Hygea vct plc

Annual Report for the year ended 31 December 2015

Company No: 04221489

Contents

Financial Headlines

99.75p	Net Asset Value ("NAV") plus cumulative dividends at 31 December 2015
75.5p	Net Asset Value at 31 December 2015
£49K	Amount invested during the year into existing investee companies

About Hygea vct plc

Hygea vct plc ("the Company" or "Hygea") is a Venture Capital Trust. The Company was launched in October 2001 and raised over £7 million through an offer for subscription. A further £540,000 has been raised by way of top-ups since inception. Since 30 July 2007, the Board has managed the Company.

The Company's objective is to develop a portfolio of unquoted and quoted MedTech companies conforming to the Company's investment template (*which can be found on* www.hygeavct.com, *clicking on About, and then clicking on Investment Strategy/Process*) in order to generate capital growth over the long-term. The key features of conforming companies are:

- commercialising disruptive technology with the potential to provide solutions to global problems;
- improving the productivity of direct and indirect customers; and
- executing a business model which generates a growing stream of predictable income.

We also look to these Companies to have:

- the potential to be grown to a value of at least £100 million, and significantly beyond that figure with successful ongoing execution of their strategy;
- the ability to build partnership relationships with customers based on exceptional knowledge and preparedness to work with customers from product development through to volume production; and
- a team containing senior industry relevant experience gained within a large corporate.

Venture Capital Trusts (VCTs)

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. The Government achieved this by offering VCT investors a series of tax benefits.

The Company has been approved as a VCT by HM Revenue & Customs (HMRC). In order to maintain its approval the Company must comply with certain requirements on a continuing basis which are discussed further in the Business Review. The Company has continued its compliance with these requirements during the year.

Financial Summary

	Year to 31 December 2015	**Year to 31 December 2014**
Net assets (£'000s)	**6,129**	7,334
Return on ordinary activities after tax (£'000s)	**(1,205)**	(495)
Earnings per share	**(14.9p)**	(6.1p)
Net asset value per share	**75.5p**	90.4p
Dividends paid since inception	**24.25p**	24.25p
Total return (NAV plus cumulative dividends paid)	**99.75p**	114.65p

Shareholder Information and Contact Details

Financial Calendar

The Company's financial calendar is as follows:

2 June 2016	- Annual General Meeting
September 2016	- Half-yearly results to 30 June 2016 published
April 2017	- Annual results for year to 31 December 2016 announced
	- Annual Report and financial statements published

Dividends

Dividends will be 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, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Neville Registrars Limited, whose details can be found on page 51.

Share Price

The Company's share price is published daily on the London Stock Exchange's website (www.londonstockexchange.com), and other financial websites, and can also be accessed through the Company's website (www.hygeavct.com). The share price may be found using the TIDM/EPIC code HYG:

	Ordinary shares
Latest mid-market share price (7 April 2016)	47.0p per share

Buying and selling shares

The Company's Ordinary shares, which are listed on the London Stock Exchange, can be bought and sold in the same way as any other company quoted on a recognised stock exchange via a stockbroker. There may be tax implications in respect of all or part of your holdings, so Shareholders should contact their independent financial adviser if they have any queries.

The Company does not currently operate a share buyback policy. If you are considering selling your shares or trading in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited as follows:

Chris Lloyd	020 7886 2716	chris.lloyd@panmure.com
Paul Nolan	020 7886 2717	paul.nolan@panmure.com

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register unless shareholders have agreed to be contacted via e-mail. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Neville Registrars Limited, under the signature of the registered holder.

Other information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Company's website at www.hygeavct.com, and in line with current trends all future communications will be also be made available there. The Company has introduced e-communication for its Shareholders, as many Shareholders now prefer this method of contact, and will also reduce the Company's cost base in the future.

Strategic Report

The Directors are required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014 to include a Strategic Report to Shareholders.

The following sections form part of the Strategic Report:

- Our Strategy
- *Chairman's Statement*
- Investment Review
- Business Review

Our Strategy

Investment Policy
The Company's objective is to provide Shareholders with an attractive income and capital return by investing its funds in a portfolio of unquoted and quoted UK MedTech companies which meet the relevant criteria under the VCT Rules and conform to the investment template referred to in the second paragraph on page 3.

The Company's investment policy is designed to deliver absolute returns on its investments rather than a performance measured against the market indices. It is intended that at least 80% of the Company's assets will be invested in qualifying holdings, with the remainder held in cash and money market securities. The Board does not intend to vary the Company's investment policy. However, should a material change be deemed appropriate this will be done with Shareholders' approval by the passing of an ordinary resolution at a General Meeting and in accordance with the Listing Rules.

The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of quoted and unquoted companies from the MedTech sector. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

Qualifying Investments
Compliance with required rules and regulations is considered with all investment decisions made. The Company is further monitored on a continual basis to ensure compliance. The main criteria to which the company must adhere include:

- At least 70% of investments must be made in qualifying shares or securities;
- At least 30% of the 70% of qualifying investments must be invested into Ordinary shares with no preferential rights (70% for subscriptions after 6 April 2011);
- No single investment made can exceed 15% of the total HRMC company value at the time the investment is made.

The Finance Act 2014 amended the VCT Rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors.

The Finance (No. 2) Act 2015 has placed additional restrictions on how funds can be deployed, as mentioned in the Chairman's Statement.

Non-Qualifying Investments

Initially, an active approach was taken to managing the cash prior to investing in qualifying companies. Now the Company has reached its qualifying investment target to meet HMRC requirements and the Company is fully invested, any remaining funds will be invested in supporting existing investees and in money market funds and other instruments where the Board believes that the overall downside risk is low.

The Company may also make Non-Qualifying Investments where the Board believes that the risk/return profile is consistent with the overall objective of the Company, which may include, from time to time, making investments or further investments in companies which meet the profile of a Qualifying Investment but would otherwise not meet VCT Qualifying Investment status, provided that such investments will not jeopardise the Company's VCT status.

Risk Management and Borrowing

The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of emerging companies with an objective of being to get as much of the portfolio AIM listed as possible. In addition, investments may also be made by way of loan stock and/or redeemable preference shares as well as ordinary shares to generate income.

The Company has an overdraft facility of £200,000 to manage short term cash requirements.

Principal risks, risk management and the regulatory environment are discussed in more detail on page 18.

Strategic Report

Chairman's Statement

I am pleased to present the 2015 annual report to Shareholders in Hygea.

Overview

Against the background of the turmoil in stock markets globally, many UK smallcaps are finding it difficult to obtain finance through the established UK capital market channels and, within the smallcap universe, Life Science companies are finding it particularly difficult. The UK capital market lacks experience in successfully supporting smaller Life Science companies through their technology development stage - this is exacerbated by commercialising their technology being a lengthy process because of the challenging regulatory hurdles which are (quite rightly) in place in order to minimise risk to patients. Nevertheless, we remain confident that many of the portfolio companies are both making good progress in terms of their science and/or technology and applying the right principles to commercialisation of their Intellectual Property – both of which we expect will lead to long term success. As you will see in UK Capital Markets section below, we also believe that developments are occurring which will improve the ability of the UK capital market to support companies such as those in Hygea's portfolio.

During 2015 our net asset value has declined principally due to the reduction in the value of our AIM listed portfolio and annual running costs. As Shareholders are aware, a large percentage of the Company's net asset value is represented by the holding in Scancell plc shares. The bid price of Scancell shares at 31 December 2015 was 21.5p compared to 32p at the beginning of the year. The share price remains volatile and the latest bid price was 17p. Your Board does not believe that there is any underlying reason related to the science for the reduction in the current share price of Scancell - as you will see in the Investment Review, the company has made progress over the last year. In April 2016, Scancell announced that it had raised gross proceeds of £6.2m through a placing and open offer at 17p per share – as detailed in the Investment Review. We were prohibited from subscribing by the VCT rules (even had we had the funds available), as we would have exceeded the 15% maximum holding condition allowed in any single company (as defined within ITA07/S274(2) and S277).

On a positive note, however, we remain pleased with the progress made with some of our unquoted portfolio companies – in particular Hallmarq Veterinary Imaging Limited, Fuel 3D Limited and OR Productivity plc, further details of which can be found in the Investment Review beginning on page 10.

Following the last Annual General Meeting ("AGM"), we announced that we would review the Board structure and this led to the retirement of James Otter both as Chairman and as a Director and the appointment of Richard Roth. The Board has also carried out a review of the cost base: amongst other savings, the salaries of Directors have been reduced and the Performance Incentive Fee has been restructured. Details of these changes can be found in the Directors' Remuneration Report and Note 4 to the accounts. Whilst we are advised that the changes to the Performance Incentive Fee do not require shareholder approval, we are asking for your approval as part of the resolution to approve the Company's Remuneration Policy and we trust you will find these changes beneficial to Shareholders.

Results and Dividend

During the year our revenue return on ordinary activities saw a loss of 1.9p per share, the same as in 2014. The benefits of our cost reduction are already being seen with our operating costs down by 5%, although our total expense ratio rose to 2.5%, compared to 2.2% in 2014, due to the reduction in net asset value. The ratio remains lower than most other VCTs due to the self-management structure of Hygea and the absolute level of day to day expenditure should reduce further in the light of changes following our review of the cost base.

The capital return per share amounted to a loss of 13.0p compared to a loss of 4.2p in 2014, primarily due to the reduction in bid prices on all of our AIM shares (of between 16% and 57%).

During the year we sold 1,000 shares in EpiStem Holdings plc and the remaining 13,000 Tristel plc shares. In addition we have supported Fuel 3D's recent fund raising.

Hygea has a policy of accruing for the Board's incentive fee arrangements in the accounts. This fee will only start to be paid out when distributions per share have, cumulatively, reached 80p, and, reflecting the decrease in NAV, this accrual has been reduced from £702,000 to £401,000 in this year's accounts.

Overall the total return for the year amounted to a loss of 14.9p per share, compared to a loss of 6.1p per share in 2014. As Scancell made up over 45% of the portfolio value at 31 December 2015, the loss of £1,391,000 in its share value makes up a significant part of the capital loss before the reduction in performance fee.

Subsequent to the year end, there has been continued volatility on AIM. Had our portfolio been valued at the latest AIM bid prices, the overall NAV would have been 69.2p, a decrease of 8% compared to the 31 December 2015 value of 75.5p.

In order to provide greater control over the timing of realising part of our AIM portfolio to cover running costs, we have increased our overdraft facility to £200,000.

Hygea's investments provide the Company with very little income, and thus distributions or cash returns to Shareholders will come from disposals. Historically, the Board had intended to pay out a dividend averaging 5p per year, but following discussions after the continuation vote last year, we have determined to return funds to our Shareholders as soon as practicable. However, we will be precluded in this aim until we are able to make a significant realisation and we do not believe that the current state of the AIM market is conducive to achieving this in the short term.

Portfolio Review

Although there has been no change in the constituents of the portfolio (apart from the disposal of our remaining holding in Tristel), many of the companies have made good operational progress during the year as described in Investment Review, starting on page 10.

Subsequent to the year end, to cover running costs, we have sold 226,519 shares in EKF Diagnostics Plc ("EKF") and 137,900 shares in Omega Diagnostics. £20,048 of the funds raised have also been used to take up our share of rights in a recent Exosect fund raising.

UK Capital Markets

In addition to the recent well publicised events giving rise to uncertainty globally, the UK capital markets for smallcaps are also in some turmoil. In our view, this is contributed to by:

- reduced interest on the part of UK institutional investors in UK smallcaps. This is borne out by a report issued in October 2015 by Hardman & Co entitled 'Why AIM Company Management Ignore Retail Investors at their Peril', which can be found at www.hardmanandco.com/docs/default-source/newsletters/ons-article-v2;
- the eventual onset of MiFID 2 (the EU Directive on markets in financial instruments) is causing brokers to reconsider the economics of providing research; and
- there being a significant movement during 2015 of life science analysts from one employer to another, resulting in reduced research coverage whilst the changes are taking place. For example, a recently scheduled analyst meeting for one of Hygea's investees was cancelled because it proved impossible to assemble sufficient analysts.

As outlined above, the remaining institutional investors understandably focus on the larger AIM companies, leaving companies with market caps of under £50m much less well supported.

Against the background of the Board's stated objective of having as much as possible of the portfolio in AIM quoted stocks, the Board takes a keen interest in trying to understand why existing market mechanisms give rise to the huge share price volatility which AIM companies in the Hygea portfolio have experienced in recent months. In particular, there seems to be little correlation between the share price movement and what is happening within the companies commercially. We also monitor market developments which we consider will help to address the issues mentioned above, and are pursuing several approaches (both individually and in combination with our portfolio companies) in order to reduce the impact of these challenges. These developments are generally based on organising private investors by harnessing digital technology - a number of these developments are due to become operational during 2016 and we hope they will, in combination, result in the AIM market functioning more effectively for companies such as those within the Hygea portfolio. An example of this is the recent launch by Syndicate Room, (a crowdfunding platform) of a public market service for its investors and its participation in the recent Scancell fundraise.

Annual General Meeting

The Company's AGM will be held at 12.00 on 2 June 2016 at the offices of Octopus Investments, 33 Holborn, London EC1N 2HT and we look forward to welcoming you at the meeting.

VCT Qualifying Status

PricewaterhouseCoopers LLP continues to provide the Board with advice on the on-going compliance with the increasingly complex HMRC rules and regulations concerning VCTs. The Board has been advised that the Company continues to comply with the conditions laid down by HMRC for maintaining approval as a VCT.

Registrars

As part of the review of costs, we have decided to appoint Neville Registrars in place of Capita as our Registrars. Details of the new contact details are set out on page 51 of this report. At the same time, we are seeking to simplify and reduce the cost of communications with Shareholders, and this is in keeping with similar proposals by many other quoted companies, and you will have received a letter regarding this last month.

Annual reports, notices of shareholder meetings and other documents that are required to be sent to Shareholders are published on our website at www.hygeavct.com. For those Shareholders who have consented, the website will be one of the ways in which you access shareholder information.

Future prospects

Your Board would like to thank you for your support by approving the continuation vote at the last AGM. The recent Finance Act has made significant changes to the VCT regime largely due to the requirements of the EU for VCTs to comply with stringent and re-enforced State Aid regulations. We do not believe these will have any material effect on Hygea at this time. We remain conscious that Shareholders' main objective is to seek to expedite liquidity events within the portfolio following which we will consult with Shareholders on the way forward in the light of the new regulations.

Notwithstanding the current problems being faced by the AIM market, we continue to believe that our objective of having as much of the portfolio quoted on this market as possible is sound and allows us the flexibility of liquidating portions of our holdings when conditions permit. Against the global economic backdrop, there is huge pressure to deliver better patient outcomes more efficiently. This can only be achieved through harnessing innovation, and we believe that once our investees can articulate the economic benefit which their products can bring to customers, this will give them valuable pricing power. We continue to view our portfolio with confidence but recognise that our expected timetable of liquidity events has been extended and we are grateful to our Shareholders for their continued patience.

John Hustler
Chairman
8 April 2016

Investment Review

Investment Portfolio

Unquoted Investments	Investment at cost (£'000)	Unrealised profit/(loss) (£'000)	Carrying value at 31 December 2015 (£'000)	Movement in the year to 31 December 2015 (£'000)
Hallmarq Veterinary Imaging Limited	1,116	289	1,405	351
OR Productivity plc	765	(101)	664	-
Fuel 3D Limited (formerly Eykona Technologies Limited)	299	146	445	-
Glide Pharmaceutical Technologies Limited	326	(7)	319	-
Arecor Limited	127	16	143	11
ImmunoBiology Limited	868	(742)	126	-
Insense Limited	509	(421)	88	-
Miccroarray Limited	132	(65)	67	-
Exosect Limited	250	(188)	62	(62)
Axon Limited	374	(374)	-	-
Wound Solutions Limited	350	(350)	-	-
Total unquoted investments	**5,116**	**(1,797)**	**3,319**	**300**
Quoted Investments				
Scancell plc	801	2,047	2,849	(1,391)
Omega Diagnostics plc	348	29	377	(70)
EKF Diagnostics plc	260	(118)	141	(132)
EpiStem Holdings plc	43	(3)	39	(51)
Reneuron plc	50	(23)	28	(11)
Total quoted investments	**1,502**	**1,932**	**3,434**	**(1,655)**
Total investments	**6,618**	**135**	**6,753**	**(1,355)**

Ten largest holdings (by value)

Scancell plc

Background: Scancell is an AIM listed, Nottingham-based biotechnology company that is developing a pipeline of therapeutic vaccines to target various types of cancer, with the first target being melanoma. The platform technology, in effect, educates the immune system how to respond – this means that the technology can also be licensed to pharmaceutical companies to assist the development of their own therapeutic vaccines, which is an area of emerging importance for which a number of big pharmas do not have in-house technology. In August 2012 a new platform technology, Moditope, was announced to join the existing Immunobody platform. The first product in clinical trials is SCIB1 - there are early indications that it may have an important role to play as first line treatment (adjuvant) in melanoma patients who no longer have measurable disease (following surgery) and are often generally quite well, but are at a high risk of recurrence and with very few, if any, effective treatment options (there are c. 360,000 such patients in the US alone, of whom c.45% are suitable for SCIB1 treatment).

Update since 2014: Scancell recognized that in order to develop, it needed a strong US orientation clinically in order to access US capital markets - the latter are required because they have deeper experience of and appetite for investing in companies such as Scancell than the UK capital markets. Against this background, key achievements have been:

- the January 2016 update re the SCIB1 Phase I/II clinical trial reported that all 16 patients on 2-4mg doses with fully resected disease are still alive, representing a median survival time of 42 months, with 11 remaining disease free - median observation time in 4 resected patients who received 8mg is 10 months, with all patients remaining disease free;

- a team of investigators from leading US oncology hospitals has been formed to lead a Phase I checkpoint inhibitor combination study with SCIB1. This is due to start in early 2017;
- in October 2015 an NED was appointed, bringing significant international experience particularly in the US life science sector. In 2016 he became chairman of Scancell, which he knew from his time as CEO of Arana which acquired Scancell's antibody business in 2006. In addition a highly experienced pre-clinical and clinical development consultant to the pharmaceutical industry was appointed as advisor - he had most recently served as VP & Global Head of Oncology at Teva Pharmaceuticals, and;
- the company raised £6.2m gross proceeds through a placing and open offer in April 2016. This capital raising will allow Scancell to prepare for further clinical studies on both SCIB1 and Moditope.

Initial investment date:	December 2003
Cost:	£801,000
Valuation:	£2,849,000
Equity held:	5.9%
Last audited accounts:	30 April 2015
Turnover:	£nil
Loss before tax:	£2.8 million
Net assets:	£6.8 million
Valuation method:	Bid price

Hallmarq Veterinary Imaging Limited

Background: Hallmarq specialises in developing low cost magnetic resonance (MRI) imaging systems for the vet market. The first application was for equine vets to enable the diagnosis of causes of lameness in horses that are not identifiable by any other method – this was the first MRI scanner in the world for standing horses. The business model relies principally on a share of scan fees (i.e recurring income) rather than systems sales. The next development project is an MRI scanner for companion animals, PetVet, a market which is significantly larger than the equine market – the first PetVet was installed in Q4 2014.

Update since 2014: The results to August 2015 showed sales of £5.4 million (2014: £4.3 million), EBITDA of £2.0million (2014: £1.6 million) and pre-tax profit of £1.0 million (2014: £0.8 million), with recurring income growing from £3.8 million to £4.3 million. Key events include:

- the appointment of a chairman with appropriate experience for assisting the company achieve the next stage of growth.
- commissioning of the second PetVet, with the third about to be commissioned.
- passing the milestone of scanning 60,000 horses since inception.

Initial investment date:	31 August 2005
Cost:	£1,116,000
Valuation:	£1,405,000
Equity held:	10.2%
Last audited accounts:	31 August 2015
Turnover:	£5.4 million
Profit before tax:	£1.0 million
Net assets:	£7.2 million
Valuation method:	Earnings multiple

OR Productivity plc

Background: At the end of 2011, Freehand 2010 (a Hygea investee) was acquired by OR Productivity plc (ORP) in exchange for ORP shares. ORP has established the nucleus of a very strong team (led by the former R&D director of Smiths Medical) for commercialising productivity enhancing technologies within the Minimally Invasive Medicine sector. The team is aware of a number of companies within this sector which have good technologies but lack the skills to commercialise their technology efficiently. Freehand 2010 is ORP's first acquisition. Freehand 2010 owns the intellectual property to technology incorporated in a product for robotically controlling the laparoscope (part of the camera system) used by keyhole surgeons - the camera system is used to put an image of the inside of the patient's body onto a screen, and the surgeon uses this screen when operating to view the procedure. Keyhole surgery is growing in relation to open surgery because the smaller incisions required by the former result in reduced pain and reduced recovery time (hospital stays are very expensive). The business model is free placement of the system and sales of a consumable per operation to generate recurring income - in 2008 there were estimated to be c.3.8 million keyhole operations in Europe and the US, a sector predicted to grow at 9% pa. A key market development is the emergence of HD and 3D for use by keyhole surgeons to provide improved depth of vision. However, viewers of HD and 3D images generally become nauseous if the image is not steady – the Freehand product still appears to be regarded as the leading solution worldwide for enabling HD and 3D camera systems for keyhole surgery to provide a rock steady image.

Update since 2014: In Q1 2015 a milestone was achieved inasmuch as UK sales contributed gross profit which matched UK marginal overheads. Since then the much publicised challenges within the NHS have impeded ORP's progress in the UK. However, senior personnel within certain NHS Trusts are starting to recognise that procurement needs to focus on efficiency rather than just price and that innovation is key to driving efficiency. ORP is making good progress at a senior level within several such trusts which is expected to benefit 2016 following a very difficult 2015. These relationships are also expected to benefit ORP's strategy of introducing in due course other Minimally Invasive Medicine technologies alongside Freehand.

Initial investment date:	March 2011
Cost:	£765,000
Valuation:	£664,000
Equity held:	13.8%
Last audited accounts:	31 March 2015
Turnover:	£301,000
Loss before tax:	£963,000
Net assets:	£774,000
Valuation method:	Price of last fundraise

Omega Diagnostics plc

Background: Omega Diagnostics plc ("Omega") listed on AIM via a reverse acquisition in 2006. It is a healthcare diagnostics business providing IVD products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and it specialises in the areas of Food Intolerance, Allergy and Autoimmune Disease, and Infectious Disease. One of its products is Food Detective for home testing of allergies brought about by 59 commonly eaten foods. In December 2010 Allergopharma was acquired by Omega for £7.75 million – it produces manual assays for testing for allergies – part of the strategy for developing the Allergopharma business is to leverage off Omega's distribution reach, and take the assays into the much larger automated market using Omega's Genarrayt platform and the IDS-iSYS platform, which has been licensed from AIM listed Immunodiagnostic Systems Holdings.

In June 2012, Omega entered into agreements providing it with worldwide exclusive access to two point-of-care tests, one for CD4 and the other for Syphilis. Testing for CD4 T- cells is a vital component for the management and care of people suffering from HIV, which affects c.33 million people worldwide – the key competition is currently flow cytometry, which involves laboratories and centralised testing.

In summary, the group currently has two key projects, each of which has transformational growth potential to augment the growth potential of the existing established businesses.

Update since 2014: both of the transformational projects are progressing and the IDS-iSYS project is expected to achieve CE marking by mid 2016. The interim results to September 2015 showed sales of £6.15 million (2014: £5.7 million) and adjusted pre-tax profit of £351,000 (2014: £410,000), after increasing overheads by £279,000 in order to implement growth plans.

Initial investment date:	August 2007
Cost:	£348,000
Valuation:	£377,000
Equity held:	2.4%
Last audited accounts:	31 March 2015
Turnover:	£12.1 million
Profit before tax:	£684,000
Net assets:	£18.8 million
Valuation method:	Bid price

Fuel 3D Limited (formerly Eykona Limited)
Background: Eykona was founded in 2007 to deploy computer vision technology (essentially 3D imaging) developed within Oxford University for developing a hand held camera to measure the volume of chronic wounds - this is a vital measurement for obtaining an understanding of whether a wound is getting better or worse, and hence assist determining the treatment to be applied. It was recognised from the outset that Eykona's 3D imaging technology has potential applications outside MedTech.

In 2013, it was learned that certain clinicians in the US were using the camera for making masks for assisting the recovery of patients with facial burns. As a result of this, Eykona became aware of the opportunity within the 3D printing market to develop its camera as the world's first high resolution 3D scanner for the consumer market. The opportunity was validated by launching the prototype on the crowd funding site, Kickstarter, with a 30-day sales target of 75 scanners being set to validate the $1,000 price point – this target was achieved within two days and the campaign closed at 430% of the initial target. In 2014, a new company, Fuel3D Limited, raised £1.6 million in cash (with Hygea subscribing £49,000) and also acquired Eykona's IP in exchange for Eykona Shareholders receiving Preferred Shares in Fuel 3D.

Update since 2014: Following the launch of the 3D scanner for the consumer market, the company has received approaches from businesses, particularly those providing personalised solutions to consumers - an example is orthotics where using the scanner can automate the process of making shoes inexpensively for people whose feet are different in size and/or shape. The business model being pursued in the B2B market is expected to generate recurring income. The company raised further funds in 2015.

Initial investment date:	March 2010
Cost:	£299,000
Valuation:	£445,000
Equity held:	< 1%
Last audited accounts:	31 December 2014
Turnover:	£603,000
Loss before tax:	£1.3 million
Net assets:	£5.6 million
Valuation method:	Price of last fundraise

Glide Pharmaceutical Technologies Limited
Background: Glide has developed a needle-free drug delivery technology to deliver a drug formulation in a solid form directly through the skin of a patient. The Glide technology has been shown to have a number of benefits when compared to other delivery mechanisms – for example, it is particularly suited for vaccines, enabling them to be delivered in solid rather than liquid form, with the objective of delivering both better patient outcomes and also reduced supply chain costs by removing the need (and cost) for refrigerated storage.

Update since 2014: the key focus has been on preparing for a 22 patient trial using Glide's injector with Octreotide - the results are expected in July 2016. There is a strong prospect pipeline in the vaccine and peptide markets to be progressed if the results of the trial prove successful. Glide is targeting to become a specialty pharma business based on using its delivery system as the platform.

Initial investment date:	November 2005
Cost:	£326,000
Valuation:	£319,000
Equity held:	1.2%
Last audited accounts:	31 December 2014
Turnover:	£254,000
Loss before tax:	£3.2 million
Net assets:	£8.5 million
Valuation method:	Price of last fundraise

Arecor Limited
Background: Arecor was a spin-out from Insense (a Hygea investee company) to commercialise technology developed by Insense for enabling biologics to maintain their integrity without the need for refrigeration - this both reduces cost and also helps supply chain logistics in developing countries where temperature monitored cold storage facilities are in short supply. The technology also assists in maintaining the integrity and function of proteins exposed to ionizing radiation as the means of sterilisation.

Update since 2014: the company is transitioning from a research based enterprise into a sustainable commercial organization focused in the areas of diabetes, peptides, high concentration proteins and biosimilars. This process has been assisted by the appointment of a new CEO in May 2015, since when the business has developed from reliance on one major client to having three such clients with multiproduct relationships, and discussions are under way with two additional multiproduct companies - this positioning is intended to increase the probability of generating licenses.

Initial investment date:	January 2008
Cost:	£127,000
Valuation:	£143,000
Equity held:	2.1%
Last audited accounts:	31 May 2015
Turnover:	£777,000
Loss before tax:	£705,000
Net assets:	£31,000
Valuation method:	Price of last fundraise

EKF Diagnostics Holdings plc

Background: EKF is an AIM listed company which David Evans (formerly chairman of, inter alia, DxS) and Julian Baines took board control of in Q4 2009, with the objective of building a leading diagnostic business with a particular focus on the needs of diabetic patients. Messrs Evans and Baines had been chairman and CEO respectively of AIM listed point of care diagnostics business BBI, which listed on AIM in 2004 and was acquired by Alere (formerly Inverness Medical) for £84 million in late 2007. EKF completed its first acquisition in July 2010, which has been followed by two smaller acquisitions – one of the latter was Quotient Diagnostics, in which Hygea invested in June 2010 and exchanged its investment for EKF shares in October 2010. In 2011, US based Stanbio was acquired for $19.5 million. In March 2013, 360 Genomics was acquired for an initial consideration of £1.6 million paid in EKF shares – it develops companion diagnostics to assist cancer treatment – the technology is able to detect 1 mutant gene in 100,000 normal gene copies versus the nearest technology that detects 1 in 100. In 2014 two acquisitions were made for a combined initial consideration of some £40 million with the objective of enabling EKF to participate meaningfully within the field of personalised medicine.

Update since 2014: the molecular diagnostics acquisitions made in 2014 significantly underperformed against expectations, principally due to changes to reimbursement in the US. This has resulted in i) Ron Zwanziger becoming chairman - he was the founding CEO of Alere (see above) which was acquired in early 2016 for $5.8 bn by Abbott, and ii) exiting molecular diagnostics activities to concentrate on Point of Care diagnostics. The restructuring is considered by the new chairman to provide considerable prospects for future growth.

Initial investment date:	June 2010
Cost:	£260,000
Valuation:	£141,000
Equity held:	<1%
Last audited accounts:	31 December 2014
Turnover:	£40.1 million
Loss before tax:	£4.0 million
Net assets:	£87.4 million
Valuation method:	Bid price

ImmunoBiology Limited

Background: ImmunoBiology is a biotechnology company that is focused on developing treatments for illnesses such as meningitis, tuberculosis, influenza and hepatitis C. The company's technology is based on the discovery that a group of proteins known as 'heat shock proteins' has a pivotal role in controlling the normal immune response to infections. It has also licensed in Scancell's immunobody technology (see above) for use in certain treatments – both approaches seek to educate the immune system how to respond.

Update since 2014: the focus is currently on a vaccine for Pneumococcal Disease, for which the challenge is that there are >90 strains in circulation but present treatments address only a small proportion. In December 2015 a first in human study started, with results anticipated in Q2 2016 - subject to the results, it is intended to find partners to progress late stage development, manufacturing and marketing.

Initial investment date:	November 2005
Cost:	£868,000
Valuation:	£126,000
Equity held:	3%
Last audited accounts:	31 May 2015
Turnover:	£nil
Loss before tax:	£1.7 million
Net assets:	£974,000
Valuation method:	Price of last fundraise

Insense Limited

Background: Insense was spun-out from Unilever's R&D laboratory in Bedfordshire, with the purpose of developing new wound healing products that are based on the oxygenation of the wound through the action of its patented Oxyzyme technology. It has since had two spin-outs, namely Arecor (see above) and Microarray, leaving it developing a fungal nail treatment.

Update since 2014: The fungal nail treatment is being developed as a pharmaceutical product, with the current focus on preparing to undertake a trial on humans.

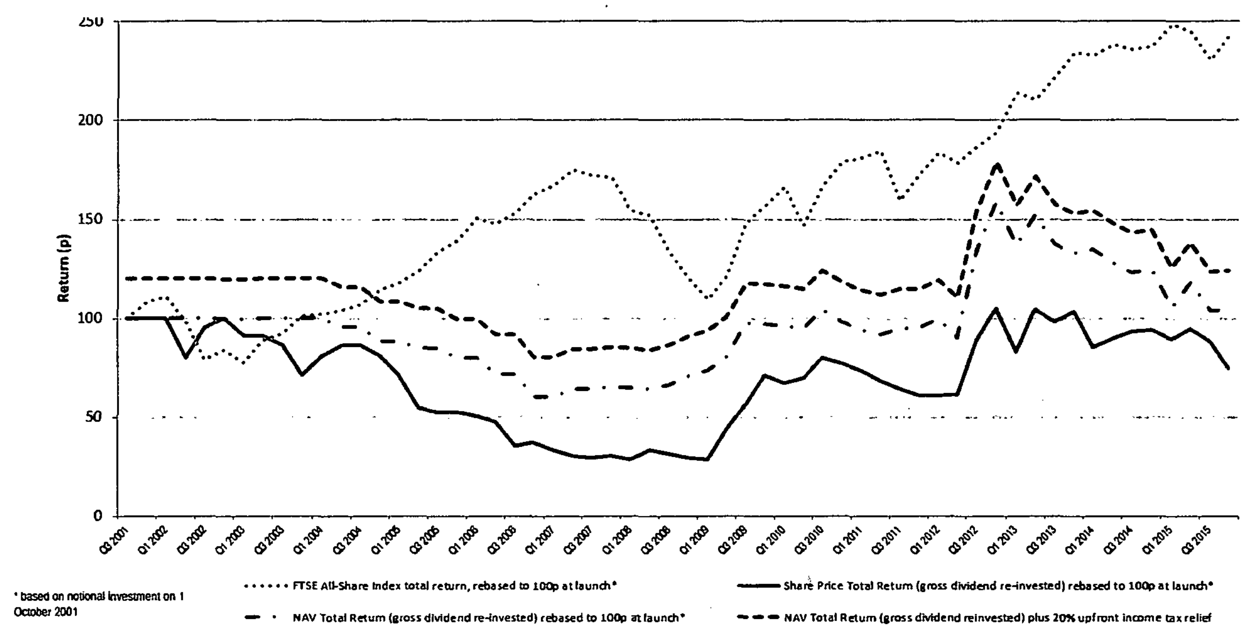
Initial investment date:	July 2003
Cost:	£509,000
Valuation:	£88,000
Equity held:	8.1%
Last audited accounts:	31 December 2014
Turnover:	£54,000
Loss before tax:	£259,000
Net liabilities:	£82,000
Valuation method:	Cost less provision

Business Review

Company Performance

The Board is responsible for the Company's investment strategy and performance.

The graph below compares the NAV return (rebased to 100) of the Company over the period from October 2001 to December 2015, with the total return from a notional investment (rebased to 100) in the FTSE All-Share index over the same period. This index is considered to be the most appropriate broad equity market index for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the VCT rules.



AIC methodology: The NAV Total Return to the investor, including the original amount invested (rebased to 100p) from launch, assuming the dividends paid were re-invested at the NAV of the Company at the time the shares were quoted.

Results	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net return attributable to Shareholders	**(1,205)**	(495)

Key Performance Indicators (KPIs)

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV and total return per share, is also measured against the FTSE All-Share index. This is shown in the above graph.

Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2014 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Company last raised funds in 2009, and so the minimum five year holding period required to enable subscribing investors to benefit from the associated tax reliefs has now passed. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a three year period is considered to be a reasonable time horizon for this. It is also consistent with the continuation vote passed by Shareholders at last year's AGM.

The Board carried out a robust assessment of the principal risks facing the Company and its current position, including those which may adversely impact its business model, future performance, solvency or liquidity. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are set out below.

The Board has also considered the Company's cash flow projections and found these to be realistic and reasonable.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2018.

Principal risks, risk management and regulatory environment

The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status, and as updated in 2015. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.

The Board keeps the Company's VCT qualifying status under regular review. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

The main specific regulations that must be met, and how the Company complied as at 31 December 2015 and for the year then ended is summarised in the table below:

Requirement	Max/Min	Result at 31 December 2015
(a) The Company's income in the period has been derived wholly or mainly (70% plus) from shares or securities.	Min 70%	100%
(b) The Company has not retained more than 15% of its income from shares and securities.	Max 15%	0.0%
(c) At least 70% by value of the Company's investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the company.	Min 70%	94.1%
(d) At least 30% by value of the Company's qualifying holdings has been represented throughout the period by holdings of eligible shares.	Min 30%	85.8%
(e) No holding in any company has at any time in the period represented more than 15% by value of the Company's investments at the time of investment.	Confirmed	
(f) The Company's ordinary capital has throughout the period been listed on a regulated European market	Confirmed	
(g) No investment made by the VCT has caused the investee company to receive more than £5m of State Aid investment in the year ended on the date of the VCT's investment, nor has the use of funds been contrary to the EU State Aid guidelines	Confirmed	

Investment risk: the majority of the Company's investments are in smaller quoted and unquoted companies which are VCT qualifying holdings, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The Directors aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out due diligence procedures and by maintaining a spread of holdings in terms of financing stage. The Board reviews the investment portfolio on a regular basis.

Financial risk: by its nature, as a VCT, the Company is exposed to market price risk, credit risk, liquidity risk, fair value and cash flow risks. All of the Company's income and expenditure is denominated in sterling and hence the Company has no direct foreign currency risk. The indirect risk results from investees doing business overseas. The Company is financed principally through equity and has a working capital facility. The Company does not use derivative financial instruments.

Cash flow risk: the risk that the Company's available cash will not be sufficient to meet its financial obligations is managed by frequent budgeting and close monitoring of available cash resources.

Liquidity risk: the Company's investments may be difficult to realise. The spread between the buying and selling price of shares may be wide and thus the price used for the valuation may not be achievable.

Regulatory risk: the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Reputational risk: inadequate or failed controls might result in breaches of regulation or loss of shareholder trust.

Internal control risk: the Board reviews annually the system of internal controls, financial and non-financial, operated by the Company. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the Financial Reporting Council's Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting. Details of the Company's internal controls are contained in the Corporate Governance section starting on page 24.

Due to the nature of the Company, environmental, social, employee and human rights' issues do not apply and therefore no disclosures in respect of these have been included in the Directors' report.

Further details of the Company's financial risk management policies are provided in note 15 to the financial statements.

Gender and Diversity

The Board currently comprises three male Non-Executive Directors with considerable experience of the VCT industry. The gender and diversity of the constitution of the Board will continue to be reviewed on an annual basis.

Details of Directors

John Hustler (Non-Executive Chairman – Age 69)
John joined Peat Marwick, now KPMG, in 1965 and became a Partner in 1983. Since leaving KPMG in 1993 to form Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is presently Chairman of Octopus Titan VCT plc. He was also a member of the Council of The Institute of Chartered Accountants in England and Wales and Chairman of its Corporate Finance Faculty from 1997-2000, and was a member of the Council of the British Venture Capital Association from 1989-1991.
John has a beneficial interest in EKF and Scancell.

Charles Breese (Non-Executive Director – Age 69)
Charles has over 30 years of experience of investing in start-up, early stage and quoted smaller companies harnessing technology to derive competitive advantage. He worked for KPMG from 1969 until 1982. He joined Larpent Newton Holdings Limited in 1982 and was appointed Managing Director in 1986. Larpent Newton provides the resources required to assist technology-based companies wanting to develop from being unquoted through to an AIM listing, and ultimately to achieving a trade sale. He has developed an Investment Template which has proved successful in identifying early stage companies which have delivered attractive long term returns.
Charles has a beneficial interest in Hallmarq Veterinary Imaging, OR Productivity, Scancell, Omega Diagnostics, EKF and Epistem.

Richard Roth (Non-Executive Director – Age 52)
Richard is a Director of all the Oxford Technology Venture Capital Trusts and Chairman of Oxford Technology 2 Venture Capital Trust Plc. He is a Chartered Management Accountant and worked in the airline industry for a number of companies including easyJet and the Monarch Group, and was CFO of RoyalJet. He has subsequently had a number of consulting assignments, in particular helping companies determine their strategy, and implementing business improvements. Richard has been a VCT investor for over 15 years. He has invested in a number of small (mainly unquoted) companies and has also advised several potential start-up businesses – mainly travel-related.
Richard has a beneficial interest in Scancell, Glide Technologies and Reneuron.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

The Directors consider that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Review of Business Activities

The Directors are required by s417 of the Companies Act 2006 to include a Business Review to Shareholders. This is set out on page 17 and forms part of the Strategic Report. The Chairman's Statement on pages 7 to 9, and the Investment Review on pages 10 to 16 also form part of this Strategic Report.

The purpose of this review is to provide Shareholders with a snapshot summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators used to measure performance.

Subsequent to the year end, to cover running costs, we have sold 226,519 shares in EKF and 137,900 shares in Omega Diagnostics in addition to the 1,000 Epistem shares sold during the year. £20,048 of the funds raised have also been used to take up our share of rights in a recent Exosect fund raising.

Directors

The Directors of the Company during the period and their interests (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued ordinary shares of 50p are shown in the table below:

	31 December 2015 Number of Shares	**31 December 2014 Number of Shares**
John Hustler	**190,000**	190,000
Charles Breese	**105,000**	105,000
Richard Roth (appointed 7 October 2015)	**159,612**	n/a
James Otter (resigned 7 October 2015)	**n/a**	24,050

Richard Roth held 159,612 shares on appointment as a Director of the Company on 7 October 2015. James Otter held 24,050 shares on 7 October 2015 when he resigned as a Director of the Company.

All of the Directors' shares were held beneficially. There have been no changes in the Directors' share interests between 31 December 2015 and the date of this report.

Brief biographical notes on the Directors are given on Page 20.

Directors' and Officers' Liability Insurance

The Company has maintained directors' and officers' liability insurance cover on behalf of the Directors and Company Secretary.

Whistleblowing

The Board has approved a Whistleblowing Policy for the Company, its directors and any employees, consultants and contractors, to allow them to raise concerns, in confidence, in relation to possible improprieties in matters of financial reporting and other matters.

Bribery Act

The Board has approved an Anti-Bribery Policy to ensure full compliance with the Bribery Act 2010 and to ensure that the highest standards of professional and ethical conduct are maintained.

Management

Since 30 July 2007 the Board has assumed responsibility for the management of the Company and its portfolio. The Board continues to review and evaluate the management of the Company in the light of present circumstances whereby the resources of the Company are fully invested in portfolio companies. It does not believe that it would be cost effective to seek to appoint a third party manager at the present time. The terms of the Board's remuneration are set out in the Directors' Remuneration Report on pages 29 and 30.

Share Issues and Open Offers

During the year, the Company did not issue any shares (2014 – nil shares).

Share Capital

The Company's issued ordinary share capital as at 31 December 2015 is 8,115,376 ordinary shares of 50p each.

Directors

Biographical details of the Directors are shown on page 20. Richard Roth was appointed as a Director of the Company on 7 October 2015. James Otter resigned as Chairman on 14 July 2015 and as a Director of the Company on 7 October 2015.

In accordance with the provisions of the AIC Corporate Governance Guide for Investment Companies all of the Directors will retire at the forthcoming AGM as follows:

- Richard Roth having been appointed during the year and offers himself for re-election.
- Charles Breese and John Hustler having served as Directors for more than nine years. Each offer themselves for re-election.

The Board is satisfied that, following individual performance appraisals, the Directors retiring by rotation continue to be effective and to demonstrate commitment to the role and therefore offer themselves for re-election with the support of the Board.

The Board is cognisant of shareholders' preference for Directors not to sit on the boards of too many larger companies ("overboarding"). As part of their assessment as to his suitability, the Directors considered Richard Roth's other directorships at the time of his appointment, given that he also sits on the boards of the four Oxford Technology ("OT") VCTs. The directors noted that those four funds have a common board, and there is an element of overlap in the workload across the four entities, such that the time required is less than would be necessary for four totally separate and larger companies. They also note that Hygea has a number of shared portfolio companies with the OT VCTs. The Board is therefore satisfied that Richard Roth has the time to focus on the requirements of the Company.

International Financial Reporting Standards

As the Company is not part of a group it is not mandatory for it to comply with International Financial Reporting Standards. The Company does not anticipate that it will voluntarily adopt International Financial Reporting Standards. The Company has adopted Financial Reporting Standard 102 – The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland during the year.

Environmental Policy

The Company always a makes full effort to conduct its business in a manner that is responsible to the environment.

Going Concern

The Company's business activities and the factors likely to affect its future performance and position are set out in the Chairman's Statement and Investment Review on pages 7 to 9 and pages 10 to 16. Further details on the management of financial risk may be found in note 15 to the Financial Statements.

The Board receives regular reports from the Administration Manager and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The assets of the Company consist mainly of securities, some of which are readily realisable. As such, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Substantial Shareholdings

At 31 December 2015, two disclosures of major shareholdings had been made to the Company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

On 13 January 2015 James Leek disclosed a shareholding of 3.10% (251,500 shares), and on 2 June 2015, a further increase in shareholding to 5.44% (441,500 shares). On 15 July 2015 David Blundell disclosed an increase in shareholding to 3.09% (251,000 shares). No other changes have been notified since that date.

Annual General Meeting

Notice convening the 2016 Annual General Meeting of the Company and a form of proxy in relation to the meeting are enclosed separately. Part of the business of the AGM will be to consider resolutions in relation to the following matters:

a) Independent Auditor

James Cowper Kreston are engaged as the Company's auditors and they offer themselves for reappointment as auditor. A resolution to re-appoint James Cowper Kreston will be proposed at the forthcoming Annual General Meeting.

b) Directors' Authority to Allot Shares, to Disapply Pre-emption Rights

Resolution 9 renews the Directors' authority to allot Ordinary shares. This would enable the Directors until the next AGM, to allot up to 811,537 ordinary shares (representing approximately 10% of the Company's issued share capital as at 8 April 2016).

Resolution 10 renews the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This Resolution would authorise the Directors, to issue Ordinary shares for cash without pre-emption rights applying up to a maximum of 811,537 Ordinary shares (representing approximately 10% of the Company's issued share capital as at 8 April 2016).

The Directors have no current intention to utilise the authority under Resolution 9 and 10.

By Order of the Board

Craig Hunter
Company Secretary
8 April 2016

Corporate Governance

The Board 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 The UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

Board of Directors

The Company has a Board of three non-executive Directors. They meet on a regular basis to review the investment performance and monitor compliance with the investment policy laid down by the Board as set out in the Strategic Report on page 5.

The Board has a formal schedule of matters specifically reserved for its decision which include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the Shareholders;
- the appointment, evaluation, removal and remuneration of Octopus;
- the performance of the Company, including monitoring of the discount of the net asset value to the share price; and
- monitoring shareholder profiles and considering shareholder communications.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that the Company communicates effectively with Shareholders.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its Committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties.

The Company's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

During the year the following were held:

	Board meetings attended (12 held in year)	**Audit Committee meetings attended (2 held in year)**	**Management meetings attended (3 held in year)**
John Hustler	12	2	3
Charles Breese	12	2	3
Richard Roth *	2	N/A	N/A
James Otter **	9	N/A	3

* Richard Roth was appointed as a Consultant from 1 July 2015 until he joined the Board. Prior to his appointment to the Board, he attended four Board meetings and one Management meeting
** On 7 October 2015 James Otter resigned as a Director and Richard Roth was appointed as a Director.

Each Director attended all Board and Audit Committee Meetings during his term in office.

Performance Evaluation

In accordance with the AIC Code and guidance ("the Guide to Performance Appraisals for Non-executive directors of Investment Companies") each year a formal performance evaluation is undertaken of the Board as a whole, its Committees and the directors in the form of one-to-one meetings between the Chairman and each director. The directors were made aware of the annual performance evaluation on their appointment. The Chairman provides a summary of the findings to the Board, which are discussed at the next meeting and an action plan agreed. The performance of the Chairman was evaluated by the other Directors.

The Board has appointed an Audit Committee to make recommendations to the Board in line with its terms of reference.

Audit Committee

The Audit Committee, chaired by Richard Roth, consists of all three Directors. The Audit Committee believes Richard Roth possesses appropriate and relevant financial experience as per the requirements of the AIC Code. The Board considers that the members of the Committee have collectively the skills and experience required to discharge their duties effectively.

The Audit Committee's terms of reference, and how it discharges its duties are listed on page 27 to 28.

Internal Control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board continually reviews financial results and investment performance.

Octopus is engaged to carry out the accounting function and retains physical custody of the documents of title relating to unquoted investments.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The risk management and internal control systems include the production and review of monthly bank statements and quarterly management accounts. All outflows made from the Company's accounts require the authority of two signatories from the Board or Octopus. The Company is subject to a full annual audit. Further to this, the Audit Partner has open access to the Directors of the Company and the Administration Manager is subject to regular review by the Octopus Compliance Department.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 15 to the Financial Statements.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. In addition to the formal business of the AGM, the Board is available to answer any questions a shareholder may have.

The Board is also happy to respond to any written queries made by Shareholders during the course of the year and can be contacted at the Company's registered office: 39 Alma Road, St Albans, AL1 3AT.

Compliance Statement

As previously indicated, the Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below:

1. The Company does not have a Chief Executive Officer or a senior independent Director. The Board does not consider this necessary as it does not have any executive directors.
2. New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.
3. The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for this VCT.
4. The Company does not have a Remuneration Committee as it does not have any executive directors.
5. The Company does not have a Nomination Committee as these matters are dealt with by the Board.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers the above provisions are not relevant to the position of the Company, being an investment company managed by the Board. In particular, all of the Company's day-to-day administrative functions are outsourced to third parties. As a result the Company has no executive directors, employees or internal operations.

By Order of the Board

Craig Hunter
Company Secretary
8 April 2016

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 31 December 2015 and describes the work of the Audit Committee in discharging its responsibilities.

The Committee's key objective is the provision of effective governance of the appropriateness of the Company's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 25.

The Audit Committee's terms of reference include the following responsibilities:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- advising the Board on whether the annual Report and Accounts, taken as a whole, is fair, balanced and understandable;
- advising the Board on whether the annual Report and Accounts provides necessary information for Shareholders to assess performance, business model and strategy;
- reviewing and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services.

As part of the process of working with the Board to maximise effectiveness, meetings of the Committee usually take place immediately prior to a Board meeting when appropriate and a report is provided on relevant matters to enable the Board to carry out its duties.

The Committee reviews its terms of reference and its effectiveness periodically and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The Committee meets at least twice each year and on an ad hoc basis as necessary. It has direct access to James Cowper Kreston, the Company's external auditor. The Audit Committee has reviewed the non-audit services provided by the external auditor, being corporation tax compliance, and does not believe it is sufficient to influence their independence or objectivity due to the fee being an immaterial expense. When considering whether to recommend the reappointment of the external auditor the Committee takes into account the tenure of the current auditor in addition to comparing the fees charged by similar sized audit firms. Once the Committee has made a recommendation to the Board in relation to the appointment of the external auditor, this is then ratified at the AGM through an Ordinary Resolution.

The effectiveness of the external audit is assessed as part of the Board evaluation conducted annually and by the quality and content of the Audit Plan and Report provided to the Committee by the Auditor and the resultant discussions on topics raised. The Committee also challenges the Auditor when present at a Committee meeting if appropriate. During the year, there has been a rotation of the audit partner at James Cowper Kreston to ensure audit quality and independence are maintained.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. Octopus has appointed an internal auditor, the function for which has been outsourced to Ernst & Young who provide the internal audit reports to Octopus' Compliance Department which regularly reports to the Octopus Board on the outcome of the audits that have taken place. Any significant issues arising from the Octopus internal audit that affect the Company would be raised with the Committee immediately. The Committee is satisfied with the level of reporting.

The Committee will monitor the significant risks at each meeting and Octopus will work closely with the Auditors to mitigate the risks and the resultant impact.

During the period ended 31 December 2015, the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing the Octopus statement of internal controls in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of the Octopus compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statements prior to Board approval;
- reviewing the Company's going concern status as referred to on page 23; and
- reviewing the external auditor's Audit Findings Report to the Committee on the annual financial statements.

The Committee has considered the Report and Accounts for the year ended 31 December 2015 and has reported to the Board that it considers them to be fair, balanced and understandable and providing the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Significant Risks

The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee and the Auditors have identified the most significant risks for the Company as:

- *Valuation and ownership of investment portfolio*: The Auditors give special audit consideration to the valuation and ownership of investments and the supporting data provided by Octopus and the Board of Hygea. The impact of this risk could be a large movement in the Company's net asset value. The valuations are supported by investee company audited accounts and third party evidence. These give comfort to the Audit Committee.
- *Management override of financial controls*: The Auditors specifically review all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the preparation of the financial statements.
- Compliance with HMRC conditions for maintenance of approved VCT status: PricewaterhouseCoopers LLP provide the Company with advice on the on-going compliance with the HMRC rules and regulations concerning VCTs. The Auditors review this report as part of their work.
- Recognition of revenue from investments: Investment income is the Company's main source of revenue. Revenue is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice. Octopus confirms to the Audit Committee that the revenues are recognised appropriately.

These issues were discussed with Octopus, the Board of Hygea and the Auditor at the conclusion of the audit of the financial statements.

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the Shareholders in respect of the audit of the financial statements for the year ended 31 December 2015.

Richard Roth
Audit Committee Chairman
8 April 2016

Directors' Remuneration Report and Policy

Introduction

This report is submitted in accordance with the requirements of s420-422 of the Companies Act 2006, in respect of the year ended 31 December 2015. Resolutions to approve the Directors' Remuneration Report and the statement of Directors' Remuneration Policy will be proposed at the Annual General Meeting on 2 June 2016.

The Company's independent auditor, James Cowper Kreston, is required to give its opinion on certain information included in this report as indicated below. Their report on these and other matters is set out on pages 32 to 34.

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. The Board appointed Richard Roth to advise, inter alia, on Directors' remuneration, including the Performance Incentive Fee, during the year. The results of this review are explained below.

Statement of the Company's policy on Directors' Remuneration

The Board manages the Company and consists of three Directors, who meet formally as a Board at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. The Directors, as members of the Commercial Advisory Committee ('CAC'), are responsible for the investment management of the Company. Directors are appointed with the expectation that they will serve for a period of at least three years. All Directors retire at the first general meeting after election and thereafter one third of all Directors are subject to retirement by rotation at subsequent Annual General Meetings. Directors who have served for more than nine years are subject to annual re-election in line with practices recommended in the AIC Corporate Governance Code. Re-election will be recommended by the Board but is dependent upon a shareholder vote.

Each Director has received a letter of appointment. A Director may resign by notice in writing to the Board at any time. The Directors are entitled to compensation payable upon early termination of their contract in respect of any unexpired notice period and a pro rata proportion of any performance fees payable to the Commercial Advisory Committee accruing at the date of resignation up to five years from the date of resignation.

Following the review of the cost base of the Company, and in view of the current investment status of the Company's portfolio, the Board decided to reduce the annual Directors' fees with effect from 1 July 2015 and the Chairman will no longer be paid a higher fee than other Non-executive Directors. With effect from 1 July 2015, the fee for each Director was set at £12,000 per annum.

The Board has also been entitled to be repaid all reasonable travelling, subsistence and other expenses incurred by them whilst conducting their duties as Directors. However, from 1 January 2016, the Directors' fees have been increased to £12,750 per annum inclusive of all expenses to simplify administration.

In addition to the reduction in the Directors' fees by just over one third, the terms of the performance incentive fee have been revised under an agreement dated 7 October 2015. These revised arrangements are subject to approval at the Company's 2016 AGM as part of the Company's Remuneration Policy. The new arrangements have frozen the sum due to those Directors serving up to 7 October 2015 at £702,000 (the accrued liability as disclosed in the 2014 audited accounts) which will only start to become payable once Shareholders have received 80p in dividends. This liability will then be paid at the rate of 25% of subsequent dividends until a liability of £702,000 has been discharged; this is in keeping with the original approved arrangement. Following the payment of this liability, any further performance fee in the future will be payable at the reduced rate of 10% of total distributions above the audited total return at 31 December 2014, with the outstanding balance subject to a hurdle rate of 6% per annum, and will be split between the CAC based on a formula driven by relative length of service starting from 7 October 2015. Further details of the revised arrangements are set out in Note 5 to the accounts.

Company Performance

The Board is responsible for the Company's investment strategy and performance. The performance graph on page 17 shows the performance of the Company.

Directors' Emoluments (Information Subject to Audit)

Amount of each Director's emoluments:

Directors' fees	**Year ended 31 December 2015 £**	**Year ended 31 December 2014 £**
John Hustler (Chairman)*	**14,750**	17,500
Charles Breese	**14,750**	17,500
Richard Roth**	**2,769**	-
James Otter * and **	**16,231**	20,000
Total	**48,500**	55,000

* On 14 July 2015 James Otter resigned as Chairman of the Board and John Hustler was appointed as Chairman.
** On 7 October 2015 James Otter resigned as a Director and Richard Roth was appointed as a Non-executive Director.

As referred to above, Richard Roth was appointed as a Consultant from 1 July 2015 until he joined the Board. He was paid £2,500 in respect of these services.

The Directors did not receive any other form of emoluments in addition to the directors' fees during the year. The current Directors, as members of the CAC, may be entitled to performance fees in the future as referred to above. Directors may be entitled to fees from investee companies when acting on the Company's behalf as Director, Observer or Consultant to those investees.

By order of the Board

Craig Hunter
Company Secretary
8 April 2016

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

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 laws). 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 and profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors confirms that, to the best of their knowledge:

- there is no relevant audit information of which the Company's auditor is unaware;
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information;
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Investment Review and Directors' Report 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.

On behalf of the Board

John Hustler
Chairman
8 April 2016

Report of the Independent Auditor to the Members of Hygea vct plc

Independent auditor's report to the members of Hygea vct plc
We have audited the financial statements of Hygea vct plc for the year ended 31 December 2015 which comprise the income statement, the statement of changes in equity, 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 including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Directors' Responsibilities Statement set out on page 31, 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 and express an opinion on 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Auditor commentary

An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio is undertaken by the Directors, however the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Our application of materiality
We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £135,000, which is 2% of the value of the Company's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £8,000.

Our assessment of risk
Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Valuation of unquoted investments
Investments are the largest asset in the financial statements, and they are designated as being at fair value through profit or loss in accordance with Financial Reporting Standard 102 and the 2014 Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts. Measurement of the value of an unquoted investment includes significant assumptions and judgements. We therefore identified the valuation of unquoted investments as the risk that has the greatest effect on the overall audit strategy.

Our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed, consideration of whether they were made in accordance with published guidance, discussions with the Directors, and reviewing and challenging the basis and reasonableness of the assumptions made by the Directors in conjunction with available supporting information. The Company's accounting policy on the valuation of unquoted investments is included in Note 1, and its disclosures about unquoted investments held at the year end are included in Note 9 and Note 14.

Revenue recognition
Investment income is the Company's main source of revenue and is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice.

Our audit work included, but was not restricted to, a detailed review of those sources of income recorded in the financial statements and further consideration of other potential sources of income. The Company's accounting policy on income is included in Note 1 and its disclosures about income are included in Note 2.

Management override of financial controls
The Company operates a system of financial controls to mitigate its vulnerability to fraud and its financial statements to material error and is reliant upon the efficacy of these controls to ensure that its financial statements present a true and fair view.

The financial statements contain a number of significant accounting estimates that require an element of judgement on behalf of management and that are, therefore, potentially open to manipulation.

Our audit work included, but was not restricted to, a review of all significant management estimates and detailed consideration of all material judgements applied during the completion of the financial statements. We also reviewed material journal entries processed by management during the period. The Company's principal accounting policies are included in Note 1.

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 December 2015 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other reporting responsibilities

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; and
- the information given in the Strategic Report and the Directors' Report 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 with respect to 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- *otherwise misleading.*

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy; or
- the section of the Statement of Corporate Governance describing the work of the Audit Committee does not appropriately address matters communicated to us by the Audit Committee.

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 21, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the 2014 UK Corporate Governance Code specified for our review; and
- certain elements of the report on Directors' remuneration.

James Cowper Kreston

Alan Poole BA (Hons) FCA
Senior Statutory Auditor
for and on behalf of James Cowper Kreston, Reading
Statutory Auditor, Chartered Accountants
8 April 2016

Income Statement

	Note	Year to 31 December 2015 Revenue £'000	Capital £'000	Total £'000	Year to 31 December 2014 Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments		-	3	3	-	60	60
Loss on valuation of fixed asset investments	9	-	(1,355)	(1,355)	-	(527)	(527)
Performance fee	5	-	301	301	-	123	123
Income	2	-	-	-	12	-	12
Other expenses	3	(154)	-	(154)	(163)	-	(163)
Return on ordinary activities before tax		**(154)**	**(1,051)**	**(1,205)**	**(151)**	**(344)**	**(495)**
Taxation on return on ordinary activities	6	-	-	-	-	-	-
Return on ordinary activities after tax		**(154)**	**(1,051)**	**(1,205)**	**(151)**	**(344)**	**(495)**
Return on ordinary activities after tax attributable to:							
Owners of the fund		(154)	(1,051)	(1,205)	(151)	(344)	(495)
Earnings per share – basic and diluted	7	**(1.9)p**	**(13.0)p**	**(14.9)p**	**(1.9)p**	**(4.2)p**	**(6.1p)**

There was no other Comprehensive Income recognised during the year

- The 'Total' column of the income statement and statement of comprehensive income is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- All revenue and capital items in the above statement derive from continuing operations.
- The accompanying notes are an integral part of the financial statements.
- The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

The Company has no recognised gains or losses other than the results for the year as set out above.

Statement of Changes in Equity

	Share Capital £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve gains/ (losses) £'000	Capital reserve holding gains/ (losses) £'000	Revenue reserve £'000	Total £'000
As at 1 January 2014	4,058	3,397	38	(315)	1,989	(1,338)	7,829
Revenue return on ordinary activities after tax	-	-	-	-	-	(151)	(151)
Performance fee allocated as capital expenditure	-	-	-	123	-	-	123
Current period gains on disposal	-	-	-	60	-	-	60
Current period losses on fair value of investments	-	-	-	-	(527)	-	(527)
Prior years' unrealised losses now realised	-	-	-	(33)	33	-	-
Balance as at 31 December 2014	**4,058**	**3,397**	**38**	**(165)**	**1,495**	**(1,489)**	**7,334**
Revenue return on ordinary activities after tax	-	-	-			(154)	(154)
Performance fee allocated as capital expenditure	-	-	-	301	-	-	301
Current period gains on disposal	-	-	-	3	-	-	3
Current period losses on fair value of investments	-	-	-	-	(1,355)	-	(1,355)
Prior years' unrealised gains now realised	-	-	-	5	(5)	-	-
Balance as at 31 December 2015	**4,058**	**3,397**	**38**	**144**	**135**	**(1,643)**	**6,129**

Refer to note 13 for movement in Shareholders' funds.

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

Balance Sheet

	Notes	As at 31 December 2015 £'000	As at 31 December 2015 £'000	As at 31 December 2014 £'000	As at 31 December 2014 £'000
Fixed asset investments*	9		**6,753**		8,072
Current assets:					
Debtors	10	**6**		8	
Cash at bank		**(169)**		16	
Creditors: amounts falling due within one year	11	**(60)**		(60)	
Net current assets			**(223)**		(36)
Creditors: amounts falling due more than one year	11	**(401)**		(702)	
Net assets			**6,129**		7,334
Called up equity share capital	12		**4,058**		4,058
Share premium	13		**-**		-
Special distributable reserve	13		**3,397**		3,397
Capital redemption reserve	13		**38**		38
Capital reserve – gains and losses on disposals	13		**144**		(165)
– holding gains and losses	13		**135**		1,495
Revenue reserve	13		**(1,643)**		(1,489)
Total equity Shareholders' funds			**6,129**		7,334
Net asset value per share	8		**75.5p**		90.4p

*At fair value through Income Statement

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

The statements were approved by the Directors and authorised for issue on 8 April 2016 and are signed on their behalf by:

John Hustler
Chairman
Company No: 04221489

Statement of Cash Flows

	Notes	Year to 31 December 2015 £'000	Year to 31 December 2014 £'000
Cash flows from operating activities			
Return on ordinary activities before tax		**(1,205)**	(495)
Adjustments for:			
Decrease in debtors	**10**	**2**	67
Decrease in creditors	**11**	**(301)**	(117)
Gain on disposal of fixed assets	**9**	**(3)**	(60)
Loss on valuation of fixed asset investments	**9**	**1,355**	527
Cash from operations		**(152)**	(78)
Income taxes paid	**6**	**-**	-
Net cash generated from operating activities		**(152)**	(78)
Cash flows from investing activities			
Purchase of fixed asset investments	**9**	**(49)**	(70)
Sale of fixed asset investments	**9**	**16**	134
Total cash flows from investing activities		**(33)**	64
Cash flows from financing activities			
Total cash flows from financing activities		**-**	-
Decrease in cash and cash equivalents		**(185)**	(14)
Opening cash and cash equivalents		**16**	30
Closing cash and cash equivalents		**(169)**	16

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

Notes to the Financial Statements

This is the first year in which the financial statements have been prepared under Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). The Company has adopted FRS 102 for the year ended 31 December 2015. The main changes are primarily presentational - to the fixed asset investments' fair value hierarchy, and the primary statements and associated reconciliations. The accounting policies have not materially changed from last year.

A review of any required changes to comparative figures has taken place and it has been deemed that no such restatements are necessary.

1. Principal Accounting Policies

Basis of preparation
The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including FRS 102 and with the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2014)'.

The principal accounting policies have remained materially unchanged from those set out in the Company's 2014 Annual Report and financial statements. There have been no changes to the measurement of the assets and liabilities as a result of the transition to FRS 102. A summary of the principal accounting policies is set out below.

FRS 102 sections 11 and 12 have been adopted with regard to the Company's financial instruments. The Company held all fixed asset investments at fair value through profit or loss. Accordingly, all interest income, fee income, expenses and gains and losses on investments are attributable to assets held at fair value through profit or loss.

The most important policies affecting the Company's financial position are those related to investment valuation and require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. These are discussed in more detail below.

Going Concern
After reviewing the Company's forecasts and expectations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Key judgements and estimates
The preparation of the financial statements requires the Board to make judgements and estimates regarding the application of policies and affecting the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Unquoted investments are valued in accordance with current IPEVC valuation guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of investee companies and liquidity or marketability of the investments held.

Although the Directors believe that the assumptions concerning the business environment and estimate of future cash flows are appropriate, changes in estimates and assumptions could result in changes in the stated values. This could lead to additional changes in fair value in the future.

Functional and presentational currency
The financial statements are presented in Sterling (£). The functional currency is also Sterling (£).

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Fixed asset investments
The Company's principal financial assets are its investments and the policies in relation to those assets are set out below.

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis and information about them is provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being fair value through profit or loss on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. In the case of AIM quoted investments this is the closing bid price. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple, discounted cash flows and net assets. These are consistent with the International Private Equity and Venture Capital (IPEVC) guidelines which can be found on their website at www.privateequityvaluation.com.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve - holding gains/(losses).

In the preparation of the valuations of assets the Directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

Fair value hierarchy
Paragraph 34.22 of FRS 102 regarding financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements dependent on whether the stock is quoted and the level of the accuracy in the ability to determine its fair value. The fair value measurement hierarchy is as follows:

For quoted investments:
Level a: quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the bid price at the Balance Sheet date.

Level b: where quoted prices are not available (or where a stock is normally quoted on a recognised stock exchange that no quoted price is available), the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or a significant lapse in time since the transaction took place. The Company holds no such investments in the current or prior year.

For investments not quoted in an active market:
Level c: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable data (eg the price of recent transactions, earnings multiple, discounted cash flows and/or net assets) where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level c (i). If one or more of the significant inputs is not based on observable market data, the instrument is included in level c (ii). The split of the investment categories is shown in note 9.

There have been no transfers between these classifications in the year (2014: none). The change in fair value for the current and previous year is recognised through the profit and loss account.

Current asset investments
No current asset investments were held at 31 December 2015 or 31 December 2014. Should current assets be held, gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve - gains/(losses) on disposal.

Income
Investment income includes interest earned on bank balances and from unquoted loan note securities, and dividends. Fixed returns on debt are recognised on a time apportionment basis so as to reflect the effective yield, provided it is probable that payment will be received in due course.

Expenses
All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the performance fee, which has been charged 100% to the capital reserve.

Revenue and capital
The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes gains and losses on disposal and holding gains and losses on investments. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the appropriate capital reserve on the basis of whether they are realised or unrealised at the balance sheet date.

Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the current tax rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Financial instruments
The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument.

Capital management is monitored and controlled using the internal control procedures set out on page 25 of this report. The capital being managed includes equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors.

The Company does not have any externally imposed capital requirements.

Reserves

Called up equity share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Special distributable reserve – includes cancelled share premium available for distribution.

Capital reserve – holding gains & losses – arises when the Company revalues the investments still held during the period with any gains or losses arising being credited/ charged to the Capital reserve – holding gains & losses.

Capital reserve – gains and losses on disposal – arises when an investment is sold any balance held on the Capital reserve – holding gains and losses is transferred to the Capital reserve – gains and losses on disposal, as a movement in reserves.

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established for interim dividends when they are declared by the Board, and for final dividends when they are approved by the Shareholders.

2. Income

	Year to 31 December 2015 £'000	**Year to 31 December 2014 £'000**
Dividends received	-	**2**
Loan note interest receivable	-	**10**
	-	**12**

3. Other Expenses

	Year to 31 December 2015 £'000	**Year to 31 December 2014 £'000**
Directors' remuneration	**49**	55
Fees payable to the Company's auditor for the audit of the financial statements	**9**	8
Fees payable to the Company's auditor for other services – tax compliance	**1**	1
Legal and professional expenses	**55**	57
Accounting and administration services	**30**	35
Other expenses	**10**	7
	154	163

For the year ended 31 December 2015 the running costs were 2.5% (2014: 2.2%) of net assets.

4. Directors' Remuneration

	Year to 31 December 2015 £	Year to 31 December 2014 £
Directors' emoluments		
John Hustler (Chairman)*	**14,750**	17,500
Charles Breese	**14,750**	17,500
Richard Roth**	**2,769**	-
James Otter * and **	**16,231**	20,000
	48,500	55,000

* On 15 July 2015 James Otter retired as Chairman of the Board and John Hustler was appointed as Chairman.
** On 7 October 2015 James Otter resigned as a Director and Richard Roth was appointed as a Director.

None of the Directors received any other remuneration from the Company during the year. The Directors may become entitled to receive a share of the Performance Incentive Fee as detailed in the Directors' Remuneration Report on page 29 and in note 5. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was three (2014: three).

5. Performance fees

The Commercial Advisory Committee took over management of the Company's investments on 30 July 2007, and at that time, a revised Performance Incentive Scheme was implemented, such that its members would be entitled to 20% of all cash returns above the initial net cost to subscribing shareholders of 80p.

On 7 October 2015, this scheme was varied such that any returns above the 31 December 2014 levels would be subject to a hurdle, and the share to the CAC reduced from 20% to 10%. The hurdle is a compound 6% per annum on any amounts below the latest hurdle still due to be paid to shareholders (i.e. in recognition of dividends paid, actual returns to shareholders will be subtracted from the compounding threshold in the year these are paid).

The Total Gross Return at 31 December 2014 on which the performance fee liability of £702,000 was calculated was 123.3p, resulting in the quoted net asset value of 114.6p. For the purposes of this note 5, Total Gross Return is defined as the total return made by the fund, before the deduction of any dividend payments or accruals and/or payments made relating to any potential (or actual) performance incentive fee.

Any dividends paid above 80p will be split 80% to shareholders and 20% to the members of the CAC as at 31 December 2014, until shareholders have received dividends totalling 114.6p.

A performance fee may be payable on any further dividends above this level, but only if the hurdle applicable at that time has been met.

As at 31 December 2015, the Total Gross Return is 104.7p, and so 4.94p per share totalling £401,000 has been accrued (31 December 2014 123.3, 8.7p and £702,000).

Assuming no dividends are paid during the year, the Total Gross Return would need to exceed 134.4p at 31 December 2016 before any fee above £702,000 could be due, and at that time, it would be 10% of any cash payments made above this threshold. If such a performance fee is not triggered (as it has not been in this financial year) the hurdle, net of dividends paid, increments by a compound annual growth rate of 6%, applied quarterly.

6. Tax on Ordinary Activities

The corporation tax charge for the period was £nil (2014: £nil).

The current rate of tax is the small companies' rate of corporation tax at 20.0% (2014: 20.0%)

Current tax reconciliation:	Year to 31 December 2015 £'000	Year to 31 December 2014 £'000
Return on ordinary activities before tax	**(154)**	(151)
Current tax at 20.0% (2014: 20.0%)	**(31)**	(30)
Unrecognised tax losses	**31**	30
Total current tax charge and tax on results of ordinary activities	**-**	-

The company has excess management charges of £2,610,885 (2014: £2,757,976) to carry forward to offset against future taxable profits.

Approved VCTs are exempt from tax on capital gains within the Company. Since the Directors intend that the Company will continue to conduct its affairs so as to maintain its approval as a VCT, no current deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments.

7. Earnings per Share

The earnings per share is based on 8,115,376 (31 December 2014: 8,115,376) shares, being the weighted average number of shares in issue during the year, and a return for the year totalling (£1,205,000) (31 December 2014: (£495,000)).

There are no potentially dilutive capital instruments in issue and, therefore, no diluted returns per share figures are relevant. The basic and diluted earnings per share are therefore identical.

8. Net Asset Value per Share

The calculation of NAV per share as at 31 December 2015 is based on 8,115,376 ordinary shares in issue at that date (31 December 2014: 8,115,376).

9. Fixed Asset Investments

	Level a: AIM-quoted investments £'000	Level c (ii): Unquoted investments £'000	Total investments £'000
Valuation and net book amount:			
Book cost as at 1 January 2015	1,510	5,067	6,577
Cumulative revaluation	3,592	(2,097)	1,495
Valuation at 1 January 2015	**5,102**	**2,970**	**8,072**
Movement in the year:			
Purchases at cost	-	49	49
Disposal proceeds	(13)	(3)	(16)
Gain/(loss) on disposal	-	3	3
Revaluation in year	(1,655)	300	(1,355)
Valuation at 31 December 2015	**3,434**	**3,319**	**6,753**
Book cost at 31 December 2015	1,502	5,116	6,618
Revaluation to 31 December 2015	1,932	(1,797)	135
Valuation at 31 December 2015	**3,434**	**3,319**	**6,753**

Further details of the fixed asset investments held by the Company are shown within the Investment Review on pages 10 to 16.

All investments are initially measured as fair value through profit or loss, and all capital gains or losses on investments are so measured. The changes in fair value of such investments recognised in these financial statements are treated as unrealised holding gains or losses.

10. Debtors

	31 December 2015 £'000	31 December 2014 £'000
Prepayments and accrued income	**6**	8
	6	8

11. Creditors

	31 December 2015 £'000	31 December 2014 £'000
Amounts falling due within one year		
Accruals	**24**	24
Trade creditors	**7**	7
Other creditors	**29**	29
Total amounts falling due within one year	**60**	60
Amounts falling due after one year		
Accruals	**401**	702
Total amounts falling due after one year	**401**	702

The amount falling due after more than one year relates to the potential liability for a performance fee. More details are in Note 5.

12. Share Capital

	31 December 2015 £'000	31 December 2014 £'000
Allotted and fully paid up:		
8,115,376 Ordinary shares of 50p (2014: 8,115,376)	**4,058**	4,058

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 3.

During the year, the Company did not issue, nor buy back, any shares.

13. Movement in Shareholders' Funds

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Shareholders' funds at start of year	**7,334**	7,829
Return on ordinary activities after tax	**(1,205)**	(495)
Shareholders' funds at end of year	**6,129**	7,334

The analysis of changes in equity by the various reserves are shown on Page 36.

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the Income Statement. Changes in fair value of investments held are then transferred to the capital reserve - holding gains/(losses). When an investment is sold any balance held on the capital reserve - holding gains/(losses) reserve is transferred to the capital reserve – gains/(losses) on disposal as a movement in reserves.

The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount at which the Company's shares trade to net asset value, providing shareholder authority has been granted.

During 2010, the Company revoked investment company status in order to allow payment of dividends from distributable reserves. Distributable reserves are represented by the special distributable reserve, the capital reserve gains/(losses) on disposal and the revenue reserve reduced by negative holding reserves (if any) which total £1,898,000 as at 31 December 2015 (2014: £1,743,000).

14. Financial Instruments

The Company's financial instruments comprise equity and loan note investments, cash balances and liquid resources including debtors and creditors.

Classification of financial instruments
The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 December 2015 and 31 December 2014:

	31 December 2015 £'000	31 December 2014 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	**6,753**	8,072
Total	**6,753**	8,072
Financial assets measured at amortised cost		
Cash at bank	**(169)**	16
Debtors	**6**	8
Total	**(163)**	24
Financial liabilities measured at amortised cost		
Creditors	**(461)**	(762)
Total	**(461)**	(762)

Fixed asset investments (see note 9) are valued at fair value. Unquoted investments are carried at fair value as determined by the Directors in accordance with current venture capital industry guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

The Company's creditors and debtors are recognised at fair value which is usually the transaction cost or net realisable value if lower.

Hygea has an overdraft facility of £200,000 with the Royal Bank of Scotland. There is a debenture security held over this overdraft.

15. Financial Risk Management

In carrying on its investment activities, the Company is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the Company are market risk, credit risk and liquidity risk. The Company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the balance sheet date.

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 3. The management of market risk is part of the investment management process. The Company's portfolio is managed with regard to the possible effects of adverse price movements and with the objective of maximising overall returns to Shareholders in the medium term. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on page 10.

54.2% (2014: 40.5%) by value of the Company's gross assets comprise investments in unquoted companies held at fair value. The valuation methods used by the Company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 10% overall increase in the valuation of the unquoted investments at 31 December 2015 would have increased net assets and the total return for the year by £331,900 (2014: £297,000) disregarding the impact of the performance fee; an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

56.0% (2014: 69.9%) by value of the Company's gross net assets comprises equity securities quoted on AIM. A 10% increase in the bid price of these securities as at 31 December 2015 would have increased net assets and the total return for the year by £343,000 (2014: £510,000) disregarding the impact of the performance fee; a corresponding fall would have reduced net assets and the total return for the year by the same amount.

Credit risk

There were no significant concentrations of credit risk to counterparties at 31 December 2015 or 31 December 2014.

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Board carries out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 31 December 2015 the Company's financial assets exposed to credit risk comprised the following:

	31 December 2015	**31 December 2014**
	£000	**£000**
Cash at bank	**(169)**	16
	(169)	16

The Company's interest-bearing deposit and current accounts are maintained with The Royal Bank of Scotland plc.

Liquidity risk

The Company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally are illiquid. They also include investments in AIM-quoted companies, which, by their nature, involve a higher degree of risk than investments on the main market. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Company's liquidity risk is managed on a continuing basis by the Board in accordance with policies and procedures laid down by the Board. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

16. Events After the Balance Sheet Date

As referenced in the Chairman's statement, in March 2016, we invested £20,048 in Exosect, and sold 226,519 shares in EKF for £25,000 and 137,900 shares in Omega Diagnostic for £20,000.

17. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments as at 31 December 2015 (2014: £nil).

18. Related Party Transactions

The Board acts as the investment manager of the Company. No remuneration has been paid to the Board during the year in its capacity as investment manager. The Directors are entitled to participate in a performance bonus as detailed in Note 5.

James Otter was an Observer on the board of Hallmarq for which he received a fee from Hallmarq during the year of £5,500 (2014: £6,000).

Charles Breese is a director of OR Productivity and received £nil from OR Productivity in fees for his support during the year (£2014: £10,000).

Richard Roth was appointed as a Consultant from 1 July 2015 until he joined the Board. He was paid £2,500 in respect of these services.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Hygea vct plc ("the Company") will be held at the offices of Octopus Investments, 33 Holborn, London, EC1N 2HT on Thursday 2 June 2016 at 12.00 noon for the following purposes:

ORDINARY BUSINESS

To consider and if thought fit, pass the following as Ordinary Resolutions

1. That the Directors' Annual Report and Accounts and the auditors' report thereon for the year ended 31 December 2015 be received and adopted.
2. That the Directors' Remuneration Report in respect of the year ended 31 December 2015 be received and adopted.
3. That the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 December 2015 be approved.
4. That Charles Breese be re-elected as a Director of the Company.
5. That John Hustler be re-elected as a Director of the Company.
6. That Richard Roth be re-elected as a Director of the Company.
7. That James Cowper Kreston be re-appointed as auditors of the Company until the conclusion of the next Annual General Meeting of the Company at which accounts are laid before the Members.
8. That the Directors be authorised to determine the auditor's remuneration.

SPECIAL BUSINESS

9. AUTHORITY TO ALLOT RELEVANT SECURITIES
   That the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £405,767 (representing approximately 10% of the Ordinary share capital in issue at today's date such authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in a general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority).

Notice of Annual General Meeting **(continued)**

To consider and, if thought fit, pass the following as a Special Resolution:

10. EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES
THAT the Directors pursuant to s571 of the Companies Act 2006 be empowered to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 9 as if s561 (1) of the Act did not apply to any such allotments and so that:

(a) reference to allotment in this Resolution shall be construed in accordance with s560(2) of the Act; and

(b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

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

Registered office:

39 Alma Road
St Albans
AL1 3AT

Craig Hunter
Company Secretary
8 April 2016

NOTES:

(a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.

(b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, B63 3DA so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the Annual General Meeting.

(c) Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

Directors and Advisers

Board of Directors
John Hustler (Chairman)
Charles Breese
Richard Roth

Company Number
Registered in England & Wales
No 04221489

Secretary and Registered Office
Craig Hunter
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Administration Manager
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