

# proven

**PROVEN VCT PLC**

**HALF-YEARLY REPORT**

For the Six Months Ended 31 August 2017



Managed by BERINGEA LLP



# PROVEN VCT PLC

## PRINCIPAL INVESTMENT OBJECTIVE

The Company's investment 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 permitted for liquidity management purposes

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



## FINANCIAL SUMMARY

	<b>31 August 2017</b>	<b>31 August 2016</b>	<b>28 February 2017</b>
Net asset value per share ("NAV")	101.8p	100.8p	106.3p
Dividends paid per share since conversion/consolidation*	29.0p	24.0p	26.5p
Total return (NAV plus dividends paid*)	130.8p	124.8p	132.8p

\* 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 2017.

## NET ASSET VALUE

During the six-month period, the net asset value ("NAV") per share decreased from 106.3p to 101.8p at 31 August 2017. Of the total decline of 4.5p, 2.5p reflected the dividend paid during the period.

## PORTFOLIO ACTIVITY AND VALUATION

During the six months to 31 August 2017, a total of £3.3 million was invested. This included £1.5 million into two new investments, Deepcrawl and Smart Assistant, and £1.8 million into existing portfolio companies to support their continued growth and development. In addition, shares in Netcall plc, with a value of £0.3 million, were received as part of the disposal of MatsSoft.

The period has seen a number of significant disposals with Third Bridge, MatsSoft and APM Healthcare all being fully realised in the six months to 31 August 2017. Aggregate proceeds of £9.3 million, including the value of Netcall plc shares received as part of the MatsSoft disposal, were generated on these three disposals. This represented a multiple of over 3.7x the combined cost of £2.5 million. In addition, the Company's loan balance with Celoxica was repaid in full in July 2017 and there were further loan repayments from Skills Matter and Conversity.

The venture capital investment portfolio showed a net unrealised loss for the six-month period of £3.1 million, predominantly as a result of valuation decreases for Blis Media and Maplin. These more than offset uplifts for, amongst others, Chess, Chargemaster and Watchfinder.

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

## RESULTS AND DIVIDENDS

The total loss on ordinary activities after taxation for the six-month period to 31 August 2017 was £1.9 million.

During the six-month period, a final dividend of 2.5p per share in respect of the year ended 28 February 2017 was paid on 14 July 2017 following shareholder approval at the Company's AGM.

On 11 October 2017, the Board declared a special interim dividend of 7.0p per share which will be paid on 17 November 2017 to shareholders on the register at 20 October 2017. This dividend arises from the

successful realisations of Third Bridge, MatsSoft and APM Healthcare and represents a cash return of 6.7% on the opening NAV per share at 1 March 2017, adjusted for the dividend paid in July 2017, of 103.8p.

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](http://www.provenvcts.co.uk) website or by contacting Beringea on 020 7845 7820. Shareholders will need to be registered for the DRIS prior to 20 October 2017 to be eligible to receive the forthcoming dividend as new shares.

### **FUND RAISING AND SHARE ISSUES**

During the period, the Company allotted 323,319 shares at 105.4p per share under the Company's DRIS in respect of the dividend paid on 14 July 2017.

In response to the continuing strong investor demand for VCT share issues, the Board announced on 11 October 2017 the intention to launch an offer for subscription for the Sterling equivalent of €5 million (approximately £4.4 million), the maximum amount allowed without the issue of a full prospectus.

Full details will be released in due course but the offer will be available exclusively to existing shareholders in ProVen VCT plc, ProVen Growth and Income VCT plc and ProVen Planned Exit VCT plc for an initial period after launch.

### **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 1,040,410 shares at an average price of 100.3p per share and for aggregate consideration (net of costs) of £1,043,567. This represented 1.1% of the shares in issue at the start of the period. The shares were subsequently cancelled.

### **BOARD APPOINTMENT**

I am pleased to announce the appointment of Neal Ransome to the Board effective from 1 October 2017.

Neal is a chartered accountant and was formerly a partner at PwC. He was Chief Operating Officer of PwC's Advisory business and led its Pharmaceutical and Healthcare Corporate Finance practice. Neal is also a director of Octopus AIM VCT plc. He was formerly a director of Parity Group plc, an AIM-listed

# CHAIRMAN'S STATEMENT

## CONTINUED

professional services company, and Quercus Healthcare, a property unit trust fund. He is also a Trustee and Council Member of the RSPB, the UK's largest nature conservation charity.

### **PATIENT CAPITAL REVIEW**

In late 2016, HM Treasury announced its intention to conduct a review of the availability and effectiveness of 'patient capital' investment in the UK. A consultation paper "Financing growth in innovative firms" was published in August 2017 and the consultation period closed on 22 September 2017.

The Investment Manager, supported by the Board, has been actively involved in the recent consultation. It has made a response to the consultation highlighting the considerable benefits of the VCT scheme to the UK economy and making suggestions about how the scheme could be improved. It has also contributed to the responses made by the VCT Association, which comprises a number of leading VCT Managers, of which it is a member, as well as contributing to responses made by industry bodies such as the AIC and the BVCA. The conclusions of the review are expected to be announced as part of the Budget, scheduled for 22 November 2017.

The recommendations from the consultation may result in material changes to the VCT scheme. We hope, however, that the significant contribution that VCTs make to the UK economy by providing patient capital to support the growth of innovative UK companies will be recognised in any of the Government's decisions arising from the consultation.

### **OUTLOOK**

It is encouraging to see the level of disposals achieved during the period, especially at valuations that result in significant gains for the Company. The current portfolio has a number of growing and vibrant companies, most of whom I believe should be able to succeed despite operating in rapidly changing conditions. However, it would be rash to expect them all to be unaffected should the global and UK economy falter. I therefore look forward to the second half of the year with cautious optimism.

### **Andrew Davison**

Chairman

19 October 2017

# 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 2017.

## INVESTMENT ACTIVITY AND PORTFOLIO VALUATION

At 31 August 2017, the Company's investment portfolio comprised 43 investments, of which 41 were unquoted, at a cost of £57.7 million and a valuation of £66.3 million. This represents an overall unrealised uplift on cost of £8.6 million or 14.8%.

During the period, the Company invested a further £3.3 million, comprising £1.5 million into two new companies and £1.8 million into four existing portfolio companies. In addition, shares in Netcall plc, with a value of £0.3 million, were received as part of the disposal of MatsSoft.

The new investments in Smart Assistant (£1.0 million), a provider of interactive guided selling software that assists the online buying process, and Deepcrawl (£0.5 million), a leading web crawler and search marketing analytics company, were both completed in July 2017.

The follow-on investments were made into Poq Studio (£1,125,000), Honeycomb.TV (£405,000), Perfect Channel (£150,000) and ContactEngine (£112,000) to support the continued growth and development of these companies.

The Company generated capital proceeds of £9.6 million, predominantly from the disposals of Third Bridge (£5.4 million), MatsSoft (£2.5 million) and APM Healthcare (£1.4 million). These disposals resulted in an aggregate gain of over £6.8 million on the original investment cost.

Third Bridge has been one of the Company's strongest performing portfolio companies over recent years, with revenues growing by over 6x during the Company's four and half year holding period. IK Investment Partners, a pan-European private equity company, acquired a minority stake in Third Bridge, allowing the Company to realise its investment in full at a multiple of over 5.7x cost and an annual rate of return of over 46%.

MatsSoft was acquired by AIM-listed Netcall plc. As part of the transaction, the Company received cash proceeds of £2.2m and shares in Netcall valued at £0.3 million, equivalent to a multiple of 2.4x cost. There is the potential for a further earn-out based on the performance of Netcall's share price over the next two years.

# INVESTMENT MANAGER'S REPORT

## CONTINUED

Overall, the venture capital investment portfolio showed an unrealised loss of £3.1 million, equivalent to 3.1p per share over the period. The unrealised loss was driven predominantly by valuation decreases for Blis Media, which was adversely impacted by declining advertising spend, Maplin, which faces challenging market conditions on the high street and from online competition, and Donatantonio, which has been affected by the depreciation in Sterling against the Euro.

There was strong performance and valuation increases from a number of companies, notably Chess, Chargemaster and Watchfinder, which continue to show strong revenue growth, but these were insufficient to offset the valuation decreases.

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**

Since 31 August 2017, the Company has invested £0.5 million in Been There Done That Global Limited, a provider of a tech-enabled platform that develops brand media strategies.

### **OUTLOOK**

We continue to see a healthy flow of new investment opportunities and expect to complete several of these before the end of the Company's financial year, as well as a number of follow-on investments into existing portfolio companies. However, we continue to remain highly selective about the opportunities we pursue and to subject these to thorough due diligence.

As well as submitting our own response to HM Treasury's consultation on patient capital and providing evidence to support the submissions from key industry bodies such as the AIC and BVCA, we also joined with a number of leading VCT managers to form the VCT Association to collate and submit evidence to demonstrate the effectiveness of the VCT scheme. The VCT Association will continue its lobbying and engagement to promote the advantages of VCTs and its work with the Treasury to improve the effectiveness of the scheme. We will remain a leading contributor to these initiatives, as well as engaging in our own efforts.

**Beringea LLP**

19 October 2017



# SUMMARY OF INVESTMENT PORTFOLIO

AS AT 31 AUGUST 2017

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio (by value)
<b>Top twenty venture capital investments (by value)</b>				
Watchfinder.co.uk Limited	2,629	8,824	449	8.7%
Perfect Channel Limited	3,159	4,912	102	4.8%
Chargemaster plc	2,421	4,203	1,058	4.1%
Think Limited	2,757	3,999	260	4.0%
Chess Technologies Limited	1,045	3,890	1,851	3.9%
Monmouth Holdings Limited	4,000	3,736	(73)	3.7%
Monica Vinader Limited	534	3,679	–	3.7%
Rapid Charge Grid Limited	4,200	3,630	(217)	3.6%
Litchfield Media Limited	3,580	3,331	(58)	3.3%
Disposable Cubicle Curtains Limited	2,032	2,642	17	2.6%
Cogora Group Limited	2,643	2,387	(585)	2.4%
Poq Studio Limited	2,250	2,250	–	2.2%
Infinity Reliance Limited (t/a My 1st Years)	2,155	2,155	–	2.2%
Whistle Sports, Inc.	2,090	2,090	–	2.1%
Thread, Inc.	1,477	1,477	–	1.5%
Donatantonio Group Limited	1,078	1,265	(662)	1.3%
InContext Solutions, Inc.	1,976	1,202	(337)	1.2%
MEL Topco Limited (t/a Maplin Electronics)	2,217	1,073	(1,179)	1.1%
Response Tap Limited	1,060	1,071	11	1.1%
Smart Information Systems GmbH (t/a Smart Assistant)	986	986	–	1.0%
Other venture capital investments	13,458	7,481	(3,698)	7.4%
<b>Total venture capital investments</b>	<b>57,747</b>	<b>66,283</b>	<b>(3,061)</b>	<b>65.9%</b>
Cash at bank and in hand		34,252		34.1%
<b>Total investments</b>		<b>100,535</b>		<b>100.0%</b>

Other venture capital investments at 31 August 2017 comprise: 7Digital Group plc, Blis Media Limited, Buckingham Gate Financial Services Limited, Charterhouse Leisure Limited, ContactEngine Limited, Conversy Limited, D30 Holdings Ltd, Dianomi Limited, Firefly Learning Limited, Honeycomb.TV Limited, Inskin Media Limited, Macklin Holdings Limited, Network Locum Limited, Sealskinz Holdings Limited,

# SUMMARY OF INVESTMENT PORTFOLIO

CONTINUED

Senselogix Limited, Simplestream Limited, Skills Matter Limited, SPC International Limited, Steribottle Global Limited, TVPlayer Limited, Utility Exchange Online Limited, Vigilant Applications Limited and Written Byte Limited (t/a Deepcrawl).

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

All of the above investments, with the exception of Macklin Holdings Limited, Monmouth Holdings 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 are registered in England and Wales except for InContext Solutions, Inc., Thread, Inc. and Whistle Sports, Inc. which are Delaware registered corporations in the United States of America and Smart Information Systems GmbH, which is registered in Austria.

# SUMMARY OF INVESTMENT MOVEMENTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2017

Investment activity during the six months ended 31 August 2017 is summarised as follows:

## ADDITIONS

	<b>Cost £'000</b>
Poq Studio Limited	1,125
Smart Information Systems GmbH (t/a Smart Assistant)	986
Written Byte Limited (t/a Deepcrawl)	488
Honeycomb.TV Limited	405
Netcall plc*	287
Perfect Channel Limited	150
ContactEngine Limited	112
<b>Total</b>	<b>3,553</b>

## DISPOSALS

	<b>Cost £'000</b>	<b>Market value at 1 March 2017 £'000</b>	<b>Disposal proceeds £'000</b>	<b>Gain against cost £'000</b>	<b>Realised gain in period £'000</b>
Third Bridge Group Limited	949	3,767	5,432	4,483	1,665
MatsSoft Limited*	1,010	1,474	2,454	1,444	980
APM Healthcare Limited	500	986	1,382	882	396
Celoxica Limited	118	118	118	–	–
Conversity Limited	86	–	94	8	94
Skills Matter Limited	79	79	79	–	–
<b>Total</b>	<b>2,742</b>	<b>6,424</b>	<b>9,559</b>	<b>6,817</b>	<b>3,135</b>

\*MatsSoft Limited was disposed of during the period. As part of the disposal, the Company received shares in Netcall plc valued at £287,000 on the date of the disposal. The Netcall plc shares are shown as an addition and disposal, as part of the MatsSoft Limited disposal proceeds, in the tables above.

# UNAUDITED CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 AUGUST 2017

	(unaudited) Six months ended 31 Aug 2017			(unaudited) Six months ended 31 Aug 2016			(audited) Year ended 28 Feb 2017
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	524	–	524	600	–	600	949
Gains on investments	–	74	74	–	5,422	5,422	14,134
Investment management fee	(272)	(815)	(1,087)	(252)	(755)	(1,007)	(1,994)
Performance incentive fee	–	(1,118)	(1,118)	–	(376)	(376)	(426)
Other expenses	(319)	(9)	(328)	(204)	(8)	(212)	(436)
<b>(Loss)/return on ordinary activities before taxation</b>	<b>(67)</b>	<b>(1,868)</b>	<b>(1,935)</b>	<b>144</b>	<b>4,283</b>	<b>4,427</b>	<b>12,227</b>
Tax on ordinary activities	–	–	–	–	–	–	–
<b>(Loss)/return attributable to equity shareholders</b>	<b>(67)</b>	<b>(1,868)</b>	<b>(1,935)</b>	<b>144</b>	<b>4,283</b>	<b>4,427</b>	<b>12,227</b>
<b>Basic and diluted (loss)/return per share</b>	<b>(0.1p)</b>	<b>(1.9p)</b>	<b>(2.0p)</b>	<b>0.2p</b>	<b>4.5p</b>	<b>4.7p</b>	<b>12.7p</b>

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 2017

	(unaudited) 31 Aug 2017 £'000	(unaudited) 31 Aug 2016 £'000	(audited) 28 Feb 2017 £'000
<b>Fixed assets</b>			
Investments	66,283	63,836	72,216
<b>Current assets</b>			
Debtors	676	410	592
Cash at bank and in hand	34,252	36,329	33,210
	<b>34,928</b>	<b>36,739</b>	<b>33,802</b>
<b>Creditors:</b> amounts falling due within one year	(1,565)	(1,118)	(1,279)
Net current assets	33,363	35,621	32,523
<b>Net assets</b>	<b>99,646</b>	<b>99,457</b>	<b>104,739</b>
<b>Capital and reserves</b>			
Called up share capital	9,784	9,863	9,856
Capital redemption reserve	3,757	3,611	3,653
Share premium account	48,560	47,943	48,252
Special reserve	13,168	19,528	16,666
Capital reserve – realised	15,281	6,775	10,406
Revaluation reserve	9,586	12,041	16,329
Revenue reserve	(490)	(304)	(423)
<b>Total equity shareholders' funds</b>	<b>99,646</b>	<b>99,457</b>	<b>104,739</b>
<b>Basic and diluted net asset value per share</b>	<b>101.8p</b>	<b>100.8p</b>	<b>106.3p</b>

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 2017

## Six months ended 31 August 2017 (unaudited)

	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share capital to be issued £'000	Special reserve £'000	Capital reserve – realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
<b>At 1 March 2017</b>	<b>9,856</b>	<b>3,653</b>	<b>48,252</b>	–	<b>16,666</b>	<b>10,406</b>	<b>16,329</b>	<b>(423)</b>	<b>104,739</b>
Total comprehensive income	–	–	–	–	–	4,875	(6,743)	(67)	(1,935)
Issue of new shares	32	–	308	–	–	–	–	–	340
Share buybacks and cancellation	(104)	104	–	–	(1,049)	–	–	–	(1,049)
Dividends paid	–	–	–	–	(2,449)	–	–	–	(2,449)
<b>At 31 August 2017</b>	<b>9,784</b>	<b>3,757</b>	<b>48,560</b>	–	<b>13,168</b>	<b>15,281</b>	<b>9,586</b>	<b>(490)</b>	<b>99,646</b>

## Six months ended 31 August 2016 (unaudited)

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

The special reserve, capital reserve – realised and revenue reserve are distributable reserves. The distributable reserves are reduced by losses of £1,042,000 (2016: £1,042,000) which are included in the revaluation reserve. Reserves available for distribution therefore amount to £26,917,000 (2016: £24,957,000).

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 2017

	Note	(unaudited) Six months ended 31 Aug 2017 £'000	(unaudited) Six months ended 31 Aug 2016 £'000	(audited) Year ended 28 Feb 2017 £'000
<b>Net cash used in operating activities</b>	<b>A</b>	<b>(1,702)</b>	<b>(2,937)</b>	<b>(4,140)</b>
<b>Cash flows from investing activities</b>				
Purchase of investments		(3,453)	(3,290)	(10,181)
Sale of investments		9,272	6,269	13,874
<b>Net cash from investing activities</b>		<b>5,819</b>	<b>2,979</b>	<b>3,693</b>
<b>Cash flows from financing activities</b>				
Proceeds from share issue		–	13,191	33,767
Share issue costs		–	(1,063)	(1,063)
Purchase of own shares		(967)	(196)	(710)
Share capital to be issued		–	–	(20,576)
Equity dividends paid		(2,108)	(3,400)	(5,516)
<b>Net cash (used in)/from financing</b>		<b>(3,075)</b>	<b>8,532</b>	<b>5,902</b>
<b>Increase in cash and cash equivalents</b>	<b>B</b>	<b>1,042</b>	<b>8,574</b>	<b>5,455</b>
<b>Notes to the cash flow statement:</b>				
<b>A. Cash used in operating activities</b>				
(Loss)/return on ordinary activities before taxation		(1,935)	4,427	12,227
Gain on investments		(74)	(5,314)	(14,134)
(Increase)/decrease in payments, accrued income and other debtors		(84)	30	(241)
Increase/(decrease) in accruals and other creditors		391	(2,080)	(1,992)
Net cash used in operating activities		<b>(1,702)</b>	<b>(2,937)</b>	<b>(4,140)</b>
<b>B. Analysis of net funds</b>				
Beginning of period/year		33,210	27,755	27,755
Net cash inflows		1,042	8,574	5,455
End of period/year		<b>34,252</b>	<b>36,329</b>	<b>33,210</b>

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 2017

## 1. ACCOUNTING POLICIES

### *Basis of accounting*

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") issued by the Association of Investment Companies ("AIC") which was revised in January 2017.

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 28 February 2017.

### a) *Presentation of Income Statement*

In order to better reflect the activities of an investment company and, in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue return attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

### b) *Investments*

Investments, including equity and loan stock, are recognised at their trade date and measured at "fair value through profit or loss" 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 ("IPEV Guidelines") issued in December 2015, together with Sections 11 and 12 of FRS102.

Publicly traded investments are measured using bid prices in accordance with the IPEV Guidelines.



### *Key judgements and estimates*

The valuation methodologies used by the Directors for estimating 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

# NOTES TO THE HALF-YEARLY REPORT

## CONTINUED

arising from changes in fair value are included in the Unaudited Condensed Income Statement for the period as a capital item.

Gains and losses arising from changes in fair value are included in the Unaudited Condensed Income Statement for the period as a capital item and transaction costs on acquisition or disposal of the investment are expensed.

Investments are derecognised when the contractual rights to the cash flows from the asset expire or the Company transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.
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 28 February 2017 and the six-month period ended 31 August 2016.
6. Basic and diluted return per share for the period has been calculated on 98,357,659 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 97,845,882 shares, being the number of shares in issue at the period end.

## 8. DIVIDENDS

		(unaudited) Six months ended 31 Aug 2017			(unaudited) Six months ended 31 Aug 2016			(audited) Year ended 28 Feb 2017
	Pence	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
2016 Final	4.0	–	–	–	295	3,637	3,932	3,932
2017 Interim	2.5	–	–	–	–	–	–	2,460
2017 Final	2.5	–	2,449	2,449	–	–	–	–
<b>Total dividends paid</b>		–	<b>2,449</b>	<b>2,449</b>	<b>295</b>	<b>3,637</b>	<b>3,932</b>	<b>6,392</b>

## 9. CONTINGENT LIABILITIES, GUARANTEES AND FINANCIAL COMMITMENTS

The Company has no contingent liabilities, guarantees or financial commitments at 31 August 2017.

## 10. CALLED UP SHARE CAPITAL

Under the terms of the Company's Dividend Reinvestment Scheme, the Company allotted 323,319 shares to subscribing shareholders on 14 July 2017. The aggregate consideration for the shares was £340,778.

During the six months to 31 August 2017, the Company repurchased 1,040,410 shares for an aggregate consideration (net of costs) of £1,043,567 being an average price of 100.3p per share and which represented 1.1% of the Company's issued share capital at the start of the year. These shares were subsequently cancelled. Costs relating to the share repurchases amounted to £5,240.

## 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 instruments quoted in an active market.

# NOTES TO THE HALF-YEARLY REPORT

CONTINUED

**Level 2** Reflects financial instruments that have been valued using inputs, other than quoted prices, that are observable.

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

	(unaudited) 31 August 2017				(audited) 28 February 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
AIM quoted	311	–	–	311	33	–	–	33
Loan notes	–	–	19,354	19,354	–	–	21,815	21,815
Unquoted equity	–	–	38,047	38,047	–	–	45,884	45,884
Preference shares	–	–	8,571	8,571	–	–	4,484	4,484
<b>Total</b>	<b>311</b>	<b>–</b>	<b>65,972</b>	<b>66,283</b>	<b>33</b>	<b>–</b>	<b>72,183</b>	<b>72,216</b>

## 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 2017, £1,087,000 was payable to Beringea LLP in respect of these services. At the period end the Company owed Beringea LLP £178,000.

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 2017 amounted to £29,000 of which £15,000 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 2018, a performance incentive fee of £1,118,000 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 2017.

Beringea LLP may charge arrangement fees, in line with industry practice, to companies in which it invests. It may also receive directors fees or monitoring fees from investee companies. These costs

are borne by the investee company and not the Company. In the six-month period to 31 August 2017, £157,000 was payable to Beringea LLP for arrangement fees under such arrangements. Directors and monitoring fees payable to Beringea LLP in the six-month period to 31 August 2017 amounted to £318,000.

During the six months to 31 August 2017, an amount of £61,000 was payable to the Directors of the Company as remuneration for services provided to the Company. 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 28 February 2017 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 unqualified.
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.

# NOTES TO THE HALF-YEARLY REPORT

## CONTINUED

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.

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 (iii) 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](http://www.provenvcts.co.uk).

## **17. POST BALANCE SHEET EVENTS**

Since 31 August 2017, the Company has invested £0.5 million in Been There Done That Global Limited, a provider of a tech-enabled platform that develops brand media strategies.

Effective from 1 October 2017, Neal Ransome was appointed as Director of the Company.

On 11 October 2017, the Board declared an interim dividend of 7.0p per share which will be paid on 17 November 2017 to shareholders on the register at 20 October 2017.

On 11 October 2017, the Board announced the intention to launch an offer for subscription for the Sterling equivalent of €5 million (approximately £4.4 million). Full details will be released in due course.

# SHAREHOLDER INFORMATION

## SHARE PRICE

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

TIDM/EPIC code	PVN
Latest share price 18 October 2017	100.5p per share

A link to the share price is also available on Beringea's dedicated VCT website ([www.provenvcts.co.uk](http://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, by calling 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 via a stockbroker. Shareholders are advised to seek advice from their tax adviser, before selling shares.

The Company 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 is able to provide details of close periods (when the Company is prohibited from buying in shares) and of the price at which they will buy shares. Panmure can be contacted as follows:

Chris Lloyd – 020 7886 2716 [chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)

Paul Nolan – 020 7886 2717 [paul.nolan@panmure.com](mailto:paul.nolan@panmure.com)



### **UNSOLICITED COMMUNICATION WITH SHAREHOLDERS**

We are aware of cases in previous years of Shareholders in VCTs having received unsolicited telephone 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 the Company's share register by third parties to the maximum extent permissible under the Companies Act 2006. If you receive either an unexpected telephone 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 and Half-Yearly Reports 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 Capital Asset Services' website [www.signalshares.com](http://www.signalshares.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

Neal Ransome

Lorna Tilbian

all of:

39 Earlham Street

London WC2H 9LT

## **COMPANY SECRETARY AND ADMINISTRATION MANAGER**

Beringea LLP

39 Earlham Street

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](http://www.provenvcts.co.uk)

## **AUDITORS**

BDO LLP

Baker Street

London W1U 7EU

## **REGISTRAR**

Capita Registrars

The Registry

34 Beckenham Road

Beckenham BR3 4TU

Tel: 0371 664 0324

(calls cost 10p per minute plus network extras)

[www.capitaregistrars.com](http://www.capitaregistrars.com)

## **VCT STATUS ADVISER**

Philip Hare & Associates LLP

Suite C – First Floor

4-6 Staple Inn

Holborn

London WC1V 7QH

## **SOLICITORS**

Howard Kennedy LLP

No. 1 London Bridge

London SE1 9BG

## **PRINCIPAL BANKERS**

Royal Bank of Scotland

London Victoria Branch

119/121 Victoria Street

London SW1E 6RA

## **CORPORATE BROKER**

Panmure Gordon (UK) Limited

One New Change

London EC4M 9AF

Company number: 3911323

Registered Office

39 Earlham Street

London WC2H 9LT



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