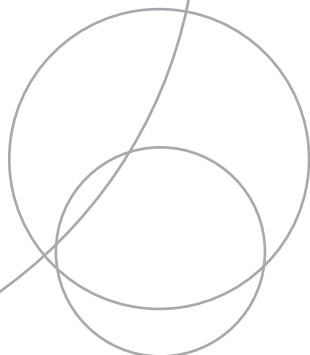
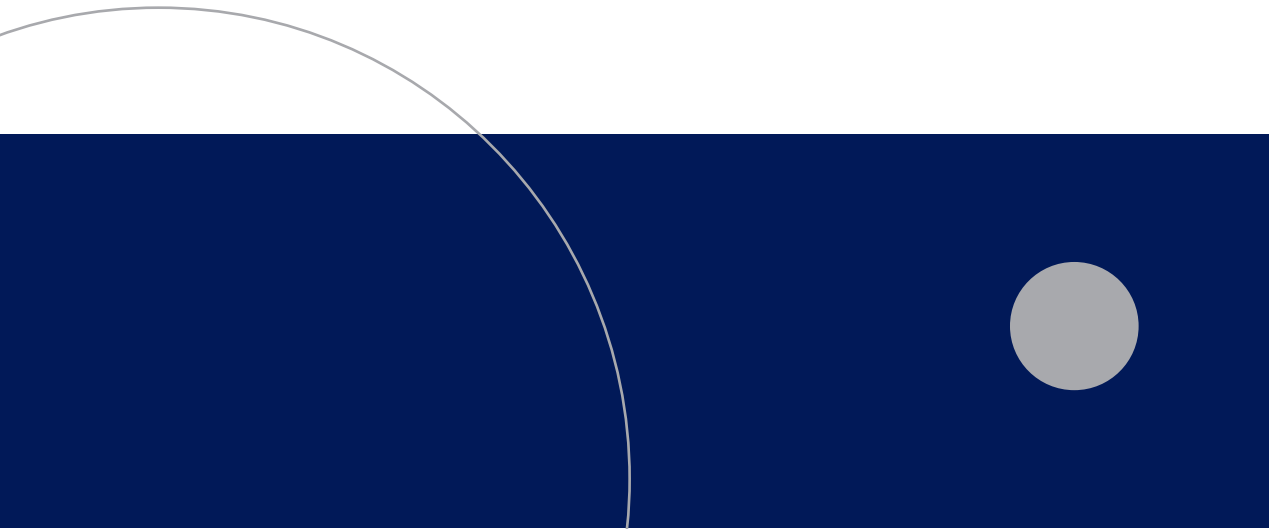


ProVen VCT plc

Report and Accounts

For the year ended
29 February 2004



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Financial Summary

	Year ended 29 February 2004	Year ended 28 February 2003	Year ended 28 February 2002	Period ended 28 February 2001
Revenue return per share for the year	0.2p	1.2p	2.4p	2.8p
Total return per share for the year	30.8p	(16.1)p	(5.2p)	3.6p
Distribution per share	3.5p	1.0p	2.3p	2.4p
Cumulative distributions per share	9.2p	5.7p	4.7p	2.4p
Net asset value per share	98.7p	71.4p	88.4p	96.0p
NAV total return (net asset value plus cumulative distributions per share)	107.9p	77.1p	93.1p	98.4p
Mid-market price per share	70.0p	65.0p	90.0p	100.0p
Shareholders' funds (£000)	21,521	15,639	19,406	21,084

Investment Objective

ProVen VCT plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The company's principal objectives as set out in the prospectus are to maximise tax-free capital and income returns to shareholders, over a five to ten year period, by investing in a portfolio consisting mainly of qualifying investments in established smaller UK companies with good growth prospects.

Shareholder Information

THE COMPANY

ProVen VCT plc was incorporated on 18 January 2000. In April 2000, the company obtained a listing on the London Stock Exchange, having raised approximately £22 million (before expenses) through an offer for subscription of new ordinary shares at 100p. The company has been provisionally approved as a Venture Capital Trust by the Inland Revenue. In March and April 2004 the company raised a further £1,054,314 (excluding issue costs of £57,987) through an offer for subscription.

THE MANAGER

ProVen VCT plc is managed by Beringea Limited, an independent fund management company based in London. Beringea is part of the Beringea Group, which currently manages or advises venture capital funds totalling approximately £100 million, including ProVen Media VCT plc.

VENTURE CAPITAL TRUSTS

Venture Capital Trusts (VCTs) were introduced in the Finance Act 1995 and are intended to provide a means whereby individual investors can invest in small unquoted trading companies in the UK, with incentives in the form of a number of tax benefits. The range of benefits available to investors includes:

- income tax relief at 20% on new subscriptions;
- deferral of tax on certain chargeable gains to the extent the gain is re-invested in new shares in a VCT;
- exemption from income tax on dividends paid by VCTs (such dividends may include the VCT's capital gains as well as its income); and
- exemption of capital gains tax on disposals of shares in VCTs.

ProVen VCT has been provisionally approved as a VCT by the Inland Revenue. In order to maintain its approval the company must comply with certain requirements on a continuing basis; in particular, within three years from the date of provisional approval at least 70% by value of the company's investments must comprise "qualifying holdings", of which at least 30% by value must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company which is carrying on a qualifying trade and whose gross assets do not exceed £15 million at the time of investment. For the purposes of these criteria, unquoted companies include companies whose shares are traded on the Alternative Investment Market.

As with investment trusts, capital gains accruing to VCTs are not chargeable gains for Corporation Tax purposes.

From 6 April 2004 for an initial period of two years, investors in a VCT will benefit from income tax relief at 40% on new subscriptions up to £200,000 in any one year. There will, however, be no capital gains tax defer al. Dividend and capital gains on sale of shares will continue to be tax free.

FINANCIAL CALENDAR

Annual general meeting 2004	15 July 2004
Interim report for six months to 31 August 2004 published	October/November 2004
Preliminary announcement of results for the year to 28 February 2005	May 2005
Annual general meeting 2005	July/August 2005

SHARE PRICE

The mid-market price of shares in ProVen VCT plc is reported daily in the Financial Times and appears under the heading "Investment Companies".

Chairman's Statement

Introduction

I have pleasure in presenting the annual report and accounts for your company for the year ended 29 February 2004. The year has been marked by an improving economic climate and the prospects for venture capital investment in your company's target markets are positive.

In February 2004, the directors offered new and existing investors the opportunity to subscribe for new shares in your company. Your Board believes that this was in the best long term interests of your company and I am pleased to report that over £1 million was subscribed. The investment manager will be looking to invest these new funds in companies that meet the criteria that have provided what is becoming a successful portfolio.

Investment Portfolio

Having reached the VCT qualifying investment total at the end of the previous financial year, the current year's investment activity has intentionally been somewhat slower. Nonetheless, your company still made two new investments totalling £1.75 million and follow-on investments in existing portfolio companies of £500,000. Financial markets improved significantly during the year and the investment manager took the opportunity to realise AIM investments with a cost of £756,000, generating a net profit of £678,000.

Since the year end one new investment, one follow-on investment and further AIM realisations have been made. Together this activity has brought the qualifying investments total to 83% as of today's date, comfortably in excess of the 70% required by the venture capital trust regulations.

At the balance sheet date your company had a portfolio of 25 companies with a cost of £17.2 million and a valuation of £19.7 million. The value of the portfolio increased by 50% compared to a rise of 28% in the FTSE All Share Index.

The performance of a number of companies has been highly encouraging. In particular, Espotting Media, a performance based internet advertising business has expanded rapidly and has agreed terms to merge with US NASDAQ listed FindWhat.com. This transaction is expected to complete in July this year. The valuations of a number of other investments have also increased following strong and consistent performance.

Further details on the portfolio activity are set out in the Investment Manager's Review and in the analysis of the ten largest venture capital investments.

Net Asset Value & Dividends

The net asset value per share at 29 February 2004 before taking into account the proposed distribution was 102.2p per share. This represents an increase of 43% over the net asset value at 28 February 2003 and an increase of 8% over the initial launch price of 95p per share. Additionally your company had paid cumulative dividends, since inception and prior to the proposed distribution, of 5.7p per share. The NAV total return of 107.9p per share since the listing is significantly in excess of the performance of public equity markets over the same period.

The revenue account shows a surplus of £37,000. This balance has been retained for use within your company. In line with your company's objective of maximising tax-free returns to shareholders, the Directors propose a capital distribution of 3.5p per share for the year ended 29 February 2004 to be paid on 16 July 2004 to shareholders on the register at 25 June 2004, except that shares allotted pursuant to the Offer for Subscription dated 16 February 2004 are not eligible for this distribution.

Share Buy Backs

During the year your company purchased 121,720 shares in the market at a cost of £77,581, representing a discount of 17% to the published net asset value at the time of the purchases. In order to maintain your

company's ability to purchase its own shares where this is in the interests of shareholders, the Board will at the forthcoming annual general meeting once again be seeking shareholder approval to renew its authority to purchase shares in the market. Any shareholder wishing to sell shares should contact Downing Corporate Finance in the first instance. Contact details are on page 6 of this Annual Report.

Board Changes

On 16 May 2003, Gordon Power resigned from the Board of your company and was replaced by Alexander Spiro Jr, a Senior Managing Director of Beringea LLC, the investment manager's US parent company.

Owing to other commitments Tom Sooke resigned from the Board on 1 June 2004. I and the rest of the Board would like to thank him very much for all his support and advice over the past four years.

Prospects

The prospects for unquoted companies, generally, appear more attractive than they have done for some time. Low inflation and low interest rates together with a supportive economy should provide a solid foundation from which well managed smaller companies can develop. The investment manager continues to invest significant amounts of time working directly with the portfolio companies and the results of these efforts have already started to show through. The portfolio of your company appears to be maturing well. The additional funds provided by the recent subscription offer will also enable the investment manager to make further investments in your company's target markets where suitable opportunities arise. The Board believes that given a supportive economy for the portfolio to continue to thrive, your company is well positioned for the future.

Annual General Meeting

The annual general meeting will be held at 11.00 a.m. on 15 July 2004 at the Covent Garden Hotel, 10 Monmouth Street, London WC2H 9HB. I look forward to meeting those shareholders that are able to attend.

A handwritten signature in dark blue ink that reads "Andrew Davison".

Andrew Davison
Chairman

2 June 2004

Management and Administration

Registered Office & Registered Number

17-18 Henrietta Street
London WC2E 8QH
Registered in England & Wales
No. 3911323
Tel: 020 7845 7820

Investment Manager

Beringea Limited
17-18 Henrietta Street
London WC2E 8QH
info@beringea.co.uk

Beringea Limited is authorised and regulated
by the Financial Services Authority

VCT Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6NN

Auditors

Deloitte & Touche LLP
London

Registrar

Capita Registrars Plc
(formerly Northern Registrars)
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Tel: 0870 162 3131

Company Secretary

C L Whitten FCIS
Woodside Secretaries Limited
Third Floor
36 Dover Street
London W1S 4NH

Financial Adviser

Downing Corporate Finance Limited
69 Eccleston Square
London SW1V 1PJ
Tel: 020 7416 7780
info@downing.co.uk

Directors

Andrew Davison FCA (Chairman), aged 61, is chairman of Pennine Downing Ethical VCT plc and City of London Investment Management Group PLC and is currently on the boards of a number of quoted and unquoted companies including ProVen Media VCT plc. He was formerly chairman and chief executive of Business Mortgages Trust plc from 1987 to 1991. He joined County Bank Limited in 1972 and by 1984 had become managing director of NatWest Ventures Limited, which specialised in unquoted investments. He is a former council member of the British Venture Capital Association.

Nicholas Lewis MA MSc (48) is a director of Downing Corporate Finance Limited, which he founded in 1986. Downing specialises in promoting and administering tax based investments, having raised over £200 million since 1992. He was a founding director of HIT Entertainment PLC in 1989. He is currently a director of ten other VCTs, including ProVen Media VCT plc, which together have raised over £130 million. He was formerly with NatWest Ventures Limited and before that with Apax Partners and Co. Limited.

Ernest Sharp FCA (73) is a director of Guinness Flight Venture Capital Trust PLC and Henry J Bean's Group PLC. For ten years, up until 1995, he was a member of the Investment Board of Electra Candover Direct Investment Plan.

Alexander Spiro, Jr. (56) is a senior managing director of Beringea LLC, an investment banking and fund management group based in Michigan, USA that is the ultimate parent company of Beringea Limited. He is responsible for the business development of the Beringea Group and is a member of the advisory board of Investcare Partners, a limited partnership fund managed by Beringea LLC that invests in venture capital opportunities in the healthcare sector. Prior to joining Beringea LLC he spent more than 30 years as an entrepreneur in the healthcare sector.

All directors are non-executive.

Audit Committee: Andrew Davison, Nicholas Lewis, Ernest Sharp

Investment Manager's Review

Introduction

This review covers the year to 29 February 2004 during which financial markets in general, and venture capital markets in particular, improved from a low point at the start of the year. Having reached the VCT qualifying investment target at the end of the previous financial year, our focus this year has largely been on maximising value from the existing portfolio. We adopt a "hands-on" approach to this task. We usually take a seat on the portfolio company's board and liaise regularly with senior management, providing guidance, contributing to the development of strategy and generally monitoring the progress of the investment.

The qualifying investment total at 29 February 2004 and at the date of this report was 83%, comfortably above the 70% target required by the Venture Capital Trust regulations.

Portfolio Activity

A total of £1.75 million was invested in two new companies and a further £500,000 in follow-on investments. This slow down in activity compared to previous years reflects the fact that the company had, by the end of the previous year, comfortably exceeded the VCT qualifying target. The investments are discussed below.

Zenith Group Limited

Television production company

In March 2003, ProVen VCT invested £800,000 alongside other Beringea managed funds in the management buyout of this leading independent television production company. Zenith's successes include *Inspector Morse*, *Byker Grove* and *CD:uk*.

SPC International Limited

Hardware support services

SPC specialises in the repair and refurbishment of electronic equipment in the IT, banking and retail sectors. ProVen VCT invested £950,000 in June 2003 in a secondary management buyout.

Cardpoint plc

Independent ATM operator

ProVen VCT invested a further £250,000 at 53p per share in the heavily oversubscribed Placing & Open Offer in June 2003. This raised funds of £6 million to enable Cardpoint to acquire the ATM estate of Securicor Corporation.

Espresso Broadband Limited

Development & delivery of educational material to schools

Proven VCT invested a further £94,000 in March 2003 and £92,000 in September 2003 to support the further development of Espresso. The company has made substantial progress in the last year and in 2004 won two prestigious industry awards for its online educational resources. Since the year end ProVen VCT has invested a further £127,000.

Spotting Media (UK) Limited

Performance based internet advertising

ProVen VCT invested a further £63,000 in September 2003 to meet short term working capital requirements. During the year the company announced a merger with US NASDAQ listed FindWhat.com, more details of which are provided below.

We took the opportunity provided by a strong rise in the respective share prices to realise part of the company's holdings in Cardpoint, Centurion Electronics and Pilat Media generating average returns of 117%, 219% and 53% respectively. We also realised a loss on part of the company's holding in I D Data. In total the company made net realised gains of £678,000.

In June 2003, the management of AIM-listed Sport Entertainment & Media Group (SEM) offered 27.5p to existing shareholders to take SEM into private ownership. The transaction was concluded in July 2003 and ProVen VCT converted its holding in SEM into ordinary shares in the new company, Sports Holdings Limited.

Since 29 February 2004, we have taken advantage of further share price increases and sold the remainder of the company's holding in Centurion and made sales of Pilat Media and VI Group. Additionally an offer by BT for the entire capital of Transcomm was concluded and as a result the company's holding in this company has now been realised.

Portfolio Valuation

At 29 February 2004, the company's unquoted and AIM portfolio comprised twenty five companies with a total cost of £17.2 million and a value of £19.7 million. The company also held £2.1 million in cash. Full details are shown on page 10.

In overall terms the unquoted and AIM portfolio increased in value by 50% compared to a rise of 28% in the FTSE All Share Index

The company's AIM portfolio strongly outperformed the FTSE AIM Index rising 149% compared to 64% for the AIM Index. Strong price rises were seen, particularly with Pilat Media, Cardpoint and Centurion. In accordance with the revised BVCA valuation guidelines, a marketability discount of £195,000 has been made against some of the less actively traded shares in the portfolio.

A number of the unquoted companies have performed well. The performance of Espotting Media has been particularly pleasing. We first invested in this performance based internet advertising business in 2001. Managed by a very dynamic and able team the business has expanded rapidly and during the year agreed terms to merge with US NASDAQ listed FindWhat.com. The deal, in cash and shares, values Espotting Media at over \$150 million, based on the FindWhat share price at 29 February 2004, and is expected to complete in July 2004. The value shown in the accounts is at a discount to full market value in accordance with BVCA guidelines.

The directors have also accepted our recommendations to increase the value of a number of other portfolio companies including Notability Solutions, SPC International, Mergermarket and Ma Potters, following strong and consistent performance. Offsetting these, we have taken additional provisions against Horncastle Industries and Sports Holdings as a result of operational difficulties. We have taken, and continue to take, an active role in reviewing the operations of these companies and in identifying ways of maximising shareholder value.

Outlook

We believe this is an attractive time in the economic cycle to be investing in unquoted and AIM listed companies. The UK's relative economic stability, combined with low inflation and low interest rates, is expected to result in a strong flow of investment opportunities for the company and, at the same time, provide the conditions in which well managed smaller companies can achieve strong growth. As a result, prior to the year end, the directors offered the investors the opportunity to subscribe for new shares in the company. This offering raised just over £1m which we will be looking to invest over the coming months. Given this and the increasing maturity of the existing portfolio, we are optimistic about the future prospects for the company and the future returns to its shareholders.

Beringea Limited
2 June 2004

Investment Portfolio

At 29 February 2004

	Cost £000	Valuation £000	% of net assets
Qualifying investments			
Cardpoint plc*	828	2,675	12.4
Notability Solutions Limited	1,000	2,076	9.7
SPC International Limited	950	1,766	8.2
UBC Media Group plc*	1,101	1,361	6.3
Mergermarket Limited	780	1,241	5.8
Ashford Colour Press Limited	1,000	1,235	5.7
Ma Potter's Limited	700	1,039	4.8
LFR plc (t/a Loch Fyne Restaurants)	1,000	1,000	4.7
Nectar Taverns Plc	1,000	1,000	4.7
Espresso Broadband Limited	1,238	976	4.5
Pilat Media Global plc*	282	941	4.4
Zenith Group Limited	800	800	3.7
Linguaphone Group plc	605	500	2.3
Oasis Healthcare plc*	670	431	2.0
Chiaros Holdings Limited (t/a TMI)	800	280	1.3
Transcomm plc*	380	147	0.7
VI Group plc*	250	136	0.6
Sports Holdings Limited	800	131	0.6
Centurion Electronics plc*	28	102	0.5
I D Data plc*	262	30	0.1
Horncastle Industries Limited	1,001	-	-
Bond iT Limited	500	-	-
Total qualifying holdings	<u>15,975</u>	<u>17,867</u>	<u>83.0**</u>
Non-qualifying investments			
Spotting Media (UK) Limited	395	907	4.2
Copyright Promotions Group Limited	266	551	2.6
Baby Innovations S.A. (t/a Steribottle)	594	416	1.9
Total non-qualifying investments	<u>1,255</u>	<u>1,874</u>	<u>8.7</u>
Total investment portfolio	<u>17,230</u>	<u>19,741</u>	<u>91.7</u>
Cash and other net current assets		<u>1,780</u>	<u>8.3</u>
Shareholders' funds		<u>21,521</u>	<u>100.0</u>

* Investment traded on the Alternative Investment Market ("AIM ")

** Expressed as a percentage of the company's net assets at 29 February 2004 as distinct from total investments (as defined in the Venture Capital Trust regulations) which are the basis for the calculation of the qualifying investment totals referred to in the Chairman's Statement.

Ten Largest Venture Capital Investments



Cardpoint plc* Lancashire

Independent automated teller machine operator

Cardpoint owns and/or operates a network of automated teller machines ("ATMs") and mobile phone top up terminals in the UK and Europe. The machines are situated at motorway services areas, petrol stations, pubs, hospitals, hotels and large retail and leisure outlets. ProVen VCT invested alongside ProVen Media VCT and other investors when the company was admitted to AIM in June 2002 and made a follow on investment at 53p per share in a heavily oversubscribed Placing & Open Offer in June 2003. Following 18 months of rapid expansion, the company now has an estate of almost 2,100 ATMs in the UK and 30 in Germany, as well as over 3,300 mobile phone electronic top-up terminals. Along the way, Cardpoint has hit a number of important targets – turnover growth, the achievement of profitability, acquisition consolidation and enhancement, etc. and this consistency has been increasingly reflected in the rising share price. At 29 February 2004, the share price was 144.5p, an increase of 186% from the previous year end.

Investment date:	June 2002, June 2003
Equity held:	5.7%
Cost:	£828,000 (2003: £997,000)
Valuation:	£2,675,000 (2003: £1,171,000)
Valuation basis:	Mid-market price
Dividends received during the year:	Nil
Last audited accounts:	30 September 2003
Net assets:	£6.9 million
Loss before taxation:	£(608,000)

Notability Solutions Limited Surrey



IT solutions provider

ProVen VCT invested in the management buyout of Notability Solutions, an IBM solutions provider to UK companies, in February 2003. Notability's customers are UK-based corporates with turnover between £200-£800 million. The company has "Premier" partner accreditation with IBM. This is the highest level of accreditation that can be achieved and as such affords the company support from IBM in areas such as sales, introductions, technical advice and inventory finance.

Investment date:	February 2003
Equity held:	19.7%
Cost :	£1,000,000 (2003: £1,000,000)
Valuation:	£2,076,000 (2003: £1,000,000)
Valuation basis:	Earnings multiple
Dividends received during the year:	£72,000 (preference dividends)
First audited accounts:	31 December 2003

Ten Largest Venture Capital Investments *continued*

SPC International Limited

Uxbridge, Middlesex



Hardware support services

SPC specialises in the repair and refurbishment of electronic equipment in the IT, banking and retail sectors. ProVen VCT invested £950,000 in June 2003 in a secondary management buyout. The business continues to grow well in line with our expectations. The company is opening a small sales and storage office in France to provide improved service to existing French clients and to increase sales in that region. Over the next three years we expect both a significant growth in earnings and a degearing of the business.

Investment date:	June 2003
Equity held:	19.0%
Cost :	£950,000
Valuation:	£1,766,000
Valuation basis:	Earnings multiple
Dividends received during the year:	Nil
Last audited accounts:	26 September 2003
Net assets:	£849,000
Profit before taxation:	£1.5 million

UBC Media Group plc * *London*



Analogue and digital radio producer and broadcaster

UBC Media is a commercial radio broadcasting company and leading independent radio programme producer. ProVen VCT invested a further £600,000 in the company through a Placing & Open Offer in April 2002 having invested in the company when it was admitted to AIM in July 2000. UBC's core strategy is based on taking advantage of the emerging digital radio market. This is growing rapidly, with sales of digital radios in 2003 up by c. 130% on the previous year to over 400,000 units. Industry observers are forecasting sales of 1 million units by the end of 2004. In addition, over 5 million people use digital TV to listen to digital radio broadcasts. At 29 February 2004 the company's share price was 36p per share, an increase of 89% over the previous year.

Investment dates:	July 2000 and April 2002
Equity held:	2.6%
Cost:	£1,101,000 (2003: £1,101,000)
Valuation:	£1,361,000 (2003: £788,000)
Valuation basis:	Discounted mid-market price
Dividends received during the year:	Nil
Last audited accounts:	31 March 2003
Net assets:	£3.3 million
Loss before taxation:	£(2.0) million



Mergermarket Limited *London*

Business information services

Mergermarket Limited, based in London, provides a business intelligence service for advisers and companies active in mergers and acquisitions. The company now has four on-line subscription-based publications: mergermarket, dealReporter, debtWire, and Remark and delivers information directly to subscribers' desktops, PDAs, or mobile phones. The company has grown rapidly and has developed a diversified product portfolio across different strata of the finance market, as well as different territories with the launch into the US market at the end of 2003. Sales have increased nearly three-fold, year-on-year, and the company performed ahead of its budget both on sales and profitability.

Investment dates:	June 2001 and August 2002
Equity held:	7.7%
Cost:	£780,000 (2003: £780,000)
Valuation:	£1,241,000 (2003: £780,000)
Valuation basis:	Revenue multiple
Dividends received during the year:	Nil
Last audited accounts:	31 December 2002
Net assets:	£(1,000)
Loss before taxation:	£(620,000)

Ashford Colour Press Limited

Hampshire



Educational printing

Ashford Colour Press Limited is a medium sized printing business specialising in the educational sector. Beringea led the £5 million management buyout of Ashford in September 2002 in which ProVen VCT invested alongside ProVen Media VCT. The business is long established and has a broad customer base of blue chip companies which continues to expand. There is a strong operational management team with significant experience in the printing business and an in-depth knowledge of the company's customer base and operational procedures.

Investment date:	September 2002
Equity held:	23.5%
Cost:	£1,000,000 (2003: £1,000,000)
Valuation:	£1,235,000 (2003: £1,000,000)
Valuation basis:	Earnings multiple
Dividends received during the year:	Nil
Last audited accounts:	31 March 2003
Net assets:	£906,000
Profit before taxation:	£499,000

Ten Largest Venture Capital Investments *continued*

Ma Potter's Limited *London*



Branded restaurant chain

Ma Potter's is a branded restaurant chain offering value-priced dining in locations mostly based in major shopping centres or cinema complexes across the UK. The company opened its first restaurant in London in 1995 and at the time of our investment had built up to a chain of eleven restaurants. ProVen VCT invested alongside other VCTs including ProVen Media VCT in January 2003 to provide development capital for further expansion. The company has plans to open a number of new restaurants in 2004 and negotiations are currently at an advanced stage at a number of locations.

Investment date:	January 2003
Equity held:	11.3%
Cost:	£700,000 (2003: £700,000)
Valuation:	£1,039,000 (2003: £700,000)
Valuation basis:	Earnings multiple
Dividends received during the year:	Nil
Last audited accounts:	30 November 2003
Net assets:	£1.3 million
Profit before tax:	£77,000

LFRR plc (t/a Loch Fyne Restaurants) *Scotland*



LOCH FYNE RESTAURANTS

Branded seafood restaurants

LFRR manages 23 fish restaurants throughout the UK under the "Loch Fyne Restaurants" brand and 4 "Le Petit Blanc" restaurants which it acquired in the year under review. ProVen VCT originally invested in the company in May 2002 alongside other institutional investors including ProVen Media VCT. The company intends to rollout the "Loch Fyne" and "Le Petit Blanc" brands in the UK and potentially abroad. The company is well managed and benefits from strong brand recognition in its market.

Investment date:	May 2002
Equity held:	7.3%
Cost:	£1,000,000 (2003: £1,000,000)
Valuation:	£1,000,000 (2003: £1,000,000)
Valuation basis:	Earnings multiple
Dividends received during the year:	Nil
Last audited accounts:	31 December 2003
Net assets:	£6.8 million
Profit before tax:	£758,000



Nectar Taverns Plc *London*

Freehold pub investment company

Nectar Taverns was established to build a portfolio of non-branded, unthemed freehold public houses to be managed under a management agreement with AIM-quoted Honeycombe Leisure plc. ProVen VCT invested alongside a number of other VCTs, including ProVen Media VCT, in the placing which raised £11 million of equity and bank debt. Nectar Taverns has invested the proceeds of fund raising in a portfolio of 18 public houses primarily in the northwest of England.

Investment date:	August 2002
Equity held:	24.7%
Cost:	£1,000,000 (2003: £1,000,000)
Valuation:	£1,000,000 (2003: £1,000,000)
Valuation basis:	Cost
Dividends received during the year:	Nil
First audited accounts:	27 April 2003
Net assets:	£3.6 million
Loss before tax:	£(59,000)



Espresso Broadband *London*

Development and delivery of educational materials for schools

ProVen VCT originally invested in September 2001 alongside ProVen Media VCT to fund the development and roll-out of the company's flagship product *Espresso for Schools* ("Efs"), a digital media education service for UK primary schools. Further investments were made in both the prior year and current year to support ongoing development of the company. The company has demonstrated considerable progress in the last year and over 3,300 schools have now signed up to EfS. Recently, the company won two prestigious industry awards for its online educational resources.

Investment dates:	September 2001, March 2002 to September 2003
Equity held:	12.0%
Cost:	£1,238,000 (2003: £1,052,000)
Valuation:	£976,000 (2003: £593,000)
Valuation basis:	Provision
Dividends received during the year:	Nil
Last audited accounts:	31 July 2002
Net assets:	£(746,000)
Loss before tax:	£(3.0) million

Notes: Qualifying equity investments in the above companies carry full voting rights. Where stated, references to the "first" audited accounts relate to the first annual report and accounts to be prepared by the investee company following the date of investment by ProVen VCT.

* AIM listed investment

Directors' Report

The directors present their report and the audited financial statements for the year to 29 February 2004.

ACTIVITIES AND STATUS

The principal activity of the company during the year was the making of long-term equity and loan investments in unquoted and AIM traded companies in the United Kingdom. The company is an investment company as defined in section 266 of the Companies Act 1985 and has been listed on the London Stock Exchange since April 2000. The proposed capital distribution will require the revocation of the investment company status prior to payment. The company has been granted provisional approval by the Inland Revenue as a Venture Capital Trust. The Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 8 and 9 give a review of developments during the year and of future prospects.

The directors have managed the affairs of the company with the intention that it will qualify for approval by the Inland Revenue as a Venture Capital Trust for the purposes of Section 842AA of the Income and Corporation Taxes Act 1988 ('the Act'). The directors consider that the company was not at any time up to the date of this report a close company within the meaning of Section 414 of the Act.

Although it is not intended that the company should have a limited life, shareholders will be given the opportunity to review its future after approximately seven years and, thereafter, at five yearly intervals. Accordingly, the Articles of Association of the company contain provisions requiring the directors to propose an ordinary resolution at the company's annual general meeting in 2007 to seek confirmation from shareholders that it should continue as a VCT.

RESULTS AND DIVIDEND

	Year to 29 February 2004 £000	Year to 28 February 2003 £000
Net revenue attributable to shareholders	<u>37</u>	<u>268</u>
Appropriated as follows:		
Interim dividend paid nil (2003 – 1.0p per share)	-	219
Retained in revenue reserve	<u>37</u>	<u>49</u>
	<u>37</u>	<u>268</u>

The directors propose a capital distribution of 3.5p per share for the year ended 29 February 2004 (2003 – nil) to be paid on 16 July 2004 to shareholders on the register at 25 June 2004, except that shares allotted pursuant to the Offer for Subscription dated 16 February 2004 are not eligible for this distribution.

DIRECTORS

The directors of the company who served during the year and their interests in the issued ordinary shares of 5p each of the company are as follows:

As at	29 February 2004 or date of resignation	28 February 2003 or date of appointment
A J Davison	5,000	5,000
N P Lewis	10,000	10,000
G R Power (resigned 16 May 2003)	8,000	8,000
E H Sharp	36,000	36,000
T P Sooke (resigned 1 June 2004)	5,000	5,000
A Spiro Jr. (appointed 16 May 2003)	-	-

All of the directors' share interests shown above are held beneficially. There have been no changes in the directors' share interests between 29 February 2004 and the date of this report.

Brief biographical notes on the directors are given on page 7. Mr Davison and Mr Sharp, retiring by rotation, will offer themselves for re-election at the forthcoming annual general meeting. Special Notice has been received by the company regarding the re-election of Mr Sharp, who has attained the age of 73 years, in accordance with the FSA Listing Rules.

None of the directors has a contract of service with the company and, except as mentioned below under the heading "Management", there were no contracts that subsisted during the year in which a director was materially interested and which was significant in relation to the company's business.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

As permitted by section 310(3) of the Companies Act 1985, the company has maintained insurance cover on behalf of the directors and secretary indemnifying them against certain liabilities that may be incurred by them in relation to the company.

COMPANY SECRETARY

Celia Whitten, who has acted on behalf of the Corporate Company Secretary, Hutton Corporate Services Limited, since the company's inception, has been appointed Company Secretary in her own right due to a corporate reorganisation of that company.

SHARE BUY BACK

During the year the company repurchased and cancelled 121,720 ordinary shares of 5p each (2003 - 27,047 ordinary shares) for a consideration of £77,581 (2003 - £17,716). The buy backs represented 0.6% (2003 - 0.1%) of the called up share capital.

SHARE OFFER

Pursuant to the Offer for Subscription dated 16 February 2004 the company allotted 1.1million ordinary shares between 16 March 2004 and 5 April 2004. Details of the share offer are given in note 13.

MANAGEMENT

Beringea Limited ("Beringea") has acted as investment manager to the company since February 2000. Downing Corporate Finance Limited ("Downing") is contracted under an administration agreement to provide the company with advice relating to shareholder communications. The principal terms of the management and administration agreements are set out in note 2 to the accounts.

Under the terms of agreements dated 25 January 2003, Downing acts as Financial Adviser to the company and its subsidiary Downing Management Services Limited acts for the company regarding a Matched Bargain Service in relation to share buy backs. The principal terms of the agreements are set out in note 4 to the accounts.

N P Lewis is a director of and shareholder in Downing. G R Power was formerly a director of Beringea and Alexander Spiro Jr. is a senior managing director of Beringea LLC, the ultimate holding company of Beringea.

VCT STATUS MONITORING

The company has engaged PricewaterhouseCoopers LLP ("PwC") to advise it on compliance with the VCT legislation. PwC reviews appropriate new investment opportunities for compliance with the VCT rules and conducts a regular review of the company's investment portfolio to monitor ongoing VCT compliance. PwC works closely with the investment manager, but reports directly to the Board of the company.

SUBSTANTIAL SHAREHOLDINGS

As at 2 June 2004 the company had not been notified of any individual shareholdings representing 3 per cent or more of the company's issued share capital during the period under review or at the date of this report.

CREDITOR PAYMENT POLICY

The company's payment policy is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms.

ANNUAL GENERAL MEETING

Details of special business to be proposed at the annual general meeting are set out on pages 41 and 42.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
C L Whitten FCIS, Secretary
17-18 Henrietta Street
London WC2E 8QH

2 June 2004

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. A resolution to approve this report will be put to the members at the annual general meeting to be held on 15 July 2004.

DIRECTORS' REMUNERATION POLICY

The company does not have any executive directors and, as permitted under the Listing Rules, has not, therefore, established a remuneration committee. Directors' remuneration is calculated in accordance with the company's original prospectus dated 9 February 2000. This states that the ordinary remuneration of the directors (other than an executive director appointed under the Articles) shall be determined by the directors and shall not exceed £100,000 per year (unless otherwise approved by the company in general meeting). The directors shall also be paid by the company all travelling, hotel and other expenses they may incur in attending meetings of the directors or general meetings or otherwise in connection with the discharge of their duties. Any director who, by request of the directors, performs special services may be paid such extra remuneration as the directors may determine.

DIRECTORS' REMUNERATION (AUDITED)

Directors' remuneration for the year under review was as follows:

	Year ended 29 February 2004	Year ended 28 February 2003
	£	£
A J Davison (Chairman)	15,000	15,000
N P Lewis	10,000	10,000
G R Power (resigned 16 May 2003)*	2,500	10,000
E H Sharp	10,000	10,000
T P Sooke (resigned 1 June 2004)	10,000	10,000
A Spiro Jr. (appointed 16 May 2003)*	7,500	-

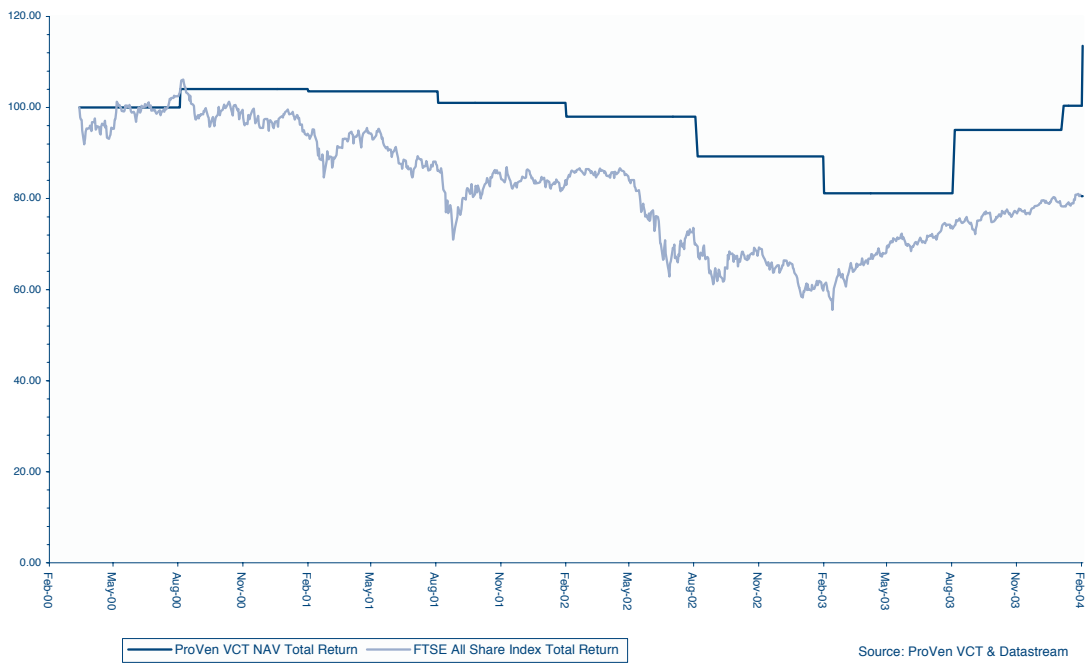
* employee of Beringea LLC or Beringea Limited during the period under review

No other emoluments or pension contributions were paid by the company to, or on behalf of, any director. None of the directors has a service contract with the company.

The level of fees is determined by reference to a review of remuneration paid to the directors of other comparable venture capital trusts. It is expected that the level of fees will continue to be assessed on this basis in forthcoming years.

PERFORMANCE CHART

The directors consider that the most appropriate measure of the company's performance is its NAV total return (net asset value plus cumulative dividends) compared to the FTSE All Share index total return. The following chart illustrates the relative performance since incorporation.



By Order of the Board
 C L Whitten FCIS, Secretary
 17-18 Henrietta Street
 London WC2E 8QH

2 June 2004

Corporate Governance

The company is committed to maintaining high standards in corporate governance. In particular, the Board seeks to observe the principles set out by the Report of the Committee on Corporate Governance ("the Combined Code") for the accounting periods commencing before 1 November 2003 insofar as these are consistent with the company's status and objectives as a venture capital trust. Throughout the year ended 29 February 2004 the company has complied with the provisions of Section 1 of the Combined Code, as they relate to venture capital companies, other than as noted below.

THE BOARD

During the year the company had a Board of five non-executive directors, four of whom were independent of the investment manager. In these circumstances the Board does not believe it is necessary to identify a senior independent director other than the chairman.

The Board meets at least quarterly and on other dates as required, to review the performance of the company and its portfolio of investments and to monitor compliance with the investment policy laid down by the Board. The investment manager provides the Board with appropriate information on a timely basis to support its review and decision-making procedures. The Board has adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

All of the directors have access to the advice and services of the company secretary, and directors may also take independent professional advice at the company's expense where necessary in the furtherance of their duties.

All directors were subject to election by shareholders at the first annual general meeting following their appointment and thereafter are subject to retirement by rotation at intervals of no more than three years. Non-executive directors are not appointed for specified terms, as the Board believes the contribution of a non-executive director to a venture capital company may be enhanced rather than diminished by long service. The Board has not appointed a nominations committee as it considers the board to be small. Appointments of new directors are reserved to the full Board.

AUDIT COMMITTEE

During the year to 29 February 2004, the audit committee comprised the four independent non-executive directors. The audit committee meets twice a year and is responsible for reviewing the interim and annual accounts before their submission to the Board for discussion and approval. The auditors will attend at least one of these meetings. The audit committee met on 13 May 2004, with the auditors in attendance, to review the financial statements for the year ended 29 February 2004.

DIRECTORS' REMUNERATION

As stated in the Articles of Association, the remuneration of directors is determined by the Board. Details of directors' remuneration is given on page 18 and in note 4 to the accounts.

RELATIONS WITH SHAREHOLDERS

The company's annual general meeting will be held on 15 July 2004 when shareholders will have the opportunity to meet the Board. Separate resolutions are proposed at the AGM on each substantially separate issue. Proxy votes are counted, and in order to comply with the Combined Code, proxy votes will be announced at the AGM, following each vote on a show of hands, except in the event of a poll being called.

In addition to the formal business of the AGM, representatives of the investment manager, the Board and the audit committee will be available to answer any questions a shareholder may have, and the Board is always pleased to respond to any queries from shareholders during the course of the year.

INTERNAL CONTROL

The Board is responsible for the company's system of internal control and for reviewing its effectiveness, at least annually. The system of internal control to be operated should cover all controls including financial, operational and compliance controls and risk management. The objective of these controls is to safeguard shareholders' investment and the company's assets. The company's system of internal control is designed to manage rather than eliminate the risks involved in managing a portfolio of investments, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The company has adopted a risk-based approach to the review of internal controls. The applicability and effectiveness of the controls is reviewed at least annually by the board and reported upon twice a year by exception. This exception report is prepared by the investment manager, Beringea Limited. The Board last reviewed the effectiveness of the internal control system on 13 May 2004.

In accordance with the delegation of the company's investment management and administration to Beringea, the board has identified in its risk framework those controls operated on its behalf by the investment manager. The board requires the investment manager to report twice a year on these controls. The Board also requires the Secretary to report annually on the operation of internal controls as they relate to ProVen VCT.

The key elements of the internal controls system operated by the Board are as follows:

- the Board receives semi-annual reports of the company's VCT status;
- every investment proposal is submitted to the Board for approval;
- the Board reviews the performance of the portfolio at each board meeting, and is kept informed of developments more frequently, as required;
- the Board approves annual budgets prepared by the investment manager, and receives quarterly reports of financial results and net asset value; and
- ProVen VCT and other funds managed by Beringea co-invest in opportunities on an agreed and documented basis, which has been subject to prior approval by the Board.

The Board receives reports from its advisers on internal control matters and does not believe there is scope or necessity for an internal audit function. This matter will be subject to periodic review.

GOING CONCERN

The directors are of the opinion that at the time of approving the financial statements, the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the revenue of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the company, enabling them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the company's system of internal financial control, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the members of ProVen VCT plc

We have audited the financial statements of ProVen VCT plc for the year ended 29 February 2004 which comprise the accounting policies, the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements, and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company as at 29 February 2004 and of the total return of the company for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

2 June 2004

Accounting Policies

GENERAL

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". The accounts have been prepared under the historical cost convention, as modified to include the revaluation of fixed asset investments.

INVESTMENTS

Listed or AIM traded investments are stated at market value, which is based upon middle market prices at the balance sheet date. In the event that the shares held by the company are subject to certain restrictions, or the holding is significant in relation to the traded issued share capital of the investee company then the directors may apply a discount to the relevant middle market price.

Investments in unquoted companies are valued by the directors in accordance with British Venture Capital Association ("BVCA") guidelines. Revised guidelines were issued by the BVCA in June 2003. The bases of valuation have not materially changed from those adopted in previous years.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to realised capital reserves. Unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves. Costs incurred relating to acquisitions and disposals are charged to capital reserves as a deduction from proceeds or an addition to costs.

It is not the company's policy to exercise controlling or significant influence over investee companies, although it may hold a significant interest in some companies. Accordingly, the results of these companies are not incorporated into the revenue account except to the extent of any income earned.

INCOME

Dividend income receivable from quoted securities is recognised on the ex-dividend date. Income from unquoted equity and non-equity securities is recognised on an accruals basis except that a full provision is made until the receipt of the income is certain.

Interest from cash and deposits and fixed returns on debt securities are recognised on an accruals basis.

EXPENSES

All expenses are accounted for on an accruals basis. One quarter of the investment management fee is charged to the revenue account and the remaining three quarters is charged to capital reserves, net of corporation tax relief, and inclusive of any irrecoverable value added tax. The allocation of the management fee reflects the directors' estimate of the source of the long-term returns in the portfolio from revenue and capital.

TAXATION

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Statement of Total Return (incorporating the revenue account) for the year ended 29 February 2004

		Year ended 29 February 2004			Year ended 28 February 2003		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains/(losses) on investments	8						
- realised		-	607	607	-	(761)	(761)
- unrealised		-	6,363	6,363	-	(2,790)	(2,790)
Income	1	356	-	356	662	-	662
Investment management fee	2	(97)	(290)	(387)	(105)	(315)	(420)
Other expenses	3	(213)	-	(213)	(222)	-	(222)
Return on ordinary activities before taxation		46	6,680	6,726	335	(3,866)	(3,531)
Tax (charge)/credit on ordinary activities	5	(9)	6	(3)	(67)	67	-
Return on ordinary activities after taxation		37	6,686	6,723	268	(3,799)	(3,531)
Distributions	6	-	(763)	(763)	(219)	-	(219)
Transfer to/(from) reserves	15	37	5,923	5,960	49	(3,799)	(3,750)
Return per ordinary share							
Basic and fully diluted	7	0.2p	30.6p	30.8p	1.2p	(17.3)p	(16.1)p

The notes on pages 27 to 38 form an integral part of these financial statements.

All revenue and capital items in the above statement are from continuing operations. The revenue column represents the profit and loss account of the company. No operations were acquired or discontinued in the period. Other than shown above, the company had no recognised gains or losses.

Balance Sheet at 29 February 2004

	Notes	29 February 2004 £000	28 February 2003 £000
Fixed assets			
Investments	8	<u>19,741</u>	<u>14,513</u>
Current assets			
Debtors	11	612	921
Cash at bank and in hand		<u>2,103</u>	<u>360</u>
		2,715	1,281
Creditors: amounts falling due within one year	12	<u>(935)</u>	<u>(155)</u>
Net current assets		<u>1,780</u>	<u>1,126</u>
Total assets less current liabilities		<u>21,521</u>	<u>15,639</u>
Capital and reserves			
Called-up share capital	13	1,090	1,096
Special reserve	14	17,722	19,756
Capital redemption reserve	14	9	3
Capital reserve – realised	14	68	(1,448)
Capital reserve – unrealised	14	2,503	(3,860)
Revenue reserve	14	<u>129</u>	<u>92</u>
Total equity shareholders' funds		<u>21,521</u>	<u>15,639</u>
Net asset value per ordinary share	16	<u>98.7p</u>	<u>71.4p</u>

The financial statements on pages 23 to 38 were approved by the Board of Directors on 2 June 2004 and were signed on its behalf by:



Andrew Davison
Chairman

The notes on pages 27 to 38 form an integral part of these financial statements.

Cash Flow Statement

for the year to 29 February 2004

	Year ended 29 February 2004 £000	Year ended 28 February 2003 £000
Net revenue from operating activities		
Net revenue from ordinary activities before tax	46	335
Decrease in debtors	82	43
Increase/(decrease) in creditors	17	(55)
Management fees charged to capital	(290)	(315)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(145)	8
Financial investment		
Purchase of investments	(5,023)	(12,549)
Sale of investments	6,992	13,003
	<hr/>	<hr/>
Net cash inflow from financial investment	1,969	454
Corporation tax paid	(3)	(78)
Equity dividends paid	-	(504)
Financing		
Buy-back of 121,720 (2003 – 27,047) ordinary shares	(78)	(17)
	<hr/>	<hr/>
Net cash outflow from financing	(78)	(17)
	<hr/>	<hr/>
Increase/(decrease) in cash in the year	1,743	(137)
	<hr/>	<hr/>
Analysis of cash balance		
At 28 February 2003	360	497
Net cash inflow/(outflow) for the year	1,743	(137)
	<hr/>	<hr/>
At 29 February 2004	2,103	360
	<hr/>	<hr/>

The notes on pages 27 to 38 form an integral part of these financial statements.

Notes to the financial statements

for the year to 29 February 2004

1 INCOME

	Year ended 29 February 2004 £000	Year ended 28 February 2003 £000
Interest receivable		
- from listed fixed interest securities	125	520
- from unlisted fixed interest securities	4	44
- from unquoted investment portfolio	128	73
- from bank deposits	<u>10</u>	<u>15</u>
	267	652
Dividends receivable	89	10
	<u>356</u>	<u>662</u>

2 INVESTMENT MANAGEMENT FEE

	Year ended 29 February 2004 £000		Year ended 28 February 2003 £000	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Investment management fee	83	247	89	268
Irrecoverable VAT thereon	<u>14</u>	<u>43</u>	<u>16</u>	<u>47</u>
	<u>97</u>	<u>290</u>	<u>105</u>	<u>315</u>

Beringea Limited ("Beringea") provides investment management services to the company in respect of the company's portfolio of venture capital investments under an investment management agreement dated 9 February 2000.

Beringea is entitled to a fee (exclusive of VAT) equal to 2.5% per annum (2003 – 2.5% p.a.) of the net assets of the company, subject to a cap on total costs of 3.5% per annum of net assets. The fee is calculated at half-yearly intervals based on net assets as at 31 August and 28 February and is payable quarterly in arrears. During the year ended 29 February 2004, the fee payable to Beringea equated to 1.9% per annum of net assets (2003 – 1.9% p.a.). The investment agreement is for a minimum period of five years from 9 February 2000 terminable by either party at any time thereafter by one year's prior written notice.

Beringea also provides administrative and secretarial services to the company under the terms of an administration agreement dated 9 February 2000 for an annual fee of £50,000 (plus VAT and RPI). Out of this fee, Beringea pays to Downing Corporate Finance Limited an annual fee of £20,000 (plus VAT & RPI) in consideration for services to the company relating to its communications with shareholders and their financial advisers.

Under the terms of the investment management and administration agreements described above, Beringea and Downing are potential beneficiaries of the company's performance incentive arrangements. These arrangements are described in more detail in note 17.

Notes to the financial statements *continued*
for the year to 29 February 2004

3 OTHER EXPENSES

	Year ended 29 February 2004 £000	Year ended 28 February 2003 £000
Administrative and secretarial services	51	51
Directors' remuneration (see note 4)	55	55
Auditors' remuneration		
- for audit services	13	13
- for non-audit services	3	3
Irrecoverable VAT	26	28
Other expenses	65	72
	<u>213</u>	<u>222</u>

Irrecoverable VAT attributable to the management fee is disclosed in note 2 and is not included in the figure for irrecoverable VAT stated above.

4 DIRECTORS' REMUNERATION

	Year ended 29 February 2004 £000	Year ended 28 February 2003 £000
Fees paid to directors	10	10
Amounts paid to third parties in consideration for the services of directors	45	45
	<u>55</u>	<u>55</u>

The fees paid in respect of directors during the period were as follows:

	£	£
A J Davison (Chairman)	15,000	15,000
N P Lewis	10,000	10,000
G R Power (resigned 16 May 2003)	2,500	10,000
E H Sharp	10,000	10,000
T P Sooke (resigned 1 June 2004)	10,000	10,000
A Spiro Jr. (appointed 16 May 2003)	7,500	-
	<u>55,000</u>	<u>55,000</u>

N P Lewis is a director of and shareholder in Downing, which provides services to the company as outlined in note 2. The company has agreed to pay Downing an annual retainer of £2,500 (plus VAT) in accordance with the terms of an agreement dated 25 January 2003 under which Downing was appointed as Financial Adviser to the company. The company has also agreed to pay Downing Management Services Limited (a subsidiary company of Downing) an annual retainer of £2,500 plus VAT under the terms of an agreement dated 25 January 2003 which appointed Downing Management Services Limited to provide services in connection with the purchase by the company of its own shares.

A Spiro Jr. is a senior managing director of Beringea LLC, the ultimate parent company of Beringea. G R Power was formerly a director of Beringea.

Beringea and Downing are potential beneficiaries under the performance incentive arrangements referred to in note 17.

Except as noted above, or as otherwise disclosed in these accounts, none of the directors received any other remuneration or benefit during the period.

5 TAX CHARGE/(CREDIT) ON ORDINARY ACTIVITIES

	Year ended 29 February 2004 £000		Year ended 28 February 2003 £000	
	Revenue £000	Capital £000	Revenue £000	Capital £000
United Kingdom tax based on the taxable profit for the period	6	(6)	67	(67)
Adjustments in respect of prior periods	3	-	-	-
	<u>9</u>	<u>(6)</u>	<u>67</u>	<u>(67)</u>
Factors affecting tax charge for the period				
Return on ordinary activities before taxation	<u>46</u>	<u>6,680</u>	<u>335</u>	<u>(3,866)</u>
Tax on return on ordinary activities at the standard rate of UK corporation tax (30%)	14	2,004	101	(1,160)
UK dividends not subject to corporation tax	(27)	-	(3)	-
Capital returns not subject to corporation tax	-	(2,091)	-	1,065
Effect of profits/(losses) taxed at the marginal rate of corporation tax rather than the standard rate	19	81	(31)	28
Adjustments in respect of prior periods	3	-	-	-
Current tax charge/(credit) for the period	<u>9</u>	<u>(6)</u>	<u>67</u>	<u>(67)</u>

6 DIVIDENDS AND CAPITAL DISTRIBUTIONS

	Year ended 29 February 2004 £000	Year ended 28 February 2003 £000
Interim dividend paid – nil per share (2003 – 1.0p)	-	219
Proposed final capital distribution - 3.5p (2003 – nil)	763	-
	<u>763</u>	<u>219</u>

7 RETURN PER ORDINARY SHARE

The revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £37,000 (2003 - £268,000) and on 21,860,400 ordinary shares (2003 – 21,944,232 ordinary shares), being the weighted average number of ordinary shares in issue during the year.

The capital return per ordinary share is based on a net realised and unrealised capital profit of £6,686,000 (2003 – loss of £3,799,000) and on 21,860,400 ordinary shares (2003 – 21,944,232 ordinary shares), being the weighted average number of ordinary shares in issue during the period.

Notes to the financial statements *continued*
for the year to 29 February 2004

8 FIXED ASSET INVESTMENTS

	29 February 2004 £000	28 February 2003 £000
Unquoted investments	13,918	8,671
AIM traded investments	5,823	3,213
Listed fixed interest investments	-	2,328
Unlisted fixed interest investments	-	301
	<u>19,741</u>	<u>14,513</u>

Movements in investments during the year are summarised as follows:

	Unquoted £000	AIM traded £000	Listed fixed interest £000	Unlisted fixed interest £000	Total £000
Value of investments at 1 March 2003	8,671	3,213	2,328	301	14,513
Purchases at cost	1,999	251	2,773	-	5,023
Disposal - proceeds	-	(1,434)	(5,031)	(300)	(6,765)
- realised gain/(loss) on disposal	-	678	(70)	(1)	607
Transfer following de-listing	800	(800)	-	-	-
Net increase in unrealised appreciation	2,448	3,915	-	-	6,363
Valuation at 29 February 2004	<u>13,918</u>	<u>5,823</u>	<u>-</u>	<u>-</u>	<u>19,741</u>
Book cost at 29 February 2004	13,429	3,801	-	-	17,230
Unrealised appreciation at 29 February 2004	489	2,022	-	-	2,511
	<u>13,918</u>	<u>5,823</u>	<u>-</u>	<u>-</u>	<u>19,741</u>

All investments traded on AIM consist of equity shares.

The overall gain/(loss) on investments for the period shown in the Statement of Total Return is analysed as follows:

	Year ended 29 February 2004 £000	Year ended 28 February 2003 £000
Net realised gain/(loss) on disposal	607	(761)
Increase/(decrease) in unrealised appreciation	6,363	(2,790)
	<u>6,970</u>	<u>(3,551)</u>

9 UNLISTED INVESTMENTS

The cost and carrying value of investments in unquoted companies and those whose shares are traded on AIM were as follows:

	29 February 2004		28 February 2003	
	Cost £000	Carrying value £000	Cost £000	Carrying value £000
Cardpoint plc *				
Ordinary shares	828	2,675	997	1,171
Notability Solutions Limited				
Ordinary shares	102	1,078	102	102
Preference shares	898	998	898	898
	<u>1,000</u>	<u>2,076</u>	<u>1,000</u>	<u>1,000</u>
SPC International Limited				
Ordinary Shares	190	1,006	-	-
Loan Notes	760	760	-	-
	<u>950</u>	<u>1,766</u>	<u>-</u>	<u>-</u>
UBC Media Group plc *				
Ordinary shares	1,101	1,361	1,101	788
Mergermarket Limited				
'B' Ordinary shares	500	961	500	500
Convertible loan notes	280	280	280	280
	<u>780</u>	<u>1,241</u>	<u>780</u>	<u>780</u>
Ashford Colour Press Limited				
Ordinary shares	133	368	133	133
Secured loan stock	867	867	867	867
	<u>1,000</u>	<u>1,235</u>	<u>1,000</u>	<u>1,000</u>
Ma Potter's Limited				
Ordinary shares	210	549	210	210
Secured loan stock	490	490	490	490
	<u>700</u>	<u>1,039</u>	<u>700</u>	<u>700</u>
LFR plc (t/a Loch Fyne Restaurants)				
Ordinary shares	1,000	1,000	1,000	1,000
Nectar Taverns Plc				
Ordinary shares	300	300	300	300
Cumulative redeemable preference shares	700	700	700	700
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Notes to the financial statements *continued*
for the year to 29 February 2004

9 UNLISTED INVESTMENTS *continued*

	29 February 2004		28 February 2003	
	Cost £000	Carrying value £000	Cost £000	Carrying value £000
Espresso Broadband Limited				
Ordinary shares	262	-	262	-
Secured loan notes	976	976	790	593
	<u>1,238</u>	<u>976</u>	<u>1,052</u>	<u>593</u>
Pilat Media Global plc*				
Ordinary shares	<u>282</u>	<u>941</u>	<u>315</u>	<u>179</u>
Esporting Media (UK) Limited**				
Convertible loan notes	<u>395</u>	<u>907</u>	<u>333</u>	<u>333</u>
Zenith Group Limited				
Ordinary shares	80	80	-	-
Loan stock	720	720	-	-
	<u>800</u>	<u>800</u>	<u>-</u>	<u>-</u>
Copyright Promotions Group Limited**				
Ordinary shares	51	336	51	292
Unsecured loan notes	215	215	215	215
	<u>266</u>	<u>551</u>	<u>266</u>	<u>507</u>
Linguaphone Group plc				
Ordinary shares	<u>605</u>	<u>500</u>	<u>605</u>	<u>500</u>
Oasis Healthcare plc *				
Ordinary shares	<u>670</u>	<u>431</u>	<u>670</u>	<u>394</u>
Baby Innovations S.A. (t/a Steribottle)**				
Ordinary shares (2002 - Funding Units)	416	-	416	-
Convertible loan	119	119	119	119
Unsecured loan units	59	297	59	59
	<u>594</u>	<u>416</u>	<u>594</u>	<u>178</u>
Chiaros Holdings Limited (t/a TMI)				
Ordinary shares	240	-	240	-
Secured loan stock	560	280	560	280
	<u>800</u>	<u>280</u>	<u>800</u>	<u>280</u>
Transcomm plc *				
Ordinary shares	<u>380</u>	<u>147</u>	<u>380</u>	<u>62</u>

9 UNLISTED INVESTMENTS *continued*

	29 February 2004		28 February 2003	
	Cost £000	Carrying value £000	Cost £000	Carrying value £000
VI Group plc *				
Ordinary shares	<u>250</u>	<u>136</u>	<u>250</u>	<u>172</u>
Sports Holding Limited (SEM)				
Ordinary shares	<u>800</u>	<u>131</u>	<u>800</u>	<u>216</u>
Centurion Electronics plc *				
Ordinary shares	<u>28</u>	<u>102</u>	<u>175</u>	<u>219</u>
ID Data plc *				
Ordinary shares	<u>262</u>	<u>30</u>	<u>420</u>	<u>12</u>
Horncastle Industries Limited				
Ordinary shares	201	-	200	-
Secured loan stock	800	-	800	800
	<u>1,001</u>	<u>-</u>	<u>1,000</u>	<u>800</u>
Bond iT Limited				
Ordinary shares	59	-	59	-
Preference shares	441	-	441	-
	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Totals	<u>17,230</u>	<u>19,741</u>	<u>15,738</u>	<u>11,884</u>

*Investments traded on the AIM market

**Non-qualifying investments

During the year, the company realised part of its investment in Cardpoint plc, Centurion Electronics plc, ID Data plc and Pilat Media Global plc. Since 29 February 2004, the company has realised the balance of its holding in Centurion Electronics plc and Transcomm plc and realised further holdings in Cardpoint plc, Pilat Media Global plc and VI Group plc.

Since 29 February 2004, one new investment has been completed at a cost of £200,000. A further £127,000 has been invested in follow-on investments in portfolio companies.

Notes to the financial statements *continued*

for the year to 29 February 2004

10 SIGNIFICANT INTERESTS

Details of shareholdings in those companies where the company's holding represents (1) more than 10% of the allotted equity share capital of any class, (2) more than 10% of the total allotted share capital or (3) more than 10% of the assets of the investee company itself, are given below. All of the companies named are incorporated in Great Britain.

Company	Class of share	Number held	Proportion of class held
Notability Solutions Limited	Ordinary shares (£1)	1,857	33.7%
	'B' ordinary shares (£1)	1,857	100.0%
	'B' preference shares (£1)	898,143	100.0%
SPC International Limited	Ordinary Shares (1p)	190,000	19.0%
Mergermarket Limited	'B' ordinary shares (1p)	199,474	33.3%
Ashford Colour Press Limited	'A' ordinary shares (£1)	133,000	50.0%
Ma Potterís Limited	'A' ordinary shares (£1)	606	11.3%
Nectar Taverns Plc	Ordinary shares (50p)	300,000	24.7%
	Preference shares (£1)	700,000	24.7%
Espresso Broadband Limited	'A' ordinary shares (10p)	2,378,324	33.0%
Zenith Group Limited	'B' ordinary shares (1p)	15,685	10.1%
Copyright Promotions Group Limited	Ordinary shares (10p)	51,000	12.2%
Chiaros Holdings Limited (t/a TMI)	'A' ordinary shares (50p)	239,986	53.3%
Bond iT Limited	'B' ordinary shares (£1)	50,000	100.0%
	'C' preferred ordinary shares (£1)	8,750	100.0%
	Preference shares (10p)	441,250	25.0%

It is considered that, as permitted by FRS 9 "Associates and Joint Ventures", the above investments are held as part of an investment portfolio, and that, accordingly, their value to the company lies in their marketable value as part of that portfolio rather than as a medium through which the company carries out its business. Therefore the investments are not considered to be associated undertakings and their results have not been incorporated in the revenue account.

Unless stated to the contrary, all classes of ordinary share and none of the classes of preference share have voting rights.

11 DEBTORS

	29 February 2004 £000	28 February 2003 £000
Accrued income	67	149
Debtors & prepayments	<u>545</u>	<u>772</u>
	<u>612</u>	<u>921</u>

12 CREDITORS

	29 February 2004 £000	28 February 2003 £000
Trade creditors and accruals	172	155
Proposed capital distribution	<u>763</u>	<u>-</u>
	<u>935</u>	<u>155</u>

13 SHARE CAPITAL

	29 February 2004 £000	28 February 2003 £000
Authorised		
25,000,000 ordinary shares of 5p each	<u>1,250</u>	<u>1,250</u>
Allotted, called up and fully paid		
21,795,735 (2003–21,917,455) ordinary shares of 5p each	<u>1,090</u>	<u>1,096</u>

During the year 121,720 ordinary shares of 5p were bought by the company for a total cash consideration of £77,581. These shares were subsequently cancelled. Pursuant to an Offer for Subscription dated 16 February 2004, the company allotted 1,110,732 shares in the company between 16 March 2004 and 5 April 2004 for a total consideration of £1,054,314 (excluding issue costs of £57,987).

14 RESERVES

	Special reserve £000	Capital redemption reserve £000	Capital reserve - realised £000	Capital reserve - unrealised £000	Revenue reserve £000
At 1 March 2003	19,756	3	(1,448)	(3,860)	92
Share buy back and cancellation	(78)	6	-	-	-
Transfer from special reserve	(1,956)	-	1,956	-	-
Realised on disposal of investments	-	-	607	-	-
Unrealised gain on valuation	-	-	-	6,363	-
Management fee capitalised	-	-	(290)	-	-
Tax effect of capital items	-	-	6	-	-
Capital distribution	-	-	(763)	-	-
Net revenue retained for the period	-	-	-	-	37
At 29 February 2004	<u>17,722</u>	<u>9</u>	<u>68</u>	<u>2,503</u>	<u>129</u>

Notes to the financial statements *continued*

for the year to 29 February 2004

14 RESERVES *continued*

In January 2002, the company received the consent of the High Court for the cancellation of its share premium account and the creation of a special capital reserve which can be utilised, amongst other things, to purchase shares in the market for cancellation.

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 29 February 2004 £000	Year ended 28 February 2003 £000
At 1 March 2003	15,639	19,406
Total return after tax and distributions	5,960	(3,750)
Share buy back and cancellation	<u>(78)</u>	<u>(17)</u>
At 29 February 2004	<u>21,521</u>	<u>15,639</u>

16 NET ASSET VALUE PER SHARE

Net asset value per share is based on net assets at 29 February 2004 of £21,521,000 (2003 - £15,639,000) and on 21,795,735 ordinary shares (2003 - 21,917,455 ordinary shares) in issue at that date.

17 PERFORMANCE INCENTIVE ARRANGEMENTS

Under the terms of the investment management agreement and the administration agreement outlined in note 2, Beringea Limited and Downing Corporate Finance Limited are potential beneficiaries of the company's performance incentive arrangements. Beringea is entitled to receive between 90% and 95% of any performance incentive paid, and Downing between 5% and 10%.

The performance incentive will not be triggered until the company's profits available for distribution are equivalent to not less than 7% per annum (compound) on each share and net assets per share are £1.00 or more. This incentive will be equal to 20% of the company's profits (derived from both investment income and capital profits) available for distribution in excess of 7p per share in each accounting period, before taking into account such incentive. The performance incentive will first be calculated in respect of the period to 28 February 2003 and annually thereafter. The incentive (if any) will be payable following approval of the relevant audited accounts by shareholders and will be in the form of cash, shares or share options in the company.

In the event that Beringea or Downing elects to receive such incentives by way of share options, the value per option will be calculated by subtracting the exercise price per share from the net asset value per share at the date on which the options become exercisable. The maximum number of options that may be issued without shareholder approval is capped at 15% of the issued share capital of the company from time to time. Beringea and Downing will be entitled to cash compensation in the event that the value of the incentive exceeds the amount in respect of which the company is capable of granting share options.

18 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

A statement of the company's principal objectives is given on page 2. In order to achieve these objectives the company will invest its funds primarily in qualifying holdings in unlisted companies and companies traded on AIM, which by their nature may entail a higher degree of risk than investments in large listed companies. The company has not entered into any derivative transactions, and does not expect to do so in the foreseeable future. As a venture capital trust, the company invests in securities for the long term, and it is the company's policy that no trading in investments or other financial instruments shall be undertaken.

Market price risk

The main risks arising from the company's investing activities are market price risk, representing the uncertain realisation values of the company's investments. The directors aim to limit the risk attaching to the portfolio as a whole by careful selection of investments and by maintaining a wide spread of investments in terms of financing stage, industry sector and geographical location.

Interest rate risk

The company finances its activities through retained profits including realised and unrealised capital profits, and through the issue of equity shares. It has not entered into any borrowings. The company's investment portfolio includes investments in interest bearing securities in investee companies and in other fixed interest securities. Details of interest bearing assets are given below under Financial Assets.

Liquidity risk

There is liquidity risk associated with unquoted investments, which are not readily realisable

Credit risk

Credit risk is the risk of a borrower defaulting on either an interest payment or the capital sum of a loan. The credit risk associated with the company's loan investments in unquoted companies is controlled as part of the investment process outlined under market price risk above, and wherever possible, the company will take security for such advances. Details of the loans outstanding to investee companies is shown below.

Currency risk

All of the company's assets and liabilities are denominated in sterling.

Notes to the financial statements *continued*

for the year to 29 February 2004

18 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

Financial assets

The interest rate profile of the company's financial assets is set out below:

	29 February 2004 £000	28 February 2003 £000
Floating rate	2,103	1,160
Fixed rate	5,911	5,865
Non-interest bearing	14,442	8,769
	<u>22,456</u>	<u>15,794</u>

	29 February 2004	28 February 2003
Fixed rate assets		
Weighted average interest rate	9.3%	8.5%
Weighted average years to maturity	4.1	2.5

Floating rate financial assets comprise variable rate investments in investee companies and cash held on deposit. The benchmark rate for these investments is the UK bank base rate.

Non-interest bearing financial assets comprise equity share and non-equity share investments in investee companies and debtors.

Fair values

The investments of the company are valued by the directors in accordance with the guidelines issued by the British Venture Capital Association, and the carrying values are considered to approximate the fair value of the investments.

19 RELATED PARTY TRANSACTIONS

ProVen VCT is managed by Beringea Limited, and has entered into a co-investment agreement with, amongst others, Guinness Flight VCT plc and ProVen Media VCT plc. Beringea acts as the manager to ProVen Media VCT plc and was, until 22 July 2003, the adviser to Guinness Flight VCT plc. Certain directors of ProVen VCT plc serve, or did serve, on the boards of these companies. Tom Sooke was, until his resignation on 1 June 2004, Chairman of ProVen Media VCT plc, whilst Andrew Davison, Nick Lewis and Alexander Spiro Jr. are non-executive directors of that company. Ernest Sharp is a non-executive director of Guinness Flight VCT plc.

20 CAPITAL COMMITMENTS

Investments approved at the end of the year which have since been completed amounted to £327,000. There were no approvals at the year end that relate to investments that have not yet completed.

Special Business at the Annual General Meeting

At the annual general meeting being convened for 15 July 2004 ("AGM"), there will be proposed Resolution 6 as an Ordinary Resolution and Resolutions 7 and 8 as Special Resolutions.

- 1 Resolutions 6 and 7 are to seek authority:
 - To renew the authority for directors to allot shares (Resolution 6).
 - That these allotments may be for cash and not necessarily offered to existing members of the company (Resolution 7).

Background to the proposal

Shareholders may be aware of the recent changes to the VCT rules which increase the level of income tax relief available on new investments made in VCTs. In view of these changes, the directors may give consideration to issuing more shares by way of a top-up fundraising at an appropriate point in the future. Naturally, all shareholders will be notified should the directors decide to pursue this. In order to allow the company the flexibility to consider this option, resolutions will be put to shareholders at the AGM to give directors the authority to issue up to 7,559,134 ordinary shares, being approximately 33 per cent of the company's issued share capital at today's date.

- 2 Resolution No. 8 will be proposed as a special resolution whereby the company will seek to renew its authority to make market purchases of its own shares by utilising distributable reserves of the company.

Background to the proposal

The directors consider that it is in the best interests of the company and its shareholders for the company to be in a position to make occasional market purchases of its shares (which are then automatically cancelled) with the aim of reducing any discount and increasing the net asset value per share of the remaining shares. In the view of the directors, the awareness in the market that the company has such a capability may tend to moderate the scale of any discount that may emerge and the action of buying shares may enable any such discount to be narrowed. The Board has a general authority under its articles of association to make market purchase of its own shares. Accordingly, the Board proposes, as Special Business at the forthcoming AGM, to seek the authority for the company to make market purchases of its own ordinary shares. A company is permitted to purchase its own shares out of the special reserve created from the cancellation of the company's Share Premium Account, subject to its Articles of Association, its distributable reserves or from the proceeds of a fresh issue of shares made for the purposes of such purchases. The authority being sought will enable the company to make such occasional purchases out of the special reserve or any distributable reserves.

Purchase of ordinary shares by the company

Purchases of ordinary shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the company and its shareholders as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per ordinary share, thereby enhancing the net asset value per ordinary share for the company's remaining shareholders.

Under the Listing Rules of the Financial Services Authority, the maximum price which can be paid by the company is 5 per cent above the average of the market value of the ordinary shares for the five business days preceding the purchase. Ordinary shares that are purchased will be cancelled. In making purchases, the company will deal only with member firms of the London Stock Exchange. Purchases of ordinary shares will be funded from the use of distributable reserves but so that the use of such reserves will not adversely impact on the company's stated policy of maximising tax free dividend distributions to shareholders.

Risk Factors

Shareholders who sell their ordinary shares within three years of subscription will lose, and will have to repay, any income tax relief previously given on subscription. Any capital gains deferred on subscription will crystallise at that time.

Special Business at the Annual General Meeting *continued*

Any share purchases by the company may result in a reduction of the discount to net asset value at which the ordinary shares trade. However, the effect of market forces cannot be predicted with certainty and this result cannot be guaranteed. Furthermore, even if initially the desired result is achieved, it is possible that the discount may widen further over the medium to long term.

Taxation on company share purchase

The company, when it purchases ordinary shares, will be treated as repaying part or all of the amount of capital which is treated as paid up on each ordinary share for tax purposes. Stamp duty at the rate of 50p per £100 or part thereof of the purchase price of any ordinary share will be payable by the company. **This information is based on the law and practices currently in force in the United Kingdom and is not a complete statement of tax legislation affecting shareholders of venture capital trusts.**

Action to be taken

The AGM is being convened for 15 July 2004 at 11.00 a.m. A form of proxy is enclosed for use at the AGM. Whether or not you intend to be present at the meeting, you are asked to return the enclosed form of proxy in accordance with the instructions printed on it so as to arrive no later than 11.00 a.m. on 13 July 2004. Completion and return of a form of proxy will not preclude you from attending the meeting and voting in person, should you so wish. Shareholders are urged to seek independent financial advice from a person authorised under the Financial Services Act 1986 when considering whether or not to approve Resolution Nos 6, 7 & 8. If you have sold or transferred all or part of your ordinary shares in ProVen VCT plc, you should forward this document, together with the form of proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Directors' recommendation

The directors of the company believe that shareholders should vote in favour of the proposals described, as they intend to do in respect of their own beneficial holdings amounting to 51,000 ordinary shares (representing 0.22% per cent of the issued share capital of the company) and that they believe the proposal is in the best interests of shareholders.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of ProVen VCT plc will be held at the Covent Garden Hotel, 10 Monmouth Street, London WC2H 9HB on Thursday, 15 July 2004 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 29 February 2004 and the directors' and auditors' reports thereon.
2. To approve the Directors' Remuneration Report.
3. To re-elect A J Davison as a director.
4. To re-elect E H Sharp as a director, special notice having been received, pursuant to sections 293 and 379, Companies Act 1985, of the intention to propose the following resolution as an ordinary resolution:

RESOLUTION:

THAT Ernest H Sharp, who attained the age of 70 years on 16 January 2001, be and is hereby re-elected a director of the company.

5. To re-appoint Deloitte & Touche LLP as auditors of the company and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, pass the Resolution 6 as an Ordinary Resolution and 7 and 8 as Special Resolutions:-

6. AUTHORITY TO ALLOT RELEVANT SECURITIES

THAT the directors be generally and unconditionally authorised in accordance with Section 80 of the Act to allot shares up to a maximum nominal amount of £377,957 (representing approximately 33% of the ordinary share capital in issue at today's date) this authority to expire at the later of the conclusion of the company's annual general meeting next following the passing of this resolution and the expiry of 15 months from the passing of the relevant resolution (unless previously revoked, varied or extended by the company in general meeting but so that such authority allows the company to make Offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority).

7. EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES

To empower the directors pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority referred to in resolution 6 as if Section 89(1) of the Act did not apply to any such allotments and so that:

- (a) reference to allotment in this Resolution shall be construed in accordance with Section 94 of the said Act; and
- (b) the power conferred by this Resolution shall enable the company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the annual general meeting of the company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

Notice of Annual General Meeting *continued*

8. **AUTHORITY TO MAKE MARKET PURCHASES**

THAT the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 5p each in the company ("ordinary shares") provided that:

- (a) the maximum number of ordinary shares so authorised to be purchased shall not exceed 14.99% of the present issued Ordinary share capital of the company;
- (b) the minimum price which may be paid for an ordinary share shall be 5p;
- (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;
- (d) the authority conferred comes to an end at the conclusion of the next annual general meeting of the company or upon the expiry of 15 months from the passing of this resolution, whichever is the later; and
- (e) that the company may enter into a contract to purchase its ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

By Order of the Board
C L Whitten FCIS
Secretary

17-18 Henrietta Street
London
WC2E 8QH
2 June 2004

NOTES

- a) A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.
- b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the company, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA so as to be received by no later than 48 hours before the time the annual general meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the annual general meeting.
- c) Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the ordinary shares of the Company kept in accordance with Section 325 of the Companies Act 1985 and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and for at least 15 minutes prior to the commencement of the meeting until its conclusion.

Proxy Form

ProVen VCT plc

Annual General Meeting – 15 July 2004

I/We
(block capitals please)

of

being a member of ProVen VCT plc, hereby appoint

.....

or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the annual general meeting of the company to be held on 15 July 2004, notice of which was sent to shareholders with the directors' report and the accounts for the year to 29 February 2004, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting:

Resolution number	For	Against	Withheld
1. To receive, consider and adopt the financial statements for the year to 29 February 2004	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To note the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect A Davison as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect E H Sharp as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Deloitte & Touche LLP as auditors and authorise the directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the directors to allot shares (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply Section 89(1) of the Companies Act 1985 (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the directors to make market purchases of its own shares by utilising distributable reserves of the company (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed: Dated: 2004

NOTES

1. A member wishing to appoint a person other than the Chairman of the meeting as proxy should insert the name and address of such person in the space provided.
2. Use of the proxy form does not preclude a member from attending and voting in person.
3. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
4. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
5. To be valid, the proxy form must be received by the Registrars no later than 48 hours before the commencement of the meeting.

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Capita Registrars
Registrars for ProVen VCT plc
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0JQ

First Fold

Second Fold

