

ProVen Health VCT plc
Half-Yearly Report
For the Six Months Ended 31 July 2010



Managed by
Beringea LLP

Investment Objective

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

The Case for Healthcare Investment

We believe that there are a number of trends which make an attractive case for investment in the health sector. These include the following:

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

The Investment Approach

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

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

Financial Summary

	31 July 2010	31 July 2009	31 January 2010
Net asset value per share ("NAV")	46.9p	55.7p	52.1p
Dividends paid since launch	15.5p	13.5p	14.5p
Total return (NAV plus dividends paid since launch)	62.4p	69.2p	66.6p
Mid market share price	48.0p	28.0p	49.0p

Chairman's Statement

Introduction

I have pleasure in presenting the half-yearly report for ProVen Health VCT plc for the six months to 31 July 2010. Economic news from home and abroad was mixed over the period but as a general comment sustained economic recovery remains uncertain. This reflects anxiety over whether the transition from fiscal stimuli worldwide to austerity and planned spending cuts will de-stabilise economic growth. It is, however, encouraging in this context that the UK government has pledged to protect spending on health and the general financial situation will also offer opportunities for companies which can provide efficiency savings.

Net asset value and portfolio activity

As at 31 July 2010, the Company's Net Asset Value per share ("NAV") stood at 46.9p. After adjusting for the dividend of 1p per share paid on 11 June 2010, this represents a decrease of 8.1% over the NAV at 31 January 2010. The FTSE All Share Index increased by just over 2% over the period (4% for the FTSE All Share Total Return Index which includes dividends reinvested). The FTSE Health Care Index, comprising 17 companies (at 31 July 2010), fell by 0.5% over the same period.

Whilst disappointing, this result masked a successful exit from Plum Baby following interest from a number of buyers. The fall in activity amongst the private equity community since the economic crisis has been well documented and so the success in achieving the sale reflects positively on Plum Baby and the efforts of all concerned. It was, however, disappointing that Optasia Medical was placed into administration. In addition, there were significant unrealised revaluations for Amura Holdings and Vectura Group. More detail on investment activity and the performance of the portfolio is provided in the Investment Manager's Report.

Results

The Income Statement shows a loss on ordinary activities after taxation for the Company for the period of £819,000 (comprising a revenue loss of £85,000 and a capital loss of £734,000).

Dividends

An interim dividend of 1p per share will be paid on 26 November 2010 to shareholders on the register at 29 October 2010.

Share buybacks

During the period, the Company purchased 269,244 Ordinary Shares for cancellation for an aggregate consideration of £126,000 at an average price of 46.2p (approximately equal to a 10% discount to the most recently published NAV at the time of purchase) and representing 1.4% of the issued Ordinary Share capital at 1 February 2010.

Fundraising

Between 1 April 2010 and 28 May 2010, the Company issued 311,188 Ordinary Shares for consideration at approximately 53.4p per share, under a 10% top-up offer dated 16 November 2009. Share issue costs thereon amounted to £9,000. Under the Company's dividend reinvestment scheme, 65,437 Ordinary Shares were issued following the final dividend payment on 11 June 2010. At the date of this report the total number of Ordinary Shares in issue was 19,332,256.

Chairman's Statement continued

Investor presentation

The Investment Manager will be holding its annual VCT shareholder presentation on 16 November 2010 in central London. Further details will be provided to shareholders shortly. This is an opportunity to meet fellow shareholders, representatives of the VCT boards and the Investment Manager and to see a presentation from one of the portfolio companies. Last year's event was well attended and we look forward to another successful event this year.

Risk and uncertainties

Under the Disclosure and Transparency Directive, your Board is required in the Company's half-yearly results, to report on the principal risks and uncertainties facing the Company over the remainder of the financial year.

Your Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) investment risk associated with investing in small and immature businesses;
- (ii) market risk arising from extremely volatile stock market conditions and their potential effect on investment valuation particularly in the areas of investment permitted by VCT rules; and
- (iii) compliance risk in failing to maintain approval as a VCT.

In the case of (i), your Board is satisfied with the Company's approach. The Investment Manager follows a rigorous process in vetting and structuring new investments and, after an investment is made, close monitoring of the business. In respect of (ii), the Company seeks to hold a diversified investment portfolio, albeit concentrated in the healthcare sector. Your Board is confident that the Investment Manager's investment policy should help to limit this risk whilst remaining within the constraints of the VCT regulations.

As far as (iii) is concerned, the Company's compliance with the VCT regulations is continually monitored by the Investment Manager, who reports regularly to your Board on the current and forecast position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. Your Board considers that this approach reduces the risk of a breach of the VCT regulations to an acceptable level.

Outlook

The gain on Plum Baby and loss on Optasia are indicative of the ongoing reorganisation of the investment portfolio with the Investment Manager making realisations where possible and not supporting investments that are unlikely to reach fruition. We fully support this approach which enables the Investment Manager to devote more time to the remaining portfolio and new investment opportunities. This will ultimately, we believe, lead to a more balanced and higher quality portfolio.

Charles Pinney

Chairman

28 September 2010

Investment Manager's Report

Introduction

We have pleasure in presenting our half-yearly report to 31 July 2010 for ProVen Health VCT plc. The period since our initial appointment in February 2009 has been one of the most challenging for venture capital investment in many years. With the full extent of the recession still playing out and the threat of significant spending cuts looming in the UK, with a corresponding knock-on effect on consumers, we have been highly selective in looking at new investment propositions, only focussing on those with quality management teams and strong competitive positions in their respective markets. At the same time we have worked with the existing portfolio to ensure, insofar as is possible, that they are well positioned for the future economic reality.

These efforts saw the realisation during the period of the Company's holding in Plum Baby at a significant profit. This good news was tempered, however, by the appointment of administrators at Optasia Medical, which had been largely provided against at 31 January 2010, and an overall reduction in the valuation of the remaining portfolio.

Portfolio performance and activity

At 31 July 2010, the Company's investment portfolio comprised holdings in 13 companies, of which 9 were unquoted and 4 were quoted, at a valuation of £4.9 million and original acquisition cost of £8.3 million. In addition, the Company held £4.1 million in cash and liquidity funds.

Unquoted portfolio

The most pleasing aspect of the portfolio performance during the period was the disposal of the Company's investment in Plum Baby in May. The net proceeds of £1.4m represented a return of 1.9 times the initial investment over a period of two and a half years. Plum Baby illustrates, in many ways, the businesses we are targeting for future investment by the Company. Strong brand awareness, a quality management team and increasing revenues, achieved in part during difficult economic times, proved very attractive to a number of potential buyers and ultimately translated into a sale to a private equity buyer and a strong financial return to shareholders.

In contrast it is disappointing to report that Optasia Medical was placed into administration at the beginning of August. As the administration process was instigated before 31 July 2010 and no return is expected from the investment it has been treated as realised in the half year results. Optasia was reliant on its institutional investors including ProVen Health VCT to provide continued funding in order to further develop its product. On balance it was decided that the risks of losing further investment outweighed the chances of success and the administrator was appointed. The majority of the investment cost had been provided against at 31 January 2010 and so the current period impact was a loss of £200,000.

The unquoted portfolio, excluding disposals, decreased in value by £635,000 during the period. The key movement contributing to this change was the additional provision of £576,000 against the valuation of Amura Holdings. The Company has been an investor in Amura for seven years but, despite considerable progress, the company has not yet commercialised its activities. The company's activities have been scaled back as it seeks licensing deals for its intellectual property but in the absence of definite progress, and following a setback to one of its technologies during the period, a significant provision was considered prudent.

Investment Manager's Report continued

Quoted portfolio

The quoted portfolio showed a decrease in value of 23% over the period. The key movement in this regard was Vectura Group which explains £191,000 out of the total movement of £219,000. As we outlined in the 2010 annual report, Vectura's share price fell significantly following its decision to take full control over the US development and commercialisation of one of its key products and one of its partners then acquiring a company in a similar field. It subsequently recovered some of the decline and at 31 July 2010 was down 37% relative to its 31 January 2010 valuation. In August, the company announced a worldwide non-exclusive deal with GSK for GSK to license some of Vectura's dry powder drug formulation patents. The deal provides Vectura with up to £20 million upfront royalty and milestone payments and annual royalties of up to £13m, whilst allowing it to deliver maximum shareholder value by partnering with other pharmaceutical companies. Vectura's share price rose significantly on the news and at 27 September 2010 was 51.75p, an 18% uplift on the 31 July 2010 share price (and a valuation increase for the Company of £60,000 relative to 31 July 2010).

Outlook

The performance of individual companies, and the portfolio as a whole, over the period supports our strategy of investment in later stage unquoted investments. Plum Baby proved very attractive to a trade buyer for the reasons outlined above and has provided shareholders with a strong financial return. There is clearly a place for venture capital investment in unquoted earlier stage companies and indeed the success of such companies can provide immense benefits for society as a whole. The solutions to many of society's greatest illnesses will be found by such enterprises. The issue for a VCT is that these investments can take many rounds of funding and the VCT may be constrained by how much it can invest by virtue of the VCT regulations. Such businesses may fail although this can also happen with later stage investments. Quoted investments provide little opportunity for the venture capitalist to take an active role in the management of the business and the valuation of, and timing of exit from, such businesses may be outside the venture capitalist's control.

We are currently at an advanced stage in respect of two potential investments and would expect to conclude on these in the current calendar year. These would provide further balance to the current investment portfolio. We remain enthusiastic about the long term appeal of the healthcare sector notwithstanding the possible impact of wider spending cuts to the economy. Trends in both developed and emerging economies will accelerate the search for improved healthcare products and services and should provide attractive investment opportunities.

Beringea LLP

28 September 2010

Unaudited Balance Sheet

as at 31 July 2010

	31 July 2010 £'000	31 July 2009 £'000	31 Jan 2010 £'000
Fixed assets			
Investments	4,938	7,410	6,933
Current assets			
Debtors	48	140	9
Current investments	1,795	1,786	1,791
Cash at bank and in hand	2,340	1,544	1,358
	4,183	3,470	3,158
Creditors: amounts falling due within one year	(52)	(123)	(73)
Net current assets	4,131	3,347	3,085
Net assets	9,069	10,757	10,018
Capital and reserves			
Called up share capital	193	193	192
Capital redemption reserve	396	392	393
Share premium account	7,147	6,931	6,960
Special distributable reserve	7,871	8,458	8,192
Capital reserve – realised	(2,561)	(1,848)	(2,444)
Investment holding losses	(3,329)	(2,886)	(2,712)
Revenue reserve	(648)	(483)	(563)
Total equity shareholders' funds	9,069	10,757	10,018
Basic and diluted net asset value per share	46.9p	55.7p	52.1p

Unaudited Income Statement

for the six months ended 31 July 2010

	Six months ended 31 July 2010		Total
	Revenue £'000	Capital £'000	£'000
Income	21	-	21
(Losses)/gains on investments	-	(675)	(675)
	21	(675)	(654)
Investment management fee	(20)	(59)	(79)
Other expenses	(86)	-	(86)
(Loss)/return on ordinary activities before taxation	(85)	(734)	(819)
Tax on ordinary activities	-	-	-
(Loss)/return attributable to equity shareholders	(85)	(734)	(819)
Basic and diluted (loss)/return per Ordinary Share	(0.4p)	(3.8p)	(4.2p)

Reconciliation of Movements in Shareholders' Funds

	31 July 2010 £'000	31 July 2009 £'000	31 Jan 2010 £'000
Opening shareholders' funds	10,018	9,950	9,950
Proceeds from share issues	200	-	36
Share issue costs	(9)	-	(7)
Purchase of own shares	(126)	-	(74)
Total recognised (loss)/gain for the period	(819)	807	305
Dividends paid	(195)	-	(192)
Closing shareholders' funds	9,069	10,757	10,018

	Six months ended 31 July 2009		Year ended 31 Jan 2010
Revenue £'000	Capital £'000	Total £'000	Total £'000
21	-	21	41
-	980	980	631
21	980	1,001	672
(26)	(79)	(105)	(203)
(89)	-	(89)	(164)
(94)	901	807	305
-	-	-	-
(94)	901	807	305
(0.5p)	4.7p	4.2p	1.6p

Unaudited Cash Flow Statement

for the six months ended 31 July 2010

	Note	Six months ended 31 July 2010 £'000	Six months ended 31 July 2009 £'000	Year ended 31 Jan 2010 £'000
Net cash outflow from operating activities	A	(199)	(170)	(77)
Capital expenditure				
Purchase of investments		(143)	(640)	(710)
Disposal of investments		1,463	1,409	1,427
Net cash inflow from capital expenditure		1,320	769	717
Equity dividends paid		(161)	-	(155)
Net cash inflow before financing		960	599	485
Financing				
Proceeds from share issue		166	-	-
Share issue costs		(15)	-	(2)
Purchase of own shares		(129)	-	(70)
Net cash inflow/(outflow) from financing		22	-	(72)
Increase in cash	B	982	599	413

Notes to the cash flow statement:

A Net cash flow from operating activities

(Loss)/return on ordinary activities before taxation	(819)	807	305
Losses/(gains) on investments	675	(980)	(631)
Re-invested liquidity funds	(4)	(10)	(13)
(Increase)/decrease in debtors	(39)	(3)	266
(Decrease)/increase in creditors	(12)	16	(4)
Net cash outflow from operating activities	(199)	(170)	(77)

B Analysis of net funds

Beginning of period	3,149	2,719	2,719
Net cash inflow	982	599	413
Other non cash changes	4	12	17
End of period	4,135	3,330	3,149
Net funds split as:			
Beginning of period:			
Cash at bank and in hand	1,358	945	945
Liquidity funds	1,791	1,774	1,774
Total funds at beginning of period	3,149	2,719	2,719
End of period:			
Cash at bank and in hand	2,340	1,544	1,358
Liquidity funds	1,795	1,786	1,791
Total funds at end of period	4,135	3,330	3,149

Summary of Investment Portfolio

as at 31 July 2010

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in the period £'000	% of portfolio by value
Top ten venture capital investments				
Altacor Limited	720	941	-	10.4%
Onyx Research Chemicals Limited	850	895	45	9.9%
Population Genetics Technologies Limited	867	805	(61)	8.9%
Omni Dental Sciences Limited	750	675	(54)	7.4%
Digital Healthcare Limited	1,010	636	-	7.0%
Vectura Group plc *	482	331	(191)	3.6%
IS Pharma plc **	366	327	(30)	3.6%
Amura Holdings Limited	1,047	106	(576)	1.2%
Biovex Group Inc	815	87	10	1.0%
Sinclair Pharmaceuticals plc *	219	48	(10)	0.5%
	7,126	4,851	(867)	53.5%
Other venture capital investments	1,141	87	13	0.9%
	8,267	4,938	(854)	54.4%
Current asset investments – liquidity funds		1,795		19.8%
Cash at bank and in hand		2,340		25.8%
Total investments		9,073		100.0%

All venture capital investments are unquoted unless otherwise stated.

* Quoted on the Main Market

** Quoted on AIM

Summary of Investment Movements

for the six months ended 31 July 2010

Additions

	£'000
Biovex Group Inc	21
Optasia Medical Limited	122
	<u>143</u>

Disposals

	Cost £'000	Market value at 1 February 2010* £'000	Disposal proceeds £'000	Gain/(loss) against cost £'000	Realised gain/ (loss) in period £'000
<i>Full disposal</i>					
Plum Baby Limited	749	1,067	1,427	678	360
Optasia Medical Limited – bridging loan	17	17	17	-	-
<i>Deferred consideration</i>					
Inforsense Limited	-	-	19	19	19
<i>In administration</i>					
Optasia Medical Limited	755	200	-	(755)	(200)
	<u>1,521</u>	<u>1,284</u>	<u>1,463</u>	<u>(58)</u>	<u>179</u>

* After adjusting for additions in the period.

Notes to the Unaudited Financial Statements

1. The unaudited half-yearly results cover the six months to 31 July 2010 and have been prepared in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised January 2009 and in accordance with the accounting policies set out in the statutory accounts for the year ended 31 January 2010, which were prepared under UK Generally Accepted Accounting Practice.
2. All revenue and capital items in the Income Statement derive from continuing operations.
3. There are no recognised gains or losses other than those disclosed in the Income Statement.
4. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
5. The comparative figures were in respect of the period ended 31 July 2009 and the year ended 31 January 2010.
6. Basic and diluted return per share for the period has been calculated on 19,337,300 shares, being the weighted average number of shares in issue during the period.
7. Basic and diluted NAV per share for the period has been calculated on 19,332,256 shares, being the number of shares in issue at the period end.
8. **Dividends**

	Pence per share	31 July 2010 £'000	31 Jan 2010 £'000
Paid in the period			
2010 final dividend paid on 11 June 2010	1.0	195	-
2010 interim dividend paid on 4 December 2009	1.0	-	192
		195	192
Split as:			
Paid directly to shareholders		161	155
Shares issued under dividend re-investment scheme		34	37
		195	192

Notes to the Unaudited Financial Statements continued

9. Reserves

	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Capital reserve - realised £'000	Investment holding losses £'000	Revenue reserve £'000
At 1 February 2010	393	6,960	8,192	(2,444)	(2,712)	(563)
Issue of new shares	-	196	-	-	-	-
Share issue costs	-	(9)	-	-	-	-
Purchase of own shares	3	-	(126)	-	-	-
Expenses capitalised	-	-	-	(59)	-	-
Gains/(losses) on investments	-	-	-	179	(854)	-
Realisation of revaluations from previous years	-	-	-	(237)	237	-
Transfer between reserves	-	-	(195)	195	-	-
Retained net loss	-	-	-	-	-	(85)
Dividends paid in the period	-	-	-	(195)	-	-
At 31 July 2010	396	7,147	7,871	(2,561)	(3,329)	(648)

Distributable reserves comprise the special reserve, capital reserve – realised and revenue reserve. At the period end there were £1,068,000 (31 Jan 2010: £1,934,000) of reserves available for distribution after deducting unrealised holding losses of £3,595,000 (31 Jan 2010: £3,251,000).

10. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 January 2010 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditors' report on those financial statements was unqualified.
11. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
12. Copies of the unaudited half-yearly results will be sent to shareholders. Further copies can be obtained from the Company's registered office and will be available for download from www.provenvcts.co.uk.

Shareholder Information

Share price

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

Latest mid-market share price (27 September 2010):

48p per share

Dividends

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Queries relating to dividends and requests for mandate forms should therefore be directed to the Company's registrar, Computershare Investor Services plc, on 0870 707 1657 (calls charged at national rate), or by writing to them at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.

Buying and selling shares

The Company's shares can be bought and sold in the same way as any other company listed on the London Stock Exchange using a stockbroker. Shareholders are advised to seek advice from their tax adviser, before selling shares, particularly if they deferred the payment of capital gains tax in respect of shares acquired prior to 6 April 2004 or purchased shares within the last five years.

The Company currently operates a policy of buying its own shares for cancellation as they become available. Any shareholder wishing to sell their shares should contact Grant Whitehouse, the Company Secretary, on 020 7416 7780.

Unsolicited calls to shareholders

We are aware of cases of shareholders in other VCTs having received unsolicited phone calls, e-mails or correspondence concerning investment matters. Please note that it is very unlikely that either the Company, Beringea or the Company Registrar, Computershare Investor Services plc, would make unsolicited telephone calls, or send e-mails, to shareholders. Shareholders can, however, expect official documentation in connection with the Company and may receive details of investment activity and new VCT offers from the Investment Manager. Furthermore, please be assured that Beringea and the Company do not release shareholder details to any third parties and that they seek to limit, to the maximum extent permissible under the Companies Act 2006, access by third parties to the share register of the VCT. If you receive either an unexpected phone call or correspondence about which you have concerns, please contact Grant Whitehouse, the Company Secretary, on 020 7416 7780.

Notification of change of address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Computershare Investor Services plc, under the signature of the registered holder.

Websites

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

Directors

Charles Pinney (Chairman)
Peter Arthur
Ann Hacker
Frank Harding

Secretary and Registered Office

Grant Whitehouse
39 Earlham Street
London WC2H 9LT
Registered No. 04131354
Tel: 020 7416 7780

Investment Manager

Beringea LLP
39 Earlham Street
London WC2H 9LT
www.provenvcts.co.uk
Tel: 020 7845 7820

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0870 707 1657
(calls charged at national rate)