react differently to disease and treatment and will provide the industry with new tools to improve treatment and remedy. It is now commonly known that all human beings have the same genes but it is the sequencing of these genes which makes each one of us individual. It is this unique sequencing and rare mutant variations which create vulnerability to serious illnesses. In order to strike back effectively, we now need to match the individual patient's biology with their rare genetic mutations. This will allow for existing treatments to be more effective as well as providing the platform for research into new drugs. Population Genetics Technologies has impressive knowledge and knowhow and, although a small player, is a leader in its field.

ProVen Health first invested in the company in early 2008 alongside other investors, to help the company complete its proof of concept. Syngenta Ventures, the investing arm of Syngenta, a leader in crop development, recently joined the group of investors to provide insight into the agricultural market.

APM Healthcare

APM Healthcare is the holding company of Community Pharmacies (UK) Limited which is aiming to become a prominent niche player in the prescription pharmacy sector. Its premise is simple: to be located as part of, or adjacent to, the doctors' surgery.

By situating the pharmacy at the same location as the surgery, the patient can have their consultation at the surgery, walk a few steps to the pharmacy with their prescription and receive their medication. For those patients who are unwell and need to return home, the process is easy and requires little extra effort, and for those needing to continue with their daily commitments, it is time effective.

Those patients who require repeat prescriptions can nominate their chosen pharmacy – some may prefer a town centre location, whilst others, who are regular users of the surgery, are likely to choose the "Community Pharmacy" next door. Due to the nature of repeat prescriptions, the pharmacies should be able to plan effectively so that medication is in stock when needed.

ProVen Health first invested in the company in August 2011 alongside ProVen VCT and ProVen Growth and Income VCT, also managed by Beringea. This investment and further milestone dependent commitments will provide funds to generate a chain of 15+ pharmacies.

Polytherics

Polytherics is a biotechnology company which is seeking to modify protein drugs to increase their potency or increase their lasting effect when in the body. Protein and peptide-based drugs are administered to patients by injection, some of which are painful. The body's natural efficiency often clears these drugs from the body very quickly. Unfortunately this rapid clearance both reduces the efficacy of the drug and necessitates a high frequency of injections, as often as every other day in the case of interferon treatment.

In addition, Polytherics is researching the use of proteins as a conduit for highly targeted medication. For example, cytotoxic drugs which are currently used to treat cancer are generally not specific to cancer cells and can therefore be very toxic to other tissue. If these drugs can be delivered to their point of use, without leaching on the way, the drug will be more effective and the side effects will be reduced.

Polytherics operates in a highly competitive area and favours collaboration with other leading biopharmaceutical companies, pooling resources, knowledge and expertise, to provide efficacious drugs and drug delivery methods. In January 2012, Polytherics acquired Warwick Effect Polymers (WEP), an organisation whose products and research in the field of polymers complements that of Polytherics.

ProVen Health invested in the company in September 2011 anticipating that its technology is sufficiently mature to become a gold standard in the pharmaceutical industry.

Digital Healthcare

Digital Healthcare provides ophthalmology clinics with a full software management system which is designed to integrate, manage and share information. In its simplest form, it manages the complete cycle of information from the patient seeing their general practitioner about an ophthalmological complaint, through the tests, diagnosis and then feedback to the general practitioner, or specialist, and patient.

In addition Digital Healthcare is instrumental in co-ordinating and managing the data related to large screening programmes run by the NHS, especially in diabetic retinopathy. This disease is a growing concern and is one of the most common causes of blindness in the working-age population. However, with a well-managed screening programme it is possible to identify early stage changes in the retina, which respond well to laser treatment. If left undiagnosed, treatment at a later stage is much less effective. Digital Healthcare software is at the centre of over 40 Diabetic Retinopathy Screening programmes in the UK. It has 1.2 million patients registered and has over 8 million retinal images under management.

Following the acquisition of Orion in late 2011, Digital Healthcare is the leading provider to the NHS in the UK with over 85% share of the market. Moving forward, the company is seeking to reproduce this model in other European countries.

ProVen Health first invested in the company in 2005 and provided further follow on funding in 2007 and 2008.

Directors

Charles Pinney is a director of Baronsmead VCT 5 plc and Amati VCT plc. He was previously 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 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 VCT 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 health sector company). He is a chartered accountant with over 40 years' experience at KPMG, of which 29 years was 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 was formerly the chair of 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 divested a specialist healthcare communications business.

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

		At date of this Report	
Director	Appointment date	Length of service	Age
Charles Pinney	27/06/07	4.8 years	64
Peter Arthur	22/04/08	4.0 years	55
Frank Harding	12/02/01	11.2 years	74
Diane James	01/03/11	1.1 years	52

Report of the Directors

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 January 2012.

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 2012 of £0.3 million. The movements underlying this change are set out in the investment portfolio on page 11.

The total running costs of the Company exceeded revenue arising from the investments held (including cash at bank and liquidity funds) by £273,000. This takes into account the reduction in the Investment Manager's fee by £70,000, 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% (2011: 3.6%).

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 5 April 2011 and 26 May 2011, 480,096 shares were issued at an average price of 49.7p. The aggregate consideration for the shares was £239,000 with related share issue costs of £8,000.

On 24 June 2011, 75,495 shares were issued at 43.8p per share under the Company's dividend re-investment scheme. The aggregate consideration for the shares was £33,000 with related share issue costs of £1,000.

During the year the Company purchased 552,723 shares for cancellation for an aggregate consideration of £222,000 at an average price of 40.0p per share (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 2.9% of the issued share capital held at 1 February 2011.

The total authorised share capital at 31 January 2012 was 245,000,000 ordinary shares of 1p each, with 19,183,664 such shares in issue. There are no other share classes in issue.

Post balance sheet date share allotments and buybacks

A number of share allotments and buybacks were made after the balance sheet date in connection with the Company's dividend re-investment scheme, the Merger, the enhanced share buyback and the offer for subscription. Further details are provided in Note 21 to the Accounts.

The total issued share capital at the date of this report, after taking into account the share allotments and buybacks between 1 February 2012 and the date of this report, was 21,344,364 ordinary shares.

Results and dividends

	2012		2011	
	£000	Pence per share	£000	Pence per share
Loss for the year	(559)	(2.9p)	(428)	(2.2p)
Dividends paid				
17 June 2011	196	1.0p	–	–
11 June 2010	–	–	195	1.0p
26 November 2010	–	–	192	1.0p

On 9 March 2012, the Company paid an interim dividend for the year ended 31 January 2012 of 1p per share to shareholders on the register at 24 February 2012.

Annual General Meeting

The AGM of the Company will be held at 39 Earlham Street, London WC2H 9LT at 11.00 am on 14 June 2012. Notice of the meeting is at the end of this document. Resolutions 1 to 6 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 7 and 8 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.

Resolution 6 is seeking to renew the Directors' general authority to allot shares up to a maximum nominal amount of £71,147.88 (representing one third of the current issued share capital). Resolution 7 is seeking to disapply shareholders' statutory pre-emption rights by granting the Directors authority to issue shares having an aggregate nominal value of £21,344.36 (representing approximately 10% of the Company's issued share capital) 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 14 September 2013, whichever is the earlier. The Board may utilise these authorities in connection with the Company's dividend re-investment scheme and any offer which may be implemented by the Company. The Company does not currently hold any shares in treasury and no warrants or options to subscribe for ordinary shares are outstanding.

Resolution 8 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 14 September 2013, whichever is the earlier. 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 minimum to be paid for a share will be 1p. 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).

The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

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 small and medium sized companies, subject to ensuring sufficient liquidity to meet working capital requirements and any need to retain funds to remain at an economically viable size.

Investment policy

Following the changes approved by shareholders at the general meeting of the Company on 12 March 2012, the Company's investment policy covers several aspects as follows:

General

The Company's investment policy is to create a balanced portfolio of growth companies. Investments are made selectively across a range of sectors.

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; and
- contribution to portfolio diversification.

Geographical focus

Investments are usually made in UK companies, although these may trade outside the UK.

Portfolio allocation

Investment is made primarily in VCT Qualifying Investments. 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. Where possible, the Investment Manager is represented at board level on unquoted investee companies in order to be able to monitor closely the relevant company's progress.

Diversification of risk

The aggregate value of shares and securities in a single issuer or company (other than a VCT) will not exceed 15 per cent. of the value of the Company's investments at the time of investment. The Company's gearing policy is determined by the Board. The level of gearing may be varied from time to time in light of the prevailing circumstances subject to a maximum of 10 per cent. of Shareholders' funds at any time. The Company does not currently have any borrowings.

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).

Borrowings

The Company's Articles permit borrowing to give a degree of flexibility. The Company's gearing policy is determined by the Board. The level of gearing may be varied from time to time in light of the prevailing circumstances subject to a maximum of 10 per cent. of Shareholders' funds at any time. The Company does not currently have any borrowings.

At 31 January 2012, the maximum amount of borrowing allowed, without the previous sanction at a General Meeting, stood at £849,000. 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 is entitled to a receive a fee of £30,000 plus VAT per annum under this agreement. Beringea waived its entitlement to fees for the year ended 31 January 2012.

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 its fees payable. As previously stated, Beringea's fee was capped for the year under review, with the total fee due being reduced by £70,000. As Beringea had taken a lower fee during the year (to account for the cap), at the year end £6,000 was due from Beringea to the Company in respect of overpaid management fees.

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 2012	31 Jan 2011
Charles Pinney	9,103	9,103	9,103
Peter Arthur	71,257	19,507	19,507
Ann Hacker (resigned 19 April 2011)	n/a	n/a	–
Frank Harding	23,177	23,564	23,038
Diane James (appointed 1 March 2011)	–	–	n/a

Peter Arthur held 25,200 shares in Longbow Growth and Income VCT plc ("LGIV") prior to the Merger and was therefore issued 51,750 shares in the Company on completion of the Merger on 16 March 2012.

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

Frank Harding is subject to annual re-election by shareholders having served as a Director for over nine years. The remainder of the Board believe he continues to make a valuable contribution to the Company 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. Peter Arthur retires by rotation at the forthcoming AGM and, being eligible, offers himself for re-election.

Each of the Directors has signed a service contract and Frank Harding and Diane James also have consultancy agreements 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 to provide a regular review of the portfolio.

A summary of the VCT Regulations is included in the Company's Investment Policy as shown on page 23.

Compliance with the main VCT regulations as at 31 January 2012 and for the year then ended is summarised as follows:

• 70% of its investments in qualifying companies	81.4%*
• At least 30% of the Company's qualifying investments in "eligible shares"	60.4%*
• 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;	80.3%
• 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 2012	

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 2012 were £10,000 and 11 days (2011: £22,000 and 24 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 5).
- share price (page 5) (including buyback price) and the discount level to NAV (page 21).

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 page 16).
- compliance with the Venture Capital Trust Regulations (as shown on page 25).
- the total expense ratio of the Company (as shown on page 21)

These are regularly monitored by the Board 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 whose shares are traded on the main market of 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 listing on the Official List of the UK Listing Authority and trading on 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.

Substantial shareholdings

As at 31 January 2012 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 and Accounts 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the 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.

The Directors confirm, to the best of their knowledge:

- that the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that 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.

The names and functions of all the Directors are stated on page 20.

Electronic publication

The financial statements are published on 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) is shown on pages 29 to 34.

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

By Order of the Board

Beringea LLP
Secretary of ProVen Health VCT plc
Company number: 04131354
Registered Office:
39 Earlham Street
London WC2H 9LT

25 April 2012

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 UK Corporate Governance Code (the "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 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 Code, except as set out below.

The 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 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 four directors. 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 20. 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. Diane James was appointed as a director on 1 March 2011. Ann Hacker resigned as a director on 19 April 2011. The Board's overriding priority in appointing new directors to the Board is to identify the candidate with the best range of skills and experience to complement existing directors.

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. Peter Arthur retires by rotation and, being eligible, offers himself for re-election.

All non-executive directors have signed contracts and two, Frank Harding and Diane James, have signed consultancy agreements. 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.

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 14.99% 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 Company's 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 21.

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. 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 auditor's 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. The Board has deemed it appropriate that all directors sit on the Audit Committee due to their experience in such matters.

The Audit Committee reviews the performance and continued suitability of the Company's auditor on an annual basis. In advance of each audit, PKF (UK) LLP ("PKF") provides 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 liaises directly with the Investment Manager during the audit process and attends the Audit Committee meeting at which the Annual Report is considered. PKF provides a detailed Audit Committee Report outlining its audit process and setting out its 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.

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. The Committee's annual report can be found on pages 35 and 36 of this report.

The following table sets out the Directors' attendance at full Board and Committee meetings held during the year ended 31 January 2012.

	Board meetings		Audit Committee meetings		Nomination Committee meetings		Remuneration Committee meetings	
Director	**held**	**attended**	**held**	**attended**	**held**	**attended**	**held**	**attended**
Charles Pinney	10	10	2	2	N/A	N/A	N/A	N/A
Peter Arthur	10	9	2	2	2	2	1	1
Ann Hacker	3	3	1	1	2	2	1	1
Frank Harding	10	10	2	2	2	2	1	1
Diane James	9	9	2	2	1	1	1	1

The Board is in regular contact with the Investment Manager between Board meetings. The board held a number of meetings in addition to the quarterly board meetings in connection with overall company strategy and the proposals leading to the merger of the Company with Longbow Growth and Income VCT plc in March 2012.

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 27, and a statement by the Auditor about their reporting responsibilities is set out in the Auditor's Report on page 37.

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 27, 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 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.

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 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 2012 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 6, the Investment Manager's Review on page 8 and the Report of the Directors on page 21. The financial position of the Company, its cash flows and liquidity position are shown in the Balance Sheet on page 40, the Cash Flow Statement on page 41 and the Report of the Directors on page 22. In addition, notes 1 to 21 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.

Statement of compliance

The Directors consider that the Company has complied throughout the year ended 31 January 2012, 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

25 April 2012

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 14 June 2012.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on page 37.

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. Diane James was appointed to the Committee on 1 March 2011. 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 and Diane James also have signed consultancy agreements 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	2012 £	2011 £
Charles Pinney	20,000	16,000
Peter Arthur	15,000	12,000
Ann Hacker (resigned 19 April 2011)	3,287	12,000
Frank Harding	15,000	12,000
Diane James (appointed 1 March 2011)	13,750	–
	67,037	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.

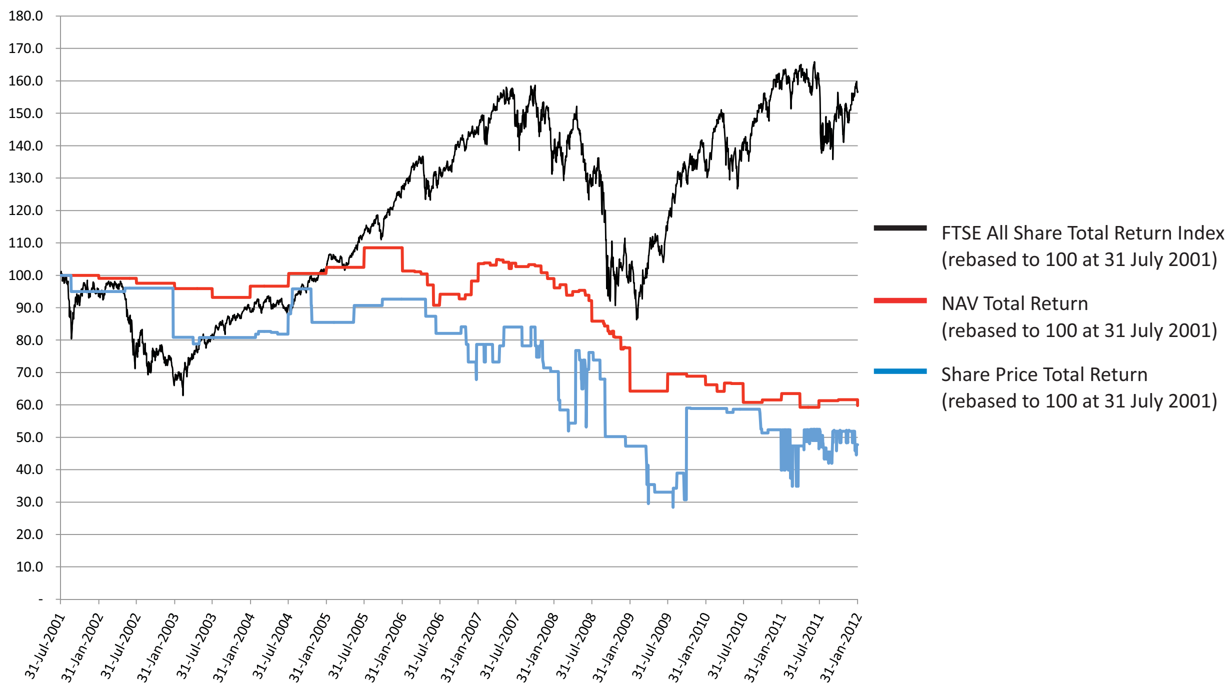
2013 remuneration

The Remuneration Committee agreed that, given the recent increase in fees which was effective from 1 February 2011, the remuneration levels for the year ending 31 January 2013 would remain the same as for the year ended 31 January 2012. The remuneration levels are therefore as follows:

Director	Annual rate £
Charles Pinney	20,000
Peter Arthur	15,000
Frank Harding	15,000
Diane James	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
25 April 2012

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 2012 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 and Accounts 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 2012 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 set out on pages 29 to 34 of the Annual Report and Accounts in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 33, 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 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Rosemary Clarke (Senior Statutory Auditor)
For and on behalf of PKF (UK) LLP, Statutory Auditor
London, UK

25 April 2012

Income Statement

for the year ended 31 January 2012

		2012			2011		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	48	–	48	44	–	44
Losses on investments	9	–	(286)	(286)	–	(136)	(136)
		48	(286)	(238)	44	(136)	(92)
Investment management fees	3	(39)	(117)	(156)	(41)	(122)	(163)
Other expenses	4	(165)	–	(165)	(173)	–	(173)
Loss on ordinary activities before tax		(156)	(403)	(559)	(170)	(258)	(428)
Tax on ordinary activities	6	–	–	–	–	–	–
Loss attributable to equity shareholders		(156)	(403)	(559)	(170)	(258)	(428)
Basic and diluted loss per share	8	(0.8p)	(2.1p)	(2.9p)	(0.9p)	(1.3p)	(2.2p)

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 2012

	Note	2012 £'000	2011 £'000
Opening shareholders' funds		9,199	10,018
Proceeds from share issues		272	233
Share issue costs		(9)	(18)
Purchase of own shares		(222)	(219)
Total recognised loss for the period		(559)	(428)
Dividends paid	7	(196)	(387)
Closing shareholders' funds		8,485	9,199

The accompanying notes are an integral part of this statement.

Balance Sheet

as at 31 January 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	9	4,951	6,022
Current assets			
Debtors	10	83	21
Current investments	11	1,812	1,800
Cash at bank and in hand		1,772	1,446
		3,667	3,267
Creditors: amounts falling due within one year	12	(133)	(90)
Net current assets		3,534	3,177
Net assets		8,485	9,199
Capital and reserves			
Called up share capital	13	192	192
Capital redemption reserve	14	404	398
Share premium account	14	7,427	7,170
Special distributable reserve	14	7,168	7,586
Capital reserve – realised	14	(4,375)	(2,914)
Capital reserve – unrealised	14	(1,442)	(2,500)
Revenue reserve	14	(889)	(733)
Total equity shareholders' funds		8,485	9,199
Basic and diluted net asset value per share	15	44.2p	48.0p

The financial statements on pages 39 to 53 were approved and authorised for issue by the Board of Directors on 25 April 2012 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 2012

	Note	2012 £'000	2011 £'000
Net cash outflow from operating activities	16	(304)	(292)
Capital expenditure			
Purchase of investments		(1,175)	(688)
Disposal of investments		1,960	1,463
Net cash inflow from capital expenditure		785	775
Equity dividends paid		(163)	(321)
Net cash inflow before financing		318	162
Financing			
Proceeds from share issues		239	166
Share issue costs		(9)	(18)
Purchase of own shares		(222)	(222)
Net cash inflow/(outflow) from financing		8	(74)
Increase in cash	17	326	88

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

Notes to the Accounts

for the year ended 31 January 2012

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 there is little likelihood of an investment recovering fully its cost, the anticipated permanent diminution below cost, is treated as being realised.

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

As permitted by FRS9 “Associations and Joint Ventures”, fixed asset investments are held as part of an investment portfolio and are not accounted for as associated undertakings.

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.

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.

2. Income

	2012 £'000	2011 £'000
Income from investments		
Loan stock interest	4	–
Dividend income	22	26
Income from global liquidity funds	12	10
	38	36
Other income		
Deposit interest	10	8
	48	44

3. Investment management fees

	2012 £'000	2011 £'000
Investment management fee	156	163

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 its investment management fee is reduced accordingly. The net position, after accounting for the annual running costs cap is therefore disclosed in the table above.

The Company agreed to incur costs and expenses of £75,000 in connection with its merger with Longbow Growth and Income VCT plc. These will be recovered from the Investment Manager by means of a partial management fee waiver over two years commencing on 16 March 2012 with £9,375 of the management fees otherwise payable to Beringea waived each quarter until the £75,000 has been recovered in full.

4. Other expenses

	2012 £'000	2011 £'000
Administration services	–	36
Directors' fees	67	52
Auditor's remuneration for – audit	20	20
– taxation services	2	2
Other	76	63
	165	173

The Investment Manager is entitled to an annual administration fee of £30,000 plus VAT per annum. The Investment Manager waived its entitlement to administration fees for the year ended 31 January 2012.

5. Directors' remuneration

Details of remuneration (excluding VAT and employers' NIC) are given in the Directors' Remuneration Report on page 35. 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.

6. Taxation on ordinary activities

		2012 £'000	2011 £'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 on ordinary activities before taxation	(559)	(428)
	Tax credit calculated on loss on ordinary activities before taxation at the applicable rate of 20.16% (2011: 21.0%)	(113)	(90)
	Effects of:		
	Losses on investments	58	29
	UK dividend income	(7)	(7)
	Expenses disallowed for taxation purposes	–	1
	Excess management fees carried forward	62	67
	Charge for year	–	–

(c) A deferred tax asset has not been recognised in respect of timing differences 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 £449,000 (2011: £407,000) and would only be recovered were the Company to make sufficient taxable profits in the future.

7. Dividends

	2012 £'000	2011 £'000
Paid in year:		
Final dividend of 1.0p per share paid on 17 June 2011	196	–
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
	196	387
Split as:		
Paid directly to shareholders	163	321
Shares issued under dividend re-investment scheme	33	66
	196	387
Dividends paid since year end:		
Interim dividend of 1.0p per share paid on 9 March 2012	192	–
Final dividend of 1.0p per share paid on 17 June 2011	–	196

8. Basic and diluted return per share

	Weighted average number of shares in issue	Revenue loss per share (pence)	Revenue loss £'000	Capital loss per share (pence)	Capital loss £'000
Year ended 31 January 2012	19,363,165	(0.8p)	(156)	(2.1p)	(403)
Year ended 31 January 2011	19,296,351	(0.9p)	(170)	(1.3p)	(258)

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.

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
Opening cost at 1 February 2011	701	366	7,455	8,522
(Losses)/gains at 1 February 2011	(14)	62	(2,548)	(2,500)
Opening fair value at 1 February 2011	687	428	4,907	6,022
Movement in year				
Purchases at cost	–	–	1,175	1,175
Sales – proceeds	(278)	–	(1,682)	(1,960)
– realised gains on sales	53	–	7	60
Transfers between quoted markets	(68)	68	–	–
Unrealised losses in the income statement	(112)	(175)	(59)	(346)
Closing fair value at 31 January 2012	282	321	4,348	4,951
Closing cost at 31 January 2012	250	585	6,681	7,516
(Losses)/gains at 31 January 2012	32	(264)	(2,333)	(2,565)
Closing fair value at 31 January 2012	282	321	4,348	4,951

A schedule disclosing the material additions and disposals during the year is set out in the Investment Manager's Review on page 8.

FRS 29 requires disclosure to be made if changing one or more of the assumptions used in valuing investments 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 £200,000 to the value of the unquoted investments for an upside scenario and a decrease of £288,000 to the value of the unquoted investments for a downside scenario.

10. Debtors

	2012 £'000	2011 £'000
Other debtors	71	–
Prepayments and accrued Income	12	21
	83	21

11. Current investments

	2012 £'000	2011 £'000
Liquidity fund	1,812	1,800

12. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	10	22
Other social security costs	6	5
Other creditors	84	17
Accruals and deferred income	33	46
	133	90

13. Called up share capital

	2012 £'000	2011 £'000
Authorised:		
245,000,000 (2011: 245,000,000) ordinary shares of 1p each	2,450	2,450
Issued, allotted, called up and fully-paid:		
19,183,664 (2011: 19,180,796) ordinary shares of 1p each	192	192

Between 5 April 2011 and 26 May 2011, 480,096 shares were issued at an average price of 49.7p. The aggregate consideration for the shares was £239,000 with related share issue costs of £8,000.

On 24 June 2011, 75,495 shares were issued at 43.8p per share under the Company's dividend re-investment scheme. The aggregate consideration for the shares was £33,000 with related share issue costs of £1,000.

During the year the Company purchased 552,723 shares for cancellation for an aggregate consideration of £222,000 at an average price of 40.0p per share (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 2.9% of the issued share capital held at 1 February 2011.

The total issued share capital at the date of this report, after taking into account the share allotments and buybacks between 1 February 2012 and the date of this report, as described in Note 21, was 21,344,364 ordinary shares. All these shares are fully paid up and have been admitted to trading on the London Stock Exchange.

14. Reserves

	Capital redemption reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At 1 February 2011	398	7,170	7,586	(2,914)	(2,500)	(733)
Issue of new shares	–	266	–	–	–	–
Share issue costs	–	(9)	–	–	–	–
Purchase of own shares	6	–	(222)	–	–	–
Expenses capitalised	–	–	–	(117)	–	–
Gains/(losses) on investments	–	–	–	60	(346)	–
Realisation of revaluations from previous years	–	–	–	(1,404)	1,404	–
Dividends paid	–	–	(196)	–	–	–
Retained net loss	–	–	–	–	–	(156)
At 31 January 2012	404	7,427	7,168	(4,375)	(1,442)	(889)

Included within realisation of revaluations from previous years is an amount of £1,123,000 in respect of investments which are still held at the balance sheet date.

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

At the year end there were £462,000 (2011: £1,439,000) of reserves available for distribution after deducting the capital reserve – unrealised of £2,565,000 (2011: £2,500,000).

15. Basic and diluted net asset value per share

	Shares in issue		2012 Net asset value		2011 Net asset value	
	2012	2011	Pence per share	£'000	Pence per share	£'000
Ordinary shares	19,183,664	19,180,796	44.2p	8,485	48.0p	9,199

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

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	(559)	(428)
Losses on investments	286	136
Re-invested liquidity fund dividends	(12)	(9)
Increase in debtors	(62)	(11)
Increase in creditors	43	20
Net cash outflow from operating activities	(304)	(292)

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

	Net funds at 1 February 2011 £'000	Cash flows £'000	Other non cash changes £'000	Net funds at 31 January 2012 £'000
Cash at bank and in hand	1,446	326	–	1,772
Liquidity fund	1,800	–	12	1,812
	3,246	326	12	3,584

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).

	2012				2011			
	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	282	–	–	282	687	–	–	687
AIM quoted	321	–	–	321	428	–	–	428
Loan notes	–	–	536	536	–	–	476	476
Unquoted	–	–	3,812	3,812	–	–	4,431	4,431
Liquidity fund	1,812	–	–	1,812	1,800	–	–	1,800
	2,415	–	4,348	6,763	2,915	–	4,907	7,822

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

	2012 £'000	2011 £'000
Balance at the beginning of the financial year	4,907	5,965
Movements in the income statement:		
Unrealised losses in the income statement	(59)	(461)
Realised gains in the income statement	7	178
	(52)	(283)
Purchases at cost	1,175	688
Sales proceeds	(1,682)	(1,463)
Balance at the end of the financial year	4,348	4,907

Interest rate risk profile of financial assets and financial liabilities

There are four 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.
- "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 represents , in respect of the year ended 31 January 2011, a preference share investment where the level of dividends receivable were based on the average overnight LIBOR plus an agreed fixed rate. The investment was realised in the current year.
- "No interest rate" assets do not attract interest and comprise equity investments, 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	2012 £'000	2011 £'000
Fixed rate	7.0%	787 days	536	264
Floating rate	0.5%	–	3,585	3,458
Libor rate	–	–	–	497
No interest rate		365 days	4,364	4,980
			8,485	9,199

Financial liabilities

The Company has no financial liabilities or guarantees, other than the creditors disclosed within the Balance Sheet (2011: none).

Currency exposure

As at 31 January 2012, the Company had no foreign currency exposure (2011: one American investment valued at £678,000).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 January 2012 (2011: 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 23 to 24.

In assessing the risk profile of its investment portfolio, the Board has identified three principal classes of financial instrument which are analysed within note 18. 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.

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 2012, the unrealised loss on quoted investments was £232,000 (2011: gain £48,000).

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 fully listed 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.

	2012			2011		
Sensitivity	**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	4,951	(990)	(5.2p)	6,022	(1,204)	(6.3p)
Liquidity fund	1,812	(362)	(1.9p)	1,800	(360)	(1.9p)
	6,763	(1,352)	(7.1p)	7,822	(1,564)	(8.2p)

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:

	2012 £'000	**2011 £'000**
Fair value through profit or loss assets		
Investments in loan stocks	536	476
Loans and receivables		
Investments in liquidity funds	1,812	1,800
Cash and cash equivalents	1,772	1,446
Interest, dividends and other receivables	83	21
	4,203	3,743

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 2012, loan stock valued at £277,000, including interest valued at £27,000, was past due for payment. Total interest past due for payment was £58,000 of which £15,000 was past due by less than 12 months; £14,000 of interest was past due between 12 and 24 months, £17,000 of interest was past due between 24 and 36 months and £12,000 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 (2012: £133,000, 2011: £90,000) 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

On 15 March 2012, 71,621 shares were issued at 43.3p per share under the Company’s dividend re-investment scheme. The aggregate consideration for the shares was £31,000 with related share issue costs of £1,000.

Between 5 April 2012 and 13 April 2012, the Company issued 69,246 shares for consideration at approximately 45.9p per share, under an offer for subscription dated 10 February 2012. The aggregate consideration for the shares was £31,000 and share issue costs thereon amounted to £1,000

Under the terms of an enhanced share buyback, outlined in a circular issued by the Company on 10 February 2012, the Company bought back and subsequently issued a number of shares on 5 April 2012 in the tax year 2011/12 and 13 April 2012 in the tax year 2012/13. On 5 April 2012, the Company purchased 1,804,994 shares for cancellation at a price of 43.3p per share and issued 1,721,418 shares at a price of 45.4p per share. On 13 April 2012, the Company purchased 1,025,322 shares for cancellation at a price of 43.3p per share and issued 977,859 shares at a price of 45.4p per share. Total funds of £1.2 million were re-invested in the Company with transaction costs of approximately £57,000 being incurred. Beringea LLP was entitled to a fee of £12,000 in respect of services provided in connection with the enhanced share buyback.

On 16 March 2012, following approval by the shareholders of both companies, the Company completed a scheme of reconstruction with Longbow Growth and Income VCT plc (“LGIV”) (the “Scheme” or “Merger”). The terms of the Scheme were set out in a circular issued by the Company on 10 February 2012. The Scheme was effected by LGIV transferring its net assets to the Company, in consideration for which the Company issued 2,150,872 new ordinary shares to the shareholders of LGIV. Under the Scheme, LGIV was placed into members’ voluntary liquidation. The number of new shares issued by the Company to the shareholders of LGIV was determined on the basis of the relevant net assets of LGIV and the Company at the close of business on 13 March 2012, in accordance with the terms of the Scheme. The new ordinary shares rank *pari passu* in all respects and form a single class with the existing ordinary shares.

The Merger resulted in the addition of net funds (including investments) of £931,000, an increase of 11% over the net assets of the Company at 31 January 2012. At the date of the Merger, LGIV held one venture capital investment, Polytherics Limited, in which the Company already had an investment. The Company’s costs of the Merger are £75,000 and will be recovered from the Investment Manager by way of a management fee waiver over two years.

Unaudited Pro forma Balance Sheet

as at 31 January 2012

The following unaudited pro forma balance sheet of the Company is provided for illustrative purposes only. Its purpose is to illustrate the effect of the Merger on the assets, liabilities and equity shareholders' funds of the Company as if the Merger had taken place on 31 January 2012. The Company's balance sheet is as at 31 January 2012; the LGIV balance sheet is as at 13 March 2012. The impact of the enhanced share buyback and offer for subscription dated 10 February 2012 are not shown on the grounds of materiality

	Company at 31 Jan 2012 Audited £'000	LGIV at Merger Unaudited £'000	Merger adjustments Unaudited £'000	Enlarged Company Unaudited £'000
Fixed assets				
Investments	4,951	135	–	5,086
Current assets				
Debtors	83	108	(108)	83
Current investments	1,812	–	–	1,812
Cash at bank and in hand	1,772	688	108	2,568
	3,667	796	–	4,463
Creditors: amounts falling due within one year	(133)	–	–	(133)
Net current assets	3,534	796	–	4,330
Net assets	8,485	931	–	9,416
Capital and reserves				
Called up share capital	192	10	12	214
Capital redemption reserve	404	–	–	404
Share premium account	7,427	970	(61)	8,336
Special distributable reserve	7,168	–	–	7,168
Capital reserve – realised	(4,375)	61	(61)	(4,375)
Capital reserve – unrealised	(1,442)	–	–	(1,442)
Revenue reserve	(889)	(110)	110	(889)
Total equity shareholders' funds	8,485	931	–	9,416
Basic and diluted net asset value per share	44.2p	88.9p		44.2p

Shareholder Information

Share price

The Company's share price can be found on various financial websites, including the London Stock Exchange (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).

Latest mid market share price (24 April 2012): **31.50p per share**

Financial calendar

14 June 2012	Annual general meeting
June 2012	Release of interim management statement to 30 April 2012
September 2012	Announcement of half yearly results to 31 July 2012
December 2012	Release of interim management statement to 31 October 2012
April 2013	Announcement of full year results and release of annual report to 31 January 2013

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. Shareholders can also check details of their shareholdings using Computershare Investor Services plc's website 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

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Peter Arthur
Frank Harding
Diane James
all of:
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WC2H 9LT

Registrar

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Notice of the Annual General Meeting

of ProVen Health VCT plc

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser. If you have sold or transferred all of your shares you should forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward delivery to the purchaser or transferee.

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 11.00 am on 14 June 2012 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 2012 together with the report of the Auditors thereon.
2. To approve the Directors' Remuneration Report.
3. 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.
4. To re-elect Peter Arthur as a Director.
5. To re-elect Frank Harding as a Director.

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

Ordinary Resolution

6. 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 £71,147.88 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 earlier (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

7. That, conditional upon the passing of Resolution 6 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 earlier (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 6 above, as if Section 561(1) of the Act did not apply to any such allotment provided that this authority shall be limited to the allotment of equity securities up to an aggregate nominal amount of £21,344.36 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.

Special Resolution

8. 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 3,199,520 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 an Ordinary Share 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.

By order of the Board

Beringea LLP
Secretary
Registered Office:
39 Earlham Street
London WC2H 9LT
25 April 2012

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.

Notes

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Beringea LLP, 39 Earlham 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.

(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. 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.

(e) Copies of the Directors' Non-Executive Service Contracts, and in the case of Frank Harding and Diane James, Consultancy Agreements, 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 (Saturdays, Sundays and Public Holidays excluded) from the date of this notice until the end of the Annual General 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 12 June 2012 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 12 June 2012 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) On 24 April 2012, the Company's issued share capital comprised 21,344,364 Ordinary Shares, with no shares held in treasury, and the total number of voting rights in the Company was 21,344,364.

(h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

(j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.

(l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

Form of Proxy – ProVen Health VCT plc

For use at the Annual General Meeting of the above-named Company to be held on 14 June 2012 at 39 Earlham Street, London WC2H 9LT at 11.00 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 Earlham Street, London WC2H 9LT on 14 June 2012 at 11.00 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 votes 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.			
2. To approve the Directors' Remuneration Report.			
3. To re-appoint the Auditors and authorise the Directors to determine their remuneration.			
4 To re-elect Peter Arthur as a Director			
5. To re-elect Frank Harding as a Director.			
SPECIAL BUSINESS			
6. To authorise the Directors to allot shares.			
7. To authorise the Directors to dis-apply pre-emption rights.			
8. To authorise the Company to make market purchases of its shares.			

Signature(s) Date

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointer. A member entitled to attend and vote at the Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to ProVen Health VCT plc, 39 Earlham 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.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the 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.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.

*** Delete as appropriate**