Hygea VCT plc (formerly known as BioScience VCT plc)

Unaudited interim results for the six months to 30 June 2006

Company number 04221489

Financial summary

For the six months ended 30 June 2006

	30 June 2006	30 June 2005 (restated)**	31 December 2005
Net assets	£5,058,000	£6,057,000	£5,679,000
Net loss before tax	£(94,000)	£(71,000)	£(324,000)
Net asset value per share	67.2p	79.7p	74.8p
Revenue loss per share*	(1.25)p	(0.9)p	(4.3)p
Total loss per share*	(7.69)p	(3.1)p	(8.1)p

Hygea VCT plc ("Hygea VCT" or "Fund") is a venture capital trust ("VCT"). The investment manager is Octopus Investments Limited ("Octopus") The Fund was launched in October 2001 and raised over £7 million (£6.8 million net of expenses) through an offer for subscription. The Fund invests in unquoted and AIM-quoted healthcare companies and aims to provide attractive long-term returns to shareholders.

* based on the weighted average of 7,566,573 (2005: 7,596,393) shares in issue in the period.

** Comparative figures have been extracted from the interim accounts for the six months ended 30 June 2005 and have been restated in accordance with UK Financial Reporting Standard 26 in respect of the valuation of quoted investments as disclosed in note 1. This restatement had no material effect on the net asset value per share at 30 June 2005.

Chairman's statement

Change of name
As a result of the passing of a resolution at the Annual General Meeting in April 2006, the name of the Fund was changed from BioScience VCT plc to Hygea VCT plc.

Investment Policy
The Fund ended the period under review with a portfolio of investments in a total of 22 companies, 12 of which were quoted on AIM and 10 were unquoted. As at 30 June 2006, the portfolio was 33% invested in AIM-quoted companies, 62% in unquoted companies, and 5% in money market securities and cash. As the Fund is now at a point where it has only a relatively small amount of cash, it is unlikely that any substantial further investments will be made until we have sold some of our existing holdings.

The Board and Octopus are taking an active role in managing the portfolio. This involves providing support to investee companies, as well as working directly with them to ensure that they achieve the progress that will be required in order for them to reach the next stage of their development.

Investment Environment
The acquisition by large pharmaceutical companies of Cambridge Antibody Technology and Neutec Pharmaceuticals, two of the more successful quoted UK-based biotechnology companies, is a welcome development which demonstrates what can be achieved in this sector by determined management teams who are able to access sufficient capital to execute their business plans. However, in our view, this has not yet triggered an overall change in the general environment that is experienced by most bioscience companies which remains characterised by an insufficient supply of capital.

NAV
The net asset value per share ("NAV") at 30 June 2006 was 67.2p. The fall in the NAV in the last few months has been caused by a combination of the decline in the value of many AIM companies during the period of global stock market instability in May and June and a reduction in the carrying value for one unquoted company where its performance had been below our expectations. Despite good progress by many of our other unquoted holdings, we are not able to write these valuations up at this stage under our valuation policy and the International Private Equity and Venture Capital (IPEVC) guidelines. As set out in the IPEVC guidelines, valuations of unquoted companies are usually not changed for at least twelve months from the date of investment unless the investee company has performed significantly behind plan (in which case the investment is written down) or there has been a follow-on fundraising for the company at a higher price. These guidelines ensure prudence, and correctly do not allow advanced discussions around licensing or sale to be reflected in the valuations for the unquoted investee companies. We remain optimistic about the potential to generate significant shareholder value from our portfolio of investments.

As described in the 2005 annual report, we are now required to calculate our financial performance using certain new Financial Reporting Standards. These changes in accounting standards, which have been implemented as part of the process of bringing UK accounting practices into line with international standards, mean that we are now required to value our AIM holdings at bid prices, rather than mid prices. This has a particularly significant impact on Hygea VCT, given the number of holdings that we have in small AIM-quoted companies where the difference between the bid and mid prices can be substantial. The effect of these changes means that valuation of the portfolio, if valued under the old Financial Reporting Standards, would be £63,000 higher (equivalent to approximately 1p per share).

As a result of the investment activity in early 2006, the Fund had reduced the assets held in the form of cash and money market securities to just £294,000 at 30 June 2006. Subsequent to that date, liquid funds were increased through the sale of the holding in Abcam plc for £71,000, a 60% profit on cost. As a result of the low level of cash holdings, the income that is generated by the Fund is likely to remain low.

The Board has taken a number of steps to ensure that our cost base is compatible with the Fund's small size and, despite the impact on the Fund of a number of unavoidable fixed costs that are associated with the Fund's status as a quoted company, shareholders will note that the Fund's overall running costs during the first six months of 2006, which amounted to £135,000, were 21% lower than in the equivalent period in 2005. As the running costs in the first six months of 2006 included several non-recurring items, we anticipate making further progress in reducing the running costs in the second half of the year.

Portfolio Review
Since the end of 2005, we have made three new investments. We invested £350,000 as part of a fundraising of £5.2 million for Wound Solutions Ltd. The company, which is unquoted at present, is developing a product that has potential applications in treating venous leg ulcers and diabetic foot ulcers. These ulcers are unpleasant wounds that are often difficult to treat using existing techniques. Over the past twenty years, there have been relatively few improvements in the standard of care for most patients suffering from ulcers. The market opportunity for Wound Solutions is substantial as 1.1 million people in the US and Europe suffer from diabetic foot ulcers and 1.4 million people suffer from venous leg ulcers. A pivotal clinical trial will be conducted by the company in the coming months to generate the necessary data to apply for approval to launch the product.

We also invested £250,000 in Armstrong Healthcare Limited, an unquoted company that has developed specialist robots for use in various surgical procedures. In addition, we invested approximately £80,000 in Plethora Solutions Holdings plc, an AIM-quoted company that is focused on the development of products for the treatment of urological conditions.

During the period under review, we also increased the size of our investment in two existing investee companies. Hallmarq Veterinary Imaging Ltd, the Guildford-based MRI manufacturer in which we had invested £500,000 in August 2005, raised a further amount of capital, to which we contributed £135,000. We also invested a small additional amount in BBI Holdings plc, the AIM-quoted diagnostics company, at the time of the company's acquisition of Alchemy Laboratories Ltd, a Scottish rival.

No disposals were made during the period. As mentioned above, since the end of the period we have sold our holding in Abcam plc.

Share Price

The Board is aware that investors in VCTs sometimes need to sell their shares. As 'second hand' VCT shares do not qualify for upfront income tax relief, there tend to be few purchasers of these shares. For this reason the sale of even a small number of VCT shares can force the share price to a level that is well below the NAV. Although the Board sees the use of share buy backs as a mechanism of last resort to close the gap between the share price and the underlying NAV, our preference is to focus on generating real value from the investee companies in order to stimulate interest in the shares. This stance is taken against the background of the stage of development of the portfolio and the limited cash retained by the Fund.

VCT Qualifying Status

PricewaterhouseCoopers LLP continues to provide the Board with advice on the ongoing compliance with HM Revenue & Customs rules and regulations concerning VCTs. The Board has been advised that Hygea VCT is in compliance with the conditions laid down by HM Revenue & Customs for maintaining approval as a VCT.

Outlook

Following the completion of the investment phase of the Fund, we are now working with our investee companies to maximise the generation of value from our existing portfolio of investments – we continue to believe that the portfolio will deliver an attractive overall return to shareholders.

We are in the final stage of developing a new and informative website for Hygea VCT to enable shareholders to access information on the Fund and investee companies.

We look forward to updating you on the progress of our portfolio of investments in due course.

James Otter
Chairman

28 September 2006

The unaudited interim financial statements for the period from 1 January 2006 to 30 June 2006 are set out below.

Income Statement

	Six months ended 30 June 2006		
	Revenue £'000	Capital £'000	Total £'000
Unrealised loss on investments	-	(456)	(456)
Income	9	-	9
Investment management fees	(10)	(31)	(41)
Other expenses	(93)	-	(93)
Loss on ordinary activities before tax	(94)	(487)	(581)
Tax	-	-	-
Loss on ordinary activities after tax	(94)	(487)	(581)
Loss per share	(1.25)p	(6.44)p	(7.69)p

- The total column of this statement is the profit and loss account of the company.
- All revenue and capital items in the above statement derive from continuing operations
- The accompanying notes are an integral part of the financial statements.

Reconciliation of movements in shareholders' funds

	Six months ended 30 June 2006
	£000's
Shareholders' funds at start of year	5,679
Loss on ordinary activities after tax	(581)
Cost of share buyback	(40)
Shareholders' funds at end of year	5,058

Income Statement (cont.)

	Six months ended 30 June 2005 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2005 Revenue £'000	Capital £'000	Total £'000
Realised gain on investments	-	-	-	-	8	8
Unrealised loss on investments		(88)	(88)	-	(123)	(123)
Income	20	-	20	34	-	34
Investment management fees	(26)	(79)	(105)	(59)	(177)	(236)
Other expenses	(65)	-	(65)	(299)	-	(299)
Loss on ordinary activities before tax	(71)	(167)	(238)	(324)	(292)	(616)
Tax	-	-	-	-	-	-
Loss on ordinary activities after tax	(71)	(167)	(238)	(324)	(292)	(616)
Loss per share	(0.9)p	(2.2)p	(3.1)p	(4.3)p	(3.8)p	(8.1)p

	Six months ended 30 June 2005 £000's	Year ended 31 December 2005 £000's
Shareholders' funds at start of year	6,299	6,299
Mid price to bid price valuation movement	(4)	(4)
Restated shareholders' funds at start of year	6,295	6,295
Loss on ordinary activities after tax	(238)	(616)
Shareholders' funds at end of year	6,057	5,679

Balance sheet as at 30 June 2006

	30 June 2006 £'000	30 June 2005 £'000	31 December 2005 £'000
Fixed asset investments	4,800	2,118	4,428
Current assets:			
Debtors	9	10	13
Cash at Bank	294	3,969	1,369
	303	3,979	1,382
Creditors: amounts falling due within one year	(45)	(40)	(131)
Net current assets	258	3,939	1,251
Net assets	5,058	6,057	5,679
Capital and Reserves			
Share capital	3,765	3,798	3,798
Share premium	1,722	3,422	1,722
Special distributable reserve	1,660	-	1,700
Capital redemption reserve	38	5	5
Capital reserve - realised	(565)	(444)	(534)
- unrealised	(1,136)	(645)	(680)
Revenue reserve	(426)	(79)	(332)
Total equity shareholders' funds	5,058	6,057	5,679
Net asset value per share	67.2p	79.7p	74.8p

Cash flow statement

	6 Months to 30 June 2006 £'000	6 Months to 30 June 2006 £'000	6 Months to 30 June 2005 £'000	6 Months to 30 June 2005 £'000	12 Months to 31 December 2005 £'000	12 Months to 31 December 2005 £'000
Net cash (outflow)/inflow from operating activities		(207)		49		(213)
Financial investment :						
Purchase of investments	(828)		(823)		(3,183)	
Sale of investments	-		-		23	
Net cash outflow from financial investment		(828)		(823)		(3,160)
Net cash inflow from management of liquid resources		-		(425)		-
Net cash outflow before financing		(1,035)		(1,199)		(3,373)
Financing:						
Purchase of own shares	(40)		-		-	
Total financing		(40)		-		-
Decrease in cash resources		(1,075)		(1,199)		(3,373)

Reconciliation of operating profit to net cash outflow from operating activities

	6 Months to 30 June 2006 £'000
Loss on ordinary activities before Tax	(94)
Decrease in debtors	4
Decrease in creditors	(86)
Management fees charged to capital account	(31)
Net cash outflow from operating activities	(207)

Investment portfolio as at 30 June 2006

	Cost £'000	**Valuation £'000**
Ten largest investments		
Hallmarq Veterinary Imaging Limited	635	635
Scancell Limited	725	600
NeutraHealth plc	360	471
Wound Solutions Limited	350	350
Evolutec Group plc	347	315
Immunobiology Limited	300	300
DxS Limited	263	263
BioAnaLab Limited	250	250
Armstrong Healthcare Limited	250	250
Insense Limited	148	181
	3,628	3,615
Other AIM investments	1,836	926
Other unquoted investments	472	259
	5,936	4,800

NOTES

1. The Fund is required to comply with a number of new UK Financial Reporting Standards (FRSs) in presenting its financial statements for the year ending 31 December 2006. These standards have been introduced as part of the process of converging UK standards with International Financial Reporting Standards (IFRS). The financial information provided in the unaudited interim results for the six months ended 30 June 2006 has been prepared on a consistent basis with the accounting policies as disclosed in the Fund's annual report and accounts for the period ended 31 December 2005 except for such changes as are required by the new FRSs. These changes arise from "FRS26 - Financial Instruments: Measurement".

   The nature and effect of these changes for the period ended 30 June 2006 are explained below.

   Under FRS26, quoted investments are valued at bid price rather than mid price. The effect of this is to decrease the valuations at which such investments are stated in the balance sheet and to decrease the unrealised gains on investments shown in the capital column of the statement of total return. This change resulted in reductions of £4,000 in the valuation of fixed asset investments at 30 June 2005 and a corresponding decrease in the unrealised capital reserve at those dates.

   The unaudited interim results for the six months ended 30 June 2006 and the period ended 30 June 2005 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies.

2. The calculation of the revenue and capital loss per share is based on the loss on ordinary activities after tax for the period and on 7,566,573 (30 June 2005 - 7,596,393) ordinary shares, being the weighted average number of shares in issue during the period from 1 January 2006 to 30 June 2006.

3. The number of shares in issue at 30 June 2006 amounted to 7,530,191 (30 June 2005 - 7,596,393).

4. The number of shares bought back in the period to 30 June 2006 amounted to 66,202 and were purchased at an average price of 60p per share.

5. Copies of the interim report are being sent to all shareholders. Further copies are available free of charge from Octopus Investments Ltd at 8 Angel Court, London EC2R 7HP.