

proven

PROVEN VCT PLC

HALF-YEARLY REPORT

For the Six Months Ended 31 August 2016



Managed by BERINGEA LLP



PROVEN VCT PLC

PRINCIPAL INVESTMENT OBJECTIVE

The Company's principal objective is to achieve long-term returns greater than those available from investing in a portfolio of quoted companies, by investing in:

- a portfolio of carefully selected qualifying investments in small and medium sized unquoted companies with excellent growth prospects; and
- a portfolio of non-qualifying investments including cash, liquidity funds, fixed interest securities, debt and debt-related securities in growth companies and non-qualifying venture capital investments,

within the conditions imposed on all VCTs and to minimise the risk of each investment and the portfolio as a whole.



FINANCIAL SUMMARY

	31 August 2016	31 August 2015	29 February 2016
Net asset value per share ("NAV")	100.8p	98.9p	100.7p
Dividends paid per share since conversion/consolidation*	24.0p	17.5p	20.0p
Total return (NAV plus dividends paid*)	124.8p	116.4p	120.7p

* Dividends paid represent dividends paid since the consolidation of 5p Ordinary Share into 10p Ordinary Shares on 30 October 2012. Prior to this date, the Company paid dividends totalling 113.95p on the 5p Ordinary Shares.



CHAIRMAN'S STATEMENT

INTRODUCTION

I have pleasure in presenting the half year report for ProVen VCT plc (the "Company") for the six months ended 31 August 2016.

NET ASSET VALUE

At 31 August 2016, the net asset value ("NAV") per share was 100.8p, an increase of 4.1p per share since the year end (after adjusting for the dividend of 4.0p per share paid during the period).

PORTFOLIO ACTIVITY AND VALUATION

During the six months to 31 August 2016, a total of £3.3 million was invested. This included £2.0 million into two new investments, Thread and POQ Studio, and £1.3 million into existing portfolio companies to support their continued growth and development. After the period end a total of £945,000 was invested into two new companies, ContactEngine and Honeycomb.TV.

In July 2016, the Company realised its investment in Big Data Partnership, generating a realised gain of £0.8 million. In addition, loan note repayments of £3.8 million were received during the period, which included full repayment of the loans with Linkdex, Peerius and SE Pharma. Shortly after the period end, the Company realised its investment in MyOptique, generating a gain of £1.8 million.

The venture capital investment portfolio showed a net unrealised gain of £4.5 million over the six month period.

Further detail on investment activity is provided in the Investment Manager's Report on pages 7 and 8.

RESULTS AND DIVIDENDS

The total return on ordinary activities after taxation for the six month period to 31 August 2016 was £4.4 million, comprising a revenue profit of £0.1 million and a capital profit of £4.3 million.

During the six month period, a final dividend of 4.0p per share in respect of the year ended 29 February 2016 was paid on 15 July 2016 following shareholder approval at the Company's AGM.

The Board has today declared an interim dividend of 2.5p per share which will be paid on 16 December 2016 to shareholders on the register at 18 November 2016.

Shareholders are reminded that the Company operates a Dividend Reinvestment Scheme ("DRIS") for shareholders that wish to have their dividends reinvested in new shares and obtain further income tax relief on those shares. If you are not currently registered for the DRIS and wish to have your dividends paid

in the form of new shares, DRIS forms are available from the www.provenvcts.co.uk website or by contacting Beringea on 020 7845 7820. Shareholders will need to be registered for the DRIS prior to 18 November 2016 to be eligible to receive the forthcoming dividend as new shares.

FUND RAISING AND SHARE ISSUES

As reported in the previous Annual Report, the Company launched a full offer on 3 December 2015, which closed above its initial target of £30m, raising gross proceeds of £33.8m, all of which was allotted during the six months to 31 August 2016.

In addition, the Company allotted 536,347 shares at 99.1p per share under the Company's DRIS in respect of the dividend paid on 15 July 2016.

SHARE BUYBACKS

The Company continues to operate a policy of purchasing its own shares as they become available in the market at a discount of approximately 5% to the latest published NAV.

During the period, the Company completed purchases of 244,467 shares at an average price of 93.7p per share and for aggregate consideration (net of costs) of £229,076. This represented 0.4% of the shares in issue at the start of the period. The shares were subsequently cancelled.

VCT LEGISLATION

The further changes to the VCT rules announced in March 2016, primarily around permitted non-qualifying investments from 6 April 2016, have now received Royal Assent. This places further restrictions on investments a VCT can make.

The significant changes to the VCT regulations since November 2015 have affected the Company less than many other VCTs, as its investment strategy was already broadly aligned with the new rules.

OUTLOOK

Undoubtedly the biggest economic and political event during the period was the UK electorate's decision to leave the EU on 23 June 2016. At the time of writing, there is significant uncertainty over the manner and form of the withdrawal although latest indications are that the formal process will be started in early 2017. We cannot predict how this will play out across the current and, indeed, future portfolio. In general terms, however, the portfolio has been relatively unaffected since the vote: some companies with large foreign imports and exports have been impacted by exchange rate movements but this has always been a challenge for such businesses. Moreover, as the Investment Manager quite rightly points out, the nature

CHAIRMAN'S STATEMENT

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of smaller companies is that they are less dependent on the wider economy to grow than larger companies and so wider economic events should not necessarily impact the portfolio proportionately.

It is reassuring that there has been notable investment and disposal activity since the Referendum, reflected in the investments in POQ Studio, ContactEngine and Honeycomb.TV and the realisations of Big Data Partnership, MyOptique, Peerius and Linkdex. Good progress also continues to be made at a number of companies across the portfolio. The Investment Manager has recently hired three new executives to help manage the strong dealflow it is experiencing and to work with portfolio companies.

All things considered, I remain confident about the prospects for the Company.

Andrew Davison

Chairman

8 November 2016

INVESTMENT MANAGER'S REPORT

INTRODUCTION

We have pleasure in presenting our half year report for ProVen VCT plc (the "Company") for the six month period to 31 August 2016.

INVESTMENT ACTIVITY AND PORTFOLIO VALUATION

At 31 August 2016, the Company's investment portfolio comprised 40 investments, of which 39 were unquoted, at a cost of £52.8 million and a valuation of £63.8 million. This represents an overall unrealised uplift on cost of £11.0 million or 20.8%.

During the period, the Company invested a further £3.3 million, comprising £2.0 million into two new companies and £1.3 million into four existing portfolio companies. The new investment in Thread (£0.9 million), a menswear e-commerce site which recommends styles and items based on an individual's tastes and preferences, was completed shortly after the year end and discussed in the previous full year report. In June, the Company completed an investment of £1.1 million into POQ Studio, a platform provider for mobile ecommerce apps used by major fashion retailers.

The follow-on investments were made into InContext Solutions (£400,000), Network Locum (£358,000), Disposable Cubicle Curtains (£339,000) and Big Data Partnership (£186,000). The investment in Network Locum in August was part of a £5m funding round to support the rapid growth of the business, including the expansion of the sales team.

The Company generated realisation proceeds of £6.3 million, predominately from the repayment in full of the Company's loans with SE Pharma (£2.1 million), Linkdex (£1.2 million) and Peerius (£277,000) following realisation events at these companies. In addition, the Company's investment in Big Data Partnership was sold to US listed technology company Teradata in July 2016 generating proceeds of £2.5m, a multiple of 1.5x cost.

Overall, the venture capital investment portfolio showed an uplift of £4.5 million, equivalent to 4.8p per share over the period. There were uplifts in value for, amongst others, MyOptique, Watchfinder and SPC International. A summary of the top 20 venture capital investments, by value, is provided in the Summary of Investment Portfolio on page 9.

POST PERIOD END PORTFOLIO ACTIVITY

In September 2016, the Company's investment in MyOptique was acquired by the leading French eyewear company Essilor for proceeds of £4.2 million. The uplift in valuation since the start of the year is reflected within the fair value of MyOptique as at 31 August 2016 and the disposal represented a realised gain above cost of £1.8 million.

INVESTMENT MANAGER'S REPORT

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The Company made two new investments in September 2016: £450,000 into ContactEngine, a software provider that automates its clients' customer communication, and £495,000 into Honeycomb.TV, a TV and video advertising management platform.

OUTLOOK

Despite the changes in VCT regulations, which have narrowed the range of potential investment opportunities for VCTs, and general increased competition across the venture capital market, we continue to experience a healthy flow of new investment opportunities for consideration. We have recently expanded our investment team with three new hires to ensure we can effectively manage and execute this dealflow.

The UK electorate's decision to leave the EU in the June Referendum has had limited effect to date although we expect the consequences of this decision to play out over years, rather than months. The businesses in which we invest, however, are constantly adapting to new challenges and their relative small size makes them adaptable in ways that larger companies are not. Additionally, as we have outlined in the past, smaller companies are generally less dependent on the wider economy for growth and can, with the right products and management team, prosper across the economic cycle.

This confidence is supported by the investment activity, both acquisitions and disposals, during the period under review and notably since the Referendum decision. We therefore enter the second half of the financial year with optimism for the investment portfolio as a whole.

Beringea LLP

8 November 2016

SUMMARY OF INVESTMENT PORTFOLIO

AS AT 31 AUGUST 2016

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio (by value)
Top twenty venture capital investments (by value)				
Watchfinder.co.uk Limited	2,629	6,342	824	6.3%
MyOptique Group Limited	2,420	4,311	1,891	4.3%
Monmouth Holdings Limited	4,000	3,880	(120)	3.9%
Pulpitum Limited	4,200	3,840	(93)	3.8%
Cogora Group Limited	2,643	3,805	147	3.8%
Monica Vinader Limited	534	3,468	–	3.5%
Litchfield Media Limited	3,580	3,460	(120)	3.4%
Perfect Channel Limited	2,635	2,907	175	2.9%
Think Limited	2,757	2,867	251	2.9%
Chargemaster plc	2,421	2,343	(79)	2.3%
Donatantonio Group Limited	1,177	2,293	(77)	2.3%
Third Bridge Group Limited	949	2,292	213	2.3%
SPC International Limited	386	2,240	1,044	2.2%
InContext Solutions, Inc	1,975	2,235	123	2.2%
Blis Media Limited	841	2,207	–	2.2%
MEL Topco Limited (t/a Maplin Electronics)	2,217	2,168	(297)	2.2%
Disposable Cubicle Curtains Limited	2,032	2,032	(245)	2.0%
Matsoft Limited	1,010	1,285	423	1.3%
Poq Studio Limited	1,125	1,125	–	1.1%
Response Tap Limited	1,060	1,060	(61)	1.1%
Other venture capital investments	12,253	7,676	528	7.7%
Total venture capital investments	52,844	63,836	4,527	63.7%
Cash at bank and in hand		36,329		36.3%
Total investments		100,165		100.0%

Other venture capital investments at 31 August 2016 comprise: 7Digital Group plc, APM Healthcare Limited, Celoxica Limited, Charterhouse Leisure Limited, Chess Technologies Limited, Conversity Limited, D30 Holdings Limited, Dianomi Limited, Inskin Media Limited, Macklin Holdings Limited, Network Locum Limited, Petergate Limited, Sealskinz Holdings Limited, Senseloxig Limited, Skills Matter Limited,

SUMMARY OF INVESTMENT PORTFOLIO

CONTINUED

Simplestream Limited, Steribottle Global Limited, Thread Inc., Utility Exchange Online Limited and Vigilant Applications Limited.

With the exception of 7Digital Group plc which is quoted on AIM, all venture capital investments are unquoted.

All of the above investments, with the exception of Macklin Holdings Limited, Monmouth Holdings Limited, Petergate Limited, SPC International Limited and Think Limited, were also held by ProVen Growth and Income VCT plc, of which Beringea LLP is the investment manager.

Blis Media Limited is also held by ProVen Planned Exit VCT plc, of which Beringea LLP was the investment manager until 31 March 2016 when ProVen Planned Exit VCT plc was placed into Members Voluntary Liquidation. The liquidator has agreed that Beringea LLP will continue to manage the investment in Blis Media Limited on behalf of ProVen Planned Exit VCT plc until it is sold.

All venture capital investments held at the period end are registered in England and Wales except for InContext Solutions, Inc., and Thread Inc., which are Delaware registered corporations in the United States of America and Petergate Limited which is registered in the Cayman Islands.

SUMMARY OF INVESTMENT MOVEMENTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

Investment activity during the six months ended 31 August 2016 is summarised as follows:

ADDITIONS

	Cost £'000
Poq Studio Limited	1,125
Thread Inc.	880
InContext Solutions, Inc	400
Network Locum Limited	358
Disposable Cubicle Curtains Limited	339
Big Data Partnership Limited	186
Other investments	2
Total	3,290

DISPOSALS

	Cost* £'000	Market value at 1 March 2016* £'000	Disposal proceeds £'000	Gain against cost £'000	Realised gain in period £'000
Big Data Partnership Limited	1,692	1,692	2,479	787	787
Speciality European Pharma Limited	2,052	2,052	2,052	–	–
Linkdex Limited	1,244	1,244	1,244	–	–
Peerius Limited	277	277	277	–	–
Celoxica Limited	132	132	132	–	–
Conversity Limited	85	–	85	–	85
Total	5,482	5,397	6,269	787	872

* Adjusted for purchases during the period

UNAUDITED CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	(unaudited) Six months ended 31 Aug 2016			(unaudited) Six months ended 31 Aug 2015			(audited) Year ended 29 Feb 2016
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	600	–	600	556	–	556	1,103
Gain on investments	–	5,422	5,422	–	957	957	6,419
Investment management fee	(252)	(755)	(1,007)	(172)	(515)	(687)	(1,318)
Performance incentive fee	–	(376)	(376)	–	(260)	(260)	(2,564)
Other expenses	(204)	(8)	(212)	(175)	(3)	(178)	(415)
Return on ordinary activities before taxation	144	4,283	4,427	209	179	388	3,225
Tax on ordinary activities	–	–	–	–	–	–	–
Return attributable to equity shareholders	144	4,283	4,427	209	179	388	3,225
Basic and diluted return per share	0.2p	4.5p	4.7p	0.3p	0.3p	0.6p	5.0p

All revenue and capital items in the above statement derive from continuing operations. The total column within this statement represents the Unaudited Condensed Income Statement of the Company.

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

The accompanying notes form an integral part of this half-yearly report.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2016

	(unaudited) 31 Aug 2016 £'000	(unaudited) 31 Aug 2015 £'000	(audited) 29 Feb 2016 £'000
Fixed assets			
Investments	63,836	47,850	61,500
Current assets			
Debtors	410	204	440
Cash at bank and in hand	36,329	17,571	27,755
	36,739	17,775	28,195
Creditors: amounts falling due within one year	(1,118)	(845)	(3,163)
Net current assets	35,621	16,930	25,032
Net assets	99,457	64,780	86,532
Capital and reserves			
Called up share capital	9,863	6,551	6,547
Capital redemption reserve	3,611	3,563	3,587
Share premium account	47,943	16,804	16,985
Share capital to be issued	–	–	20,576
Special reserve	19,528	26,319	24,457
Capital reserve – realised	6,775	3,854	7,019
Revaluation reserve	12,041	7,997	7,514
Revenue reserve	(304)	(308)	(153)
Total equity shareholders' funds	99,457	64,780	86,532
Basic and diluted net asset value per share	100.8p	98.9p	100.7p

The accompanying notes form an integral part of this half-yearly report.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

Six months ended 31 August 2016 (unaudited)

	Called up share capital £'000	Capital redemp- tion reserve £'000	Share premium account £'000	Share capital to be issued £'000	Special reserve £'000	Capital reserve – realised £'000	Re- valuation reserve £'000	Revenue reserve £'000	Total £'000
At 1 March 2016	6,547	3,587	16,985	20,576	24,457	7,019	7,514	(153)	86,532
Total comprehensive income	–	–	–	–	–	(244)	4,527	144	4,427
Share issue	3,340	–	30,958	(20,576)	–	–	–	–	13,722
Share issue costs	–	–	–	–	(1,063)	–	–	–	(1,063)
Purchase of own shares	(24)	24	–	–	(229)	–	–	–	(229)
Dividends paid	–	–	–	–	(3,637)	–	–	(295)	(3,932)
At 31 August 2016	9,863	3,611	47,943	–	19,528	6,775	12,041	(304)	99,457

Six months ended 31 August 2015 (unaudited)

	Called up share capital £'000	Capital redemp- tion reserve £'000	Share premium account £'000	Share capital to be issued £'000	Special reserve £'000	Capital reserve – realised £'000	Re- valuation reserve £'000	Revenue reserve £'000	Total £'000
At 1 March 2015	6,249	3,502	13,536	–	28,286	4,411	7,261	(189)	63,056
Total comprehensive income	–	–	–	–	–	(557)	736	209	388
Share issue	363	–	3,268	–	–	–	–	–	3,631
Share issue costs	–	–	–	–	(73)	–	–	–	(73)
Purchase of own shares	(61)	61	–	–	(586)	–	–	–	(586)
Dividends paid	–	–	–	–	(1,308)	–	–	(328)	(1,636)
At 31 August 2015	6,551	3,563	16,804	–	26,319	3,854	7,997	(308)	64,780

The special reserve, capital reserve - realised and revenue reserve are distributable reserves. The distributable reserves are reduced by losses of £2,938,000 (2015: £2,938,000) which are included in the revaluation reserve. Reserves available for distribution therefore amount to £23,061,000 (2015: £26,927,000).

The accompanying notes form an integral part of this half-yearly report.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Note	(unaudited) Six months ended 31 Aug 2016 £'000	(unaudited) Six months ended 31 Aug 2015 £'000	(audited) Year ended 29 Feb 2016 £'000
Net cash used in operating activities	A	(2,937)	(283)	(818)
Net cashflows from investing activities				
Purchase of investments		(3,290)	(4,779)	(21,604)
Disposal of investments		6,269	1,510	10,152
Net cash from investing activities		2,979	(3,269)	(11,452)
Net cashflows from financing activities				
Proceeds from share issues		13,191	3,433	3,433
Share issue costs		(1,063)	(73)	(72)
Purchase of own shares		(196)	(586)	(824)
Share capital to be issued		–	–	20,576
Equity dividends paid		(3,400)	(1,438)	(2,875)
Net cash from financing		8,532	1,336	20,238
Increase/(decrease) in cash and cash equivalents	B	8,574	(2,216)	7,968
Notes to the cash flow statement:				
A. Net cash used in operating activities				
Return on ordinary activities before taxation		4,427	388	3,225
Gain on investments		(5,314)	(957)	(6,419)
Decrease/(increase) in debtors		30	76	(166)
(Decrease)/increase in creditors		(2,080)	210	2,542
Net cash used in operating activities		(2,937)	(283)	(818)
B. Analysis of net funds				
Beginning of period/year		27,755	19,787	19,787
Net cash inflows/(outflows)		8,574	(2,216)	7,968
End of period/year		36,329	17,571	27,755

The accompanying notes form an integral part of this half-yearly report.

NOTES TO THE HALF-YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

Basis of preparation

The Company has prepared its financial statements under Financial Reporting Standard 102 ("FRS102") and in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the "SORP"), which was revised in November 2014 by the Association of Investment Companies.

The following accounting policies have been applied consistently throughout the period. Further details of principal accounting policies were disclosed in the Annual Report and Accounts for the year ended 29 February 2016.

a) *Presentation of Income Statement*

In accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in S274 of the Income Tax Act 2007.

b) *Investments*

Investments, including equity and loan stock, are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines ("IPEVCVG") issued in December 2015, together with FRS102.

The valuation methodologies used by the Directors for assessing the fair value of unquoted investments are as follows:

- investments are usually retained at cost for twelve months following investment, except where a company's performance against plan is significantly below the expectations on which the investment was made in which case a provision against cost is made as appropriate;
- where a company is in the early stage of development it will normally continue to be held at cost as the best estimate of fair value, reviewed for impairment on the basis described above;

- where a company is well established after an appropriate period, the investment may be valued by applying a suitable earnings or revenue multiple to that company's maintainable earnings or revenue. The multiple used is based on comparable listed companies or a sector but discounted to reflect factors such as the different sizes of the comparable businesses, different growth rates and the lack of marketability of unquoted shares;
- where a value is indicated by a material arms-length transaction by a third party in the shares of the company, the valuation will normally be based on this, reviewed for impairment as appropriate;
- where alternative methods of valuation, such as net assets of the business or the discounted cash flows arising from the business are more appropriate, then such methods may be used; and
- where repayment of the equity is not probable, redemption premiums will be recognised.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value. Methodologies are applied consistently from year to year except where a change results in a better estimate of fair value.

Where an investee company has gone into receivership or liquidation, or the loss in value below cost is considered to be permanent, or there is little likelihood of a recovery from a company in administration, the loss on the investment, although not physically disposed of, is treated as being realised.

All investee companies are held as part of an investment portfolio and measured at fair value. Therefore, it is not the policy for investee companies to be consolidated and any gains or losses arising from changes in fair value are included in the Unaudited Condensed Income Statement for the period as a capital item.

2. All revenue and capital items in the Unaudited Condensed Income Statement derive from continuing operations.
3. There are no other items of comprehensive income other than those disclosed in the Unaudited Condensed Income Statement.

NOTES TO THE HALF-YEARLY REPORT

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4. The Company has only one operating segment as reported to the Board of Directors in their capacity as chief operating decision makers and derives its income from investments made in shares, securities and bank deposits.
5. The comparative figures are in respect of the year ended 29 February 2016 and the six month period ended 31 August 2015.
6. Basic and diluted return per Ordinary Share for the period has been calculated on 94,571,828 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 98,633,058 Ordinary Shares, being the number of shares in issue at the period end.

8. DIVIDENDS

	Pence	(unaudited) Six months ended 31 Aug 2016			(unaudited) Six months ended 31 Aug 2015			(audited) Year ended 29 Feb 2016
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
2015 Final	2.5	–	–	–	328	1,308	1,636	1,636
2016 Interim	2.5	–	–	–	–	–	–	1,637
2016 Final	4.0	295	3,637	3,932	–	–	–	–
Total dividends paid		295	3,637	3,932	328	1,308	1,636	3,273

9. CONTINGENT LIABILITIES, GUARANTEES AND FINANCIAL COMMITMENTS

The Company has no contingent liabilities, guarantees or financial commitments at 31 August 2016.

10. CALLED UP SHARE CAPITAL

During the six months to 31 August 2016, 32,867,383 shares were issued with an aggregate nominal value of £3,286,738 pursuant to the offer for subscription dated 3 December 2015. The aggregate consideration for the shares was £33,767,059, which excluded share issue costs of £1,063,077.

Under the terms of the Company's Dividend Reinvestment Scheme, the Company allotted 536,437 shares to subscribing shareholders on 15 July 2016. The aggregate consideration for the shares was £531,609.

During the six months to 31 August 2016, the Company repurchased 244,467 shares for an aggregate consideration (net of costs) of £229,076 being an average price of 93.7p per share and which represented 0.4% of the Company's issued share capital at the start of the year. These shares were subsequently cancelled. Costs relating to the share repurchases amount to £1,150.

11. FINANCIAL INSTRUMENTS

Investments are valued at fair value as determined using the measurement policies described in note 1.

The Company has categorised its financial instruments that are measured subsequent to initial recognition at fair value, using the fair value hierarchy as follows:

Level 1: Reflects financial instruments that have been valued based on the unadjusted quoted price in an active market for identical assets.

Level 2: Reflects financial instruments that have been valued using valuation techniques with observable inputs.

Level 3: Reflects financial instruments that have been valued using valuation techniques with unobservable inputs.

	(unaudited) 31 Aug 2016				(audited) 29 Feb 2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
AIM quoted	26	–	–	26	32	–	–	32
Loan notes	–	–	24,248	24,248	–	–	28,696	28,696
Unquoted equity	–	–	37,379	37,379	–	–	31,561	31,561
Preference shares	–	–	2,183	2,183	–	–	1,211	1,211
Total	26	–	63,810	63,836	32	–	61,468	61,500

NOTES TO THE HALF-YEARLY REPORT

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12. CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the Directors there is no immediate or ultimate controlling party.

Malcolm Moss, a Director of the Company, is also a Partner of Beringea LLP. Beringea LLP was the Company's investment manager during the period. During the six months ended 31 August 2016, £1,007,000 was payable to Beringea LLP in respect of these services. At the period end the Company owed Beringea LLP £505,000.

From 13 January 2015 Beringea LLP was appointed Administration Manager of the Company. Fees paid to Beringea in its capacity as Administration Manager for the six months ended 31 August 2016 amounted to £28,000 of which £14,000 remained outstanding at the period end.

As the Company's investment manager, Beringea LLP is also entitled to receive a performance incentive fee based on the Company's performance for each financial year to 28 February. The performance incentive fee arrangements are set out, in detail, in the Annual Report and Accounts. For the year ending 28 February 2017, based on results to 31 August 2016, a performance incentive fee of £376,000 has been accrued. The actual performance incentive fee, if any, will only be payable once the full year results have been finalised. As a result, no performance incentive fee is payable at 31 August 2016.

Beringea LLP also acted as promoter for the share offers during the period. The fees in the period amount to £1,388,000 out of which it paid the costs of the offer including initial commissions. At the period end, the Company owed Beringea LLP £nil in respect of these services.

Beringea LLP may charge arrangement and exit fees, in line with industry practice to companies in which it invests. It may also receive directors fees or monitoring fees from investee companies. In the six month period to 31 August 2016 amounts of £33,200 and £224,000 were payable to Beringea LLP for arrangement fees and exit fees, respectively, under such arrangements. Directors and monitoring fees payable to Beringea LLP in the six month period to 31 August 2016 amounted to £324,000.

During the six months to 31 August 2016, an amount of £57,000 was payable to the Directors of the Company as remuneration for services. No amount was outstanding at the period end.

- 13.** The unaudited financial statements set out herein have not been subject to review by the auditor and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. They have therefore not been delivered to the Registrar of Companies. The figures for the year ended 29 February 2016 have been extracted from the financial statements for that period, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unmodified.
- 14.** The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with Financial Reporting Standard 104 issued by the Financial Reporting Council 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. 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)** investment risk arising from volatile stock market conditions and their potential effect on the value of the Company's venture capital investments and the exit opportunity for those investments; and
- (iii)** breach of VCT regulations.

NOTES TO THE HALF-YEARLY REPORT

CONTINUED

In the case of (i), the Board is satisfied with the Company's approach. The Investment Manager follows a rigorous process in vetting and careful structuring of new investments and, after an investment is made, close monitoring of the business. In respect of (ii), the Company seeks to hold a diversified portfolio. However, the Company's ability to manage this risk is quite limited, primarily due to the restrictions arising from the VCT regulations.

The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who reports regularly to the Board on the current position. The Company also retains Philip Hare & Associates LLP to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

16. GOING CONCERN

The Directors have reviewed the Company's financial resources at the period end and concluded 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.

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.

17. POST BALANCE SHEET EVENTS

In September 2016, the Company's investment in MyOptique was disposed for proceeds of £4.2 million, representing a realised gain of £1.8 million.

The Company made two new investments in September 2016: £450,000 into ContactEngine, a software provider that automates its clients' customer communication, and £495,000 into Honeycomb.TV, a TV and video advertising management platform.

SHAREHOLDER INFORMATION

SHARE PRICE

The Company's share prices can be found on various financial websites, including the London Stock Exchange (www.londonstockexchange.com) with the following TIDM/EPIC codes:

TIDM/EPIC code	PVN
Latest share price 7 November 2016	92.5p per share

A link to the share price is also available on Beringea's dedicated VCT website (www.provenvcts.co.uk).

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, Capita Registrars, on 0371 664 0324 (calls charged at 10p per minute plus network extras), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU.

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.

The Company currently operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. If you are considering selling your shares or trading them in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure").

Panmure are able to provide details of the price at which they will buy shares. Panmure can be contacted as follows:

Chris Lloyd – 020 7886 2716 chris.lloyd@panmure.com

Paul Nolan – 020 7886 2717 paul.nolan@panmure.com

SHAREHOLDER INFORMATION

CONTINUED

UNSOLICITED CALLS TO SHAREHOLDERS

We are aware of cases of Shareholders in other VCTs having received unsolicited phone calls, e-mails or correspondence concerning investment matters. Please note that it is very unlikely that the Company, Beringea or the Company Registrar, Capita Registrars, would make unsolicited telephone calls, or send e-mails, to Shareholders. Shareholders can, however, expect official documentation in connection with the Company and may receive details of investment activity and new VCT offers from the Investment Manager. Furthermore, please be assured that the Company limits access to its share register to the maximum extent permissible under the Companies Act 2006. If you receive either an unexpected phone call or correspondence about which you have concerns, please contact Beringea LLP, the Company Secretary, on **020 7845 7820**.

NOTIFICATION OF CHANGE OF ADDRESS

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Registrars, 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 Capital Asset Services' website www.capitaregistrars.com. Please note that to access this facility investors will need to quote the reference number shown on their share/dividend certificate.

COMPANY INFORMATION

DIRECTORS

Andrew Davison (Chairman)

Barry Dean

Malcolm Moss

Lorna Tilbian

all of:

39 Earlham Street

London WC2H 9LT

COMPANY SECRETARY AND ADMINISTRATION MANAGER

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London WC2H 9LT

Tel: 020 7845 7820

INVESTMENT MANAGER

Beringea LLP

39 Earlham Street

London WC2H 9LT

Tel: 020 7845 7820

www.provenvcts.co.uk

AUDITORS

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REGISTRAR

Capita Registrars

The Registry

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Beckenham BR3 4TU

Tel: 0371 664 0324

(calls charged 10p per minute plus network extras,

Lines open 8:30am to 5:30pm Monday to Friday)

VCT STATUS ADVISER

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CORPORATE BROKER

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Company number: 3911323

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