

# ProVen Health VCT plc

## Half-Yearly Report

For the Six Months Ended 31 July 2012



Managed by  
Beringea LLP





# Investment Objective

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

## Investment Policy

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

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

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

## The Investment Approach

The Company is targeting investments in later stage businesses that will complement the existing portfolio. Specifically, the Company will look to provide capital for businesses which display some or all of the following characteristics:

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

## Financial Summary

	31 July 2012	31 July 2011	31 Jan 2012
Net asset value per share ("NAV")	39.9p	45.3p	44.2p
Dividends paid since launch	18.5p	17.5p	17.5p
Total return (NAV plus dividends paid since launch)	58.4p	62.8p	61.7p
Mid market share price	38.3p	41.3p	37.5p

# Chairman's Statement

## Introduction

The half year report for the Company for the period to 31 July 2012 is set out below. I would like to welcome those new shareholders who now hold shares in the Company as a result of the merger with Longbow Growth and Income VCT plc ("LGIV"). As well as completing the merger with LGIV, the Company also concluded an enhanced share buyback in April with gross proceeds of £1.2 million being re-invested in the Company. The shareholders also approved a change to the investment mandate with the result that the Company can now invest in a broad range of areas in addition to the health sector.

## Net asset value and portfolio activity

As at 31 July 2012, the Company's net asset value per share ("NAV") stood at 39.9p. After adjusting for the dividend of 1p per share paid on 9 March 2012, this represents a decrease of 7.5% over the NAV at 31 January 2012. The FTSE All Share Index was broadly unchanged over the same period whilst the FTSE All Share Total Return Index, which includes dividends reinvested, increased by 1.9%.

The total return (NAV plus cumulative dividends paid) to ordinary shareholders who invested at the outset of the Company was 58.4p per share at 31 July 2012 (31 January 2012: 61.7p per share).

During the half year, the Company made a further investment in APM Healthcare and by virtue of this holding received founder shares in Long Eaton Healthcare. The merger with LGIV resulted in an additional investment in Polytherics being transferred to the Company. Further sales proceeds were received in March 2012 from the sale of Biovex. The Investment Manager expects to complete the Company's first non-health investment shortly. Further detail on all investment activity is provided in the Investment Manager's Report on the following pages.

## Results and dividend

The Income Statement shows a loss on ordinary activities after taxation for the Company for the period of £768,000 (comprising a revenue loss of £57,000 and a capital loss of £711,000). The Company paid an interim dividend for the year to 31 January 2012 of 1p per share on 9 March 2012. The Board is not, at this time, proposing an interim dividend for the year ending 31 January 2013.

## Changes in share capital

During the period, the Company completed a merger with LGIV under which LGIV transferred its net assets of £931,000 to the Company in consideration for which the Company issued new ordinary shares to the shareholders of LGIV. The Company also concluded an enhanced share buyback and an offer for subscription. Further details are provided in the notes to the accounts.

Under the Company's dividend re-investment scheme, 71,621 shares were issued on 15 March 2012, following the dividend payment on 9 March 2012. In addition to the enhanced share buyback, the Company also purchased 369,000 shares at an average price of approximately 39p per share (approximately equal to a 10% discount to the net asset value at the time of purchase). These shares were subsequently cancelled.

## Investor presentation

The Investment Manager will be holding its annual VCT shareholder presentation on Monday 22 October 2012 at the Royal College of Surgeons, 35-43 Lincoln's Inn Fields, London WC2A 3PE. This event provides shareholders with the opportunity to meet the Investment Manager, Board directors and other shareholders, and to hear directly from some of the portfolio companies. Shareholders should have received an invitation with the Company's annual report but if you have not and would like to attend, then please contact the Investment Manager at 39 Earlham Street, London WC2H 9LT or by telephone on 020 7845 7820.

The Board also welcomes shareholder feedback and comments outside formal events and meetings and can be contacted initially through the Investment Manager.

**Charles Pinney**

Chairman

28 September 2012

# Investment Manager's Report

## Introduction

The broad economic backdrop has remained little changed for some time with funding for businesses remaining challenging. The change in investment mandate from a health focus to a wider remit was approved by shareholders in March 2012 and we expect the first non-health investment to complete shortly.

## Portfolio performance and activity

At 31 July 2012, the Company's investment portfolio comprised holdings in 11 companies, of which 9 were unquoted and 2 were quoted, at a valuation of £4.8 million and original acquisition cost of £8.1 million. In addition, the Company held £3.5 million in cash and liquidity funds.

During the half year, the Company completed a further investment of £475,000 into APM Healthcare. APM Healthcare has now opened eight pharmacies in tandem with local GPs with further openings in the pipeline. The Company also received founder shares in April in Long Eaton Healthcare, a standalone pharmacy, by virtue of its investment in APM Healthcare. In addition, the Company now has a further £135,000 investment in Polytherics, as a result of the merger with Longbow Growth and Income VCT plc. The Company also received \$134,000 (£83,000) in March from Biovex, being initial sales proceeds originally held in escrow following its original disposal in March 2011. After the period end, a further follow-on investment of £77,000 was made into Population Genetics Technologies.

The overall investment portfolio disappointingly showed a decrease in value of £736,000. This was principally due to further provisions being made against the valuations of Altacor, Population Genetics Technologies, Omni Dental Sciences and Digital Healthcare, offset by unrealised gains from the two quoted company holdings, Sinclair IS Pharma and Ventura Group. Whilst the focus of the fund has now shifted to later stage businesses and also to include non-health investments, we continue to work with these companies to maximise value for shareholders.

## Outlook

We welcome both the change in the Company's investment mandate to allow non-health sector deals and the recent merger with Longbow Growth Income and VCT which has brought new funds for investment. We hope that these positive developments will enable us to deliver improved investment returns for shareholders over the medium term.

**Beringea LLP**

28 September 2012

# Summary of Investment Movements

for the six months ended 31 July 2012

## Additions (at cost)

	£'000
Polytherics Limited*	135
APM Healthcare Limited	475
Long Eaton Healthcare Limited**	—
	<b>610</b>

\* Investment from Longbow Growth and Income VCT plc

\*\* Founder shares at nominal value

## Disposals

	Cost £'000	Market value at 1 February 2012 £'000	Disposal proceeds £'000	Gain/(loss) against cost £'000	Realised gain/ (loss) in period £'000
Biovex Inc	—	—	83	83	83
Omni Dental Sciences Limited	13	13	13	—	—
	13	13	96	83	83

# Summary of Investment Portfolio

as at 31 July 2012

	Cost £'000	Valuation £'000	Unrealised gain/(loss) in the period £'000	% of portfolio by value
<b>Top venture capital investments</b>				
Population Genetics Technologies Limited	1,129	903	(225)	10.8%
Polytherics Limited	885	885	–	10.6%
APM Healthcare Limited ***	850	850	–	10.2%
Altacor Limited	1,020	815	(425)	9.8%
Sinclair IS Pharma plc **	585	413	92	5.0%
Digital Healthcare Limited	1,010	384	(134)	4.6%
Vectura Group plc *	250	331	48	4.0%
Omni Dental Sciences Limited	737	230	(92)	2.8%
Long Eaton Healthcare Limited ****	–	–	–	0.0%
	6,466	4,811	(736)	57.8%
Other venture capital investments	1,647	–	–	0.0%
	8,113	4,811	(736)	57.8%
Current asset investments – liquidity funds		2,998		36.0%
Cash at bank and in hand		517		6.2%
<b>Total investments</b>		8,326		100.0%

All venture capital investments are unquoted unless otherwise stated.

\* Quoted on the Main Market

\*\* Quoted on AIM

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

\*\*\*\* Long Eaton Healthcare Limited is also held by ProVen VCT plc, ProVen Growth and Income VCT plc and ProVen Planned Exit VCT plc

# Unaudited Balance Sheet

as at 31 July 2012

	31 July 2012 £'000	31 July 2011 £'000	31 Jan 2012 £'000
<b>Fixed assets</b>			
Investments	4,811	5,110	4,951
<b>Current assets</b>			
Debtors	84	15	83
Current investments	2,998	1,806	1,812
Cash at bank and in hand	517	1,931	1,772
	3,599	3,752	3,667
<b>Creditors: amounts falling due within one year</b>	(45)	(82)	(133)
<b>Net current assets</b>	3,554	3,670	3,534
<b>Net assets</b>	8,365	8,780	8,485
<b>Capital and reserves</b>			
Called up share capital	210	194	192
Capital redemption reserve	436	401	404
Share premium account	9,593	7,428	7,427
Special distributable reserve	5,600	7,445	7,168
Capital reserve – realised	(4,350)	(3,581)	(4,375)
Capital reserve – unrealised	(2,178)	(2,312)	(1,442)
Revenue reserve	(946)	(795)	(889)
<b>Total equity shareholders' funds</b>	8,365	8,780	8,485
<b>Basic and diluted net asset value per share</b>	39.9p	45.3p	44.2p

# Unaudited Income Statement

for the six months ended 31 July 2012

	Six months ended 31 July 2012			Six months ended 31 July 2011			Year ended 31 Jan 2012
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	77	–	77	32	–	32	48
Losses on investments	–	(653)	(653)	–	(220)	(220)	(286)
	77	(653)	(576)	32	(220)	(188)	(238)
Investment management fee	(19)	(58)	(77)	(21)	(63)	(84)	(156)
Other expenses	(115)	–	(115)	(73)	–	(73)	(165)
<b>Loss on ordinary activities before taxation</b>	(57)	(711)	(768)	(62)	(283)	(345)	(559)
Tax on ordinary activities	–	–	–	–	–	–	–
<b>Loss attributable to equity shareholders</b>	(57)	(711)	(768)	(62)	(283)	(345)	(559)
 <b>Basic and diluted loss per share</b>	 (0.3p)	 (3.4p)	 (3.7p)	 (0.3p)	 (1.5p)	 (1.8p)	 (2.9p)

## Reconciliation of Movements in Shareholders' Funds

	31 July 2012 £'000	31 July 2011 £'000	31 Jan 2012 £'000
Opening shareholders' funds	8,485	9,199	9,199
Proceeds from share issues	2,218	271	272
Share issue costs	(2)	(8)	(9)
Purchase of own shares	(1,376)	(141)	(222)
Total recognised loss for the period	(768)	(345)	(559)
Dividends paid	(192)	(196)	(196)
Closing shareholders' funds	8,365	8,780	8,485

# Unaudited Cash Flow Statement

for the six months ended 31 July 2012

Note		Six months ended 31 July 2012	Six months ended 31 July 2011	Year ended 31 Jan 2012
		£'000	£'000	£'000
<b>Net cash outflow from operating activities</b>	<b>A</b>	(204)	(167)	(304)
<b>Capital expenditure</b>				
Purchase of investments		(475)	–	(1,175)
Disposal of investments		96	692	1,960
<b>Net cash (outflow)/inflow from capital expenditure</b>		(379)	692	785
<b>Equity dividends paid</b>		(161)	(163)	(163)
<b>Net cash (outflow)/inflow before financing</b>		(744)	362	318
<b>Financing</b>				
Proceeds from share issues		2,053	238	239
Share issue costs		(2)	(8)	(9)
Purchase of own shares		(1,376)	(107)	(222)
<b>Net cash inflow from financing</b>		675	123	8
<b>(Decrease)/Increase in cash</b>	<b>B</b>	(69)	485	326

	Note	Six months ended 31 July 2012	Six months ended 31 July 2011	Year ended 31 Jan 2012
		£'000	£'000	£'000
<b>Notes to the cash flow statement:</b>				
<b>A Net cash flow from operating activities</b>				
Loss on ordinary activities before taxation		(768)	(345)	(559)
Losses on investments		653	220	286
Re-invested liquidity funds		–	(6)	(12)
(Increase)/decrease in debtors		(1)	6	(62)
(Decrease)/increase in creditors		(88)	(42)	43
Net cash outflow from operating activities		(204)	(167)	(304)
<b>B Analysis of net funds</b>				
Beginning of period		3,584	3,246	3,246
Net cash (outflow)/inflow		(69)	485	326
Other non cash changes		–	6	12
End of period		3,515	3,737	3,584
Net funds split as:				
Beginning of period:				
Cash at bank and in hand		1,772	1,446	1,446
Liquidity funds		1,812	1,800	1,800
Total funds at beginning of period		3,584	3,246	3,246
End of period:				
Cash at bank and in hand		517	1,931	1,772
Liquidity funds		2,998	1,806	1,812
Total funds at end of period		3,515	3,737	3,584

# Notes to the Unaudited Financial Statements

1. The unaudited half yearly results cover the six months to 31 July 2012 and have been prepared in accordance with 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 2012, 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 2011 and the year ended 31 January 2012.
6. Basic and diluted return per share for the period has been calculated on 20,691,343 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 20,975,364 shares, being the number of shares in issue at the period end.
8. **Dividends**

	Pence per share	31 July 2012 £'000	31 Jan 2012 £'000
Paid in the period			
2012 final dividend paid on 9 March 2012	1.0	192	—
2011 final dividend paid on 17 June 2011	1.0	—	196
		192	196
Split as:			
Paid directly to shareholders		161	163
Shares issued under dividend re-investment scheme		31	33
		192	196

## 9. Reserves

	Capital redemption reserve £'000	Share Premium account £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
<b>At 1 February 2012</b>	404	7,427	7,168	(4,375)	(1,442)	(889)
Issue of new shares	–	2,168	–	–	–	–
Share issue costs	–	(2)	–	–	–	–
Purchase of own shares	32	–	(1,376)	–	–	–
Expenses capitalised	–	–	–	(58)	–	–
Gains/(losses) on investments	–	–	–	83	(736)	–
Retained net loss	–	–	–	–	–	(57)
Dividends paid in the period	–	–	(192)	–	–	–
<b>At 31 July 2012</b>	<b>436</b>	<b>9,593</b>	<b>5,600</b>	<b>(4,350)</b>	<b>(2,178)</b>	<b>(946)</b>

At the period end there were £nil (31 Jan 2012: £462,000) of reserves available for distribution after taking into account net unrealised losses.

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 2012 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unqualified.

## 11. Offer for subscription, enhanced share buyback and merger

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

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

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

The Merger resulted in the addition of net funds (including investments) of £931,000, an increase of 11% over the net assets of the Company at 31 January 2012. At the date of the Merger, LGIV held one venture capital investment, Polytherics Limited, in which the Company already had an investment. The Company's costs of the Merger were £75,000 and are recoverable from the Investment Manager over two years. £14,000 was repaid by the Investment Manager to the Company during the period.

## 12. Risk and uncertainties

Under the Disclosure and Transparency Directive, the 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.

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

- (i) investment risk associated with investing in small and immature businesses;
- (ii) market risk arising from 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), the 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 currently concentrated in the health sector. The 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 the Board on the current and forecast position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to an acceptable level.

### 13. Going concern

The Directors have reviewed the Company's financial resources at the period end and conclude that the Company is well placed to manage its business risks.

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Board believes that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

14. 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.
15. 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](http://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](http://www.londonstockexchange.com)) with the TIDM/EPIC code PHV. A link to the share price is also available on Beringea's dedicated VCT website ([www.provenvcts.co.uk](http://www.provenvcts.co.uk)).

Latest mid market share price (27 September 2012): 37.75p 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. The Company also operates a dividend reinvestment scheme for those shareholders who wish to reinvest cash dividends into new shares in the Company. Queries relating to dividends and requests for mandate forms should 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 those of 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 the Company Secretary, Beringea LLP, on 020 7845 7820.

## Unsolicited calls to shareholders

We are aware of cases of shareholders in other VCTs having received unsolicited phone calls, e-mails or correspondence concerning investment matters. Please note that it is very unlikely that 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. If you receive either an unexpected phone call or correspondence about which you have concerns, please contact the Company Secretary, Beringea LLP, on 020 7845 7820.

## Notification of change of address

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

## Websites

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

## Directors

Charles Pinney (Chairman)  
Peter Arthur  
Frank Harding  
Diane James

## Secretary and Registered Office

Beringea LLP  
39 Earlham Street  
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## Investment Manager

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## Registrar

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