# PROVEN VCT PLC

REPORT AND ACCOUNTS
FOR THE YEAR ENDED
28 FEBRUARY 2005

ProVen
VCT plc

MANAGED BY
BERINGEA

# Contents



Registered in England & Wales No. 3911323

# Financial Summary

| | Year ended 28 February 2005 | Year ended 29 February 2004 | Year ended 28 February 2003 | Year ended 28 February 2002 |
|---|---|---|---|---|
| **Revenue return per share (pence) for the year** | 1.9p | 0.2p | 1.2p | 2.4p |
| **Total return per share (pence) for the year** | 14.6p | 30.8p | (16.1)p | (5.2p) |
| **Dividends per share (pence)** | 6.5p | 3.5p | 1.0p | 2.3p |
| **Cumulative dividends per share (pence)** | 15.7p | 9.2p | 5.7p | 4.7p |
| **Net asset value per share (pence)** | 106.7p | 98.7p | 71.4p | 88.4p |
| **NAV total return (net asset value plus cumulative dividends per share) (pence)** | 122.4p | 107.9p | 77.1p | 93.1p |
| **Mid-market price per share (pence)** | 93.0p | 70.0p | 65.0p | 90.0p |
| **Shareholders' funds (£'000)** | 23,998 | 21,521 | 15,639 | 19,406 |

# Investment Objective

ProVen VCT plc is a Venture Capital Trust ("VCT") 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.

# Chairman's Statement

### INTRODUCTION

I have pleasure in presenting the annual report and accounts for your company for the year ended 28 February 2005. The year has been marked by 11% growth in the FTSE All Share Index despite geopolitical uncertainty and concerns in the wider international economy.

### INVESTMENT PORTFOLIO

During the year your company made one new investment of £200,000 and a further £762,000 was invested in existing portfolio companies. Your company also made a number of realisations realising a profit of £1.0 million. These realisations include cash and shares from the sale of Espotting Media to US NASDAQ listed FindWhat.com which concluded in July 2004. Subsequent to the year end, Notability Solutions was sold generating a return of 2.4 times the initial investment in only two years.

At the balance sheet date your company had a portfolio of 24 investments at a total cost of £16.9 million and a valuation of £21.7 million. Your company also held £3.1 million in cash and liquidity funds.

Further details on 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 AND DIVIDENDS

The total net asset value return per share at 28 February 2005 was 122.4p comprising a net asset value per share of 106.7p and dividends paid and proposed of 15.7p. This represents a return of 29% over the initial net asset value at launch of 95p and compares very favourably with the total return on the FTSE All Share Index of -7% over the same period.

Your company is proposing a final dividend of 3.5p per share. This is in addition to the interim dividend of 3.0p per share paid in November 2004. This dividend will be paid on 6 July 2005 to shareholders on the register at 10 June 2005.

### SHARE CAPITAL ISSUES AND BUY BACKS

During the year your company issued a further 1,110,732 shares following the offer for subscription for the tax year 2003/2004. Subsequent to 28 February 2005, in the 2004/2005 and 2005/2006 tax years, your company has issued a further 2,143,430 shares following two further offers for subscription. The funds raised from these offers are required to be 70% invested in qualifying holdings within approximately three years and will be used to further diversify the portfolio.

Your company also purchased 415,955 shares in the market at a cost of £374,000, representing a discount of 10% 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 interest 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, details of whom are provided on page 5 of this annual report.

### PROSPECTS

The performance of the portfolio continues to be encouraging and is reflected in the increased valuations for a number of companies. This results from a number of factors: the initial due diligence process which identifies which investments are to be made; the quality of the portfolio companies' management teams in delivering goods and services in their respective markets and the conversion of this performance to shareholder value; and the ongoing advice provided by the investment manager to the portfolio companies. These efforts have been rewarded with the strong performance of your company relative to its peer group.

In addition, the individual portfolio companies' performance and valuations are sensitive to the market in which we operate. The prospects for the UK economy look more uncertain than at this time last year and we expect the market for investments to be affected by the £500 million recently raised by other VCTs for investment. Nonetheless I continue to have confidence in the performance of your company.

# Chairman's Statement *continued*

**ANNUAL GENERAL MEETING**

The annual general meeting will be held at 11.00 a.m. on 5 July 2005 at 39 Earlham Street, London WC2H 9LT. I look forward to meeting those shareholders that are able to attend.

Andrew Davison
*Chairman*

2 June 2005

# Management and Administration

**Registered Office & Registered Number**
39 Earlham Street
London WC2H 9LT
Registered in England & Wales
No. 3911323
Tel: 020 7845 7820

**Investment Manager**
Beringea Limited
39 Earlham Street
London WC2H 9LT
Tel: 020 7845 7820
info@beringea.co.uk

Beringea Limited is authorised and regulated by the Financial Services Authority

**VCT Adviser**
PricewaterhouseCoopers LLP
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London WC2N 6NN

**Auditors**
Deloitte & Touche LLP
London

**Registrar**
Capita Registrars
(formerly Northern Registrars)
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Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Tel: 0870 162 3131
Shareholder.services@capitaregistrars.com

**Company Secretary**
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Woodside Secretaries Limited
21-22 Grosvenor Street
London W1K 4QJ

**Financial Adviser**
Downing Corporate Finance Limited
69 Eccleston Square
London SW1V 1PJ
Tel: 020 7416 7780
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# Directors

**Andrew Davison FCA** (Chairman), aged 62, is chairman of Pennine Downing Ethical VCT plc and City of London Investment 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** (49) 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 £400 million since 1992. He was a founding director of HIT Entertainment PLC in 1989. He is currently a director of a number other VCTs, including ProVen VCT plc. He was formerly with County NatWest Ventures Limited and before that with Apax Partners and Co. Limited.

**Ernest Sharp FCA** (74) 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** (57) 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**

The year to 28 February 2005, the period covered by this review, has seen continued strong economic growth in the UK despite geopolitical uncertainty in the Middle East, rising oil prices and current account imbalances in the wider international economy. Against this backdrop the net asset value total return of the fund increased by 13%, compared to the total return of 15% on the FTSE All Share Index over the same period. The VCT continued to comply with the requirements of the VCT regulations during the year.

Our primary focus during the year has been value creation within the existing portfolio. We have also made a number of new and follow-on investments and realised a number of investments as outlined below.

**Portfolio Activity**

*Investments*

One new investment of £200,000 was completed during the year and a total of £762,000 was invested in existing portfolio companies. These investments are summarised below.

| Portfolio company | Activity | Amount £'000 |
|---|---|---|
| **New investments** | | |
| JVTV | Operator of plasma screen network in student union bars | 200 |
| **Follow-on investments** | | |
| Baby Innovations SA | Design and development of pre-sterilised baby feeding bottles | 116* |
| Espotting Media | Performance based internet advertising | 11* |
| Espresso Broadband | Provision of multi-media educational resources to schools | 127 |
| GB Industries | Steel fabrication and modular buildings | 133* |
| Linguaphone | Branded language teaching | 99 |
| SPC International | Hardware support services | 223 |
| Zenith Group | Television production company | 53 |
| | Total | 962 |

* Includes non-cash capitalised interest

*Realisations*

The increasing maturity of the portfolio has been reflected in the number of realisations that have been made. These include the sale of Espotting Media to US NASDAQ listed FindWhat.com, the further sale of a significant proportion of the VCT's holding in Cardpoint and, subsequent to the year end, the sale of Notability Solutions.

The sale of Espotting Media completed on 1 July 2004. As part of the transaction the VCT received a mix of cash and FindWhat shares. As at 28 February 2005, the VCT had realised over 50% of its original investment on which it generated a gain of 78%.

The VCT's investment in Cardpoint has performed particularly well. We first invested in this company at a price of 43p per share and subsequently made a further investment at 53p per share. During the year we realised 30% of the VCT's purchases at an average price of 126p per share generating a gain of 182%.

We also took the opportunity provided by strength in the respective share prices to realise part of the company's shareholding in Pilat Media and to sell the remainder of the holding in Centurion Electronics. Losses were incurred on the sale of part of the VCT's holding in VI Group and when Transcomm was acquired by BT.

Subsequent to the year end in March 2005, Notability Solutions was sold to Logicalis Group Ltd, the UK subsidiary of Johannesburg Stock Exchange listed Datatec, generating a return of 2.4 times the initial investment in only two years.

# Investment Manager's Review *continued*

**Portfolio Valuation**

At 28 February 2005, the company's unquoted and listed portfolio comprised 24 investments at a total cost of £16.9 million and a valuation of £21.7 million. The company also held £3.1 million in cash and liquidity funds. Full details are shown on page 9.

The portfolio's good performance is reflected in the increased valuations of a number of portfolio companies since the previous year end. These include SPC International, Espresso Broadband, Mergermarket, Nectar Taverns and Ma Potters. We have prudently reduced the valuations of the company's investments in Zenith Group and Linguaphone but continue to work closely with management to identify ways of maximising shareholder value.

**Outlook**

The investments in the portfolio continue, on the whole, to perform well. We will continue to focus on creating value for shareholders through working closely with these companies and seeking realisations where appropriate. In addition, the VCT has raised £3.2 million through its recent offers for subscription which, together with cash realised from earlier investments, provides the opportunity for new investments to further diversify the portfolio. In total, the 2004/2005 tax year saw £500 million being raised from 50 VCTs. This may result in increased competition for potential new investments but at the same time provide established VCTs with an additional exit route as new VCTs seek to meet the 70% investment target within three years.

Beringea Limited

2 June 2005

# Investment Portfolio
## at 28 February 2005

| | Cost £'000 | Valuation £'000 | % of Net Assets |
|---|---|---|---|
| **Qualifying investments** | | | |
| SPC International Limited | 1,173 | 2,919 | 12.2 |
| Espresso Broadband Limited | 1,365 | 2,708 | 11.3 |
| Notability Solutions Limited | 1,000 | 2,177 | 9.1 |
| Mergermarket Limited | 780 | 1,921 | 8.0 |
| Nectar Taverns Plc | 1,000 | 1,792 | 7.5 |
| Ma Potter's Limited | 700 | 1,753 | 7.3 |
| Ashford Colour Press Limited | 1,000 | 1,388 | 5.8 |
| Cardpoint plc* | 433 | 1,293 | 5.4 |
| UBC Media Group plc* | 1,101 | 1,091 | 4.5 |
| LFR plc (t/a Loch Fyne Restaurants) | 1,000 | 939 | 3.9 |
| Chiaros Holdings Limited (t/a TMI) | 800 | 901 | 3.8 |
| Pilat Media Global plc* | 250 | 459 | 1.9 |
| Oasis Healthcare plc* | 670 | 278 | 1.2 |
| JVTV Limited | 200 | 200 | 0.8 |
| Sports Holdings Limited | 800 | 131 | 0.5 |
| Zenith Group Limited | 853 | 104 | 0.4 |
| VI Group plc* | 207 | 104 | 0.4 |
| Linguaphone Group plc | 703 | 99 | 0.4 |
| GB Industries Limited | 1,134 | — | — |
| Bond iT Limited | 500 | — | — |
| **Total qualifying holdings** | 15,669 | 20,257 | 84.4** |
| **Non-qualifying investments** | | | |
| Baby Innovations S.A. (t/a Steribottle) | 636 | 636 | 2.7 |
| Copyright Promotions Group Limited | 158 | 503 | 2.1 |
| Findwhat.com, Inc† | 188 | 268 | 1.1 |
| I D Data plc* | 262 | 9 | — |
| **Total non-qualifying investments** | 1,244 | 1,416 | 5.9 |
| **Total investment portfolio** | **16,913** | **21,673** | **90.3** |
| **Cash and other net current assets** | | **2,325** | **9.7** |
| **Shareholders' funds** | | **23,998** | **100.0** |

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

† Investment traded on the US NASDAQ market.

** Expressed as a percentage of the company's net assets at 28 February 2005 as distinct from total investments as defined in the Venture Capital Trust regulations.

# Ten Largest Venture Capital Investments

**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 and a further £223,000 in November 2004. The business continues to grow well in line with our expectations. Over the next three years we expect both a significant growth in earnings and a degearing of the business.

| | |
|---|---|
| Investment dates: | June 2003 and November 2004 |
| Equity held: | 25.2% |
| Cost: | £1,173,000 (2004: £950,000) |
| Valuation: | £2,919,000 (2004: £1,766,000) |
| Valuation basis: | Earnings multiple |
| Last audited accounts: | 24 September 2004 |
| Net assets: | £1.9 million |
| Profit before taxation: | £2.3 million |

**Espresso Broadband Limited** ***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 subsequent years to support ongoing development of the company. Over 4,500 primary schools have now signed up to EfS and this number continues to grow rapidly. Recently, ITN invested in Espresso in return for a significant equity stake in the business.

| | |
|---|---|
| Investment dates: | September 2001 to March 2004 |
| Equity held: | 21.3% |
| Cost: | £1,365,000 (2004: £1,238,000) |
| Valuation: | £2,708,000 (2004: £976,000) |
| Valuation basis: | Price of recent investment |
| Last audited accounts: | 31 July 2003 |
| Net liabilities: | £2.9 million |
| Loss before tax: | £1.6 million |

**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 2004. In March 2005, the company was sold to Logicalis Group Ltd, the UK subsidiary of Johannesburg Stock Exchange listed Datatec, generating a return of 2.4 times the initial investment in only two years.

| | |
|---|---|
| Investment date: | February 2003 |
| Equity held: | 19.7% |
| Cost: | £1,000,000 (2004: £1,000,000) |
| Valuation: | £2,177,000 (2004: £2,076,000) |
| Valuation basis: | Sale proceeds |
| Last audited accounts: | 31 December 2004 |
| Net assets: | £4.6 million |
| Profit before taxation: | £1.8 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 driven by new sales, high renewals and geographic expansion. Since early 2004, the company has set up offices in the USA and Latin America and is launching an office in Hong Kong publishing and selling market-specific versions of their major titles.

| | |
|---|---|
| Investment date: | June 2001 and August 2002 |
| Equity held: | 6.8% |
| Cost: | £780,000 (2004: £780,000) |
| Valuation: | £1,921,000 (2004: £1,241,000) |
| Valuation basis: | Revenue multiple |
| Last audited accounts: | 31 December 2003 |
| Net assets: | £573,000 |
| Loss before taxation: | £240,000 |

# Ten Largest Venture Capital Investments *continued*

**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 estates comprises twenty three trading pubs with a further six pubs either under refurbishment or in the process of being purchased, primarily in the northwest of England.

| | |
|---|---|
| Investment date: | August 2002 |
| Equity held: | 24.7% |
| Cost: | £1,000,000 (2004: £1,000,000) |
| Valuation: | £1,792,000 (2004: £1,000,000) |
| Valuation basis | Earnings multiple |
| Last audited accounts: | 2 May 2004 |
| Net assets: | £3.7 million |
| Loss before taxation: | £253,000 |

**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 ten restaurants. ProVen VCT invested alongside other VCTs including ProVen Media VCT in January 2003 to provide development capital for further expansion. The company now has fifteen restaurants and plans to open several more restaurants in 2005 and expand further in 2006.

| | |
|---|---|
| Investment date: | January 2003 |
| Equity held: | 11.3% |
| Cost: | £700,000 (2004: £700,000) |
| Valuation: | £1,753,000 (2004: £1,039,000) |
| Valuation basis: | Earnings multiple |
| Last audited accounts: | 30 November 2004 |
| Net assets: | £1.8 million |
| Profit before taxation: | £1.0 million |

**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 (2004: £1,000,000) |
| Valuation: | £1,388,000 (2004: £1,235,000) |
| Valuation basis: | Earnings multiple |
| Last audited accounts: | 31 March 2004 |
| Net assets: | £1.3 million |
| Profit before taxation: | £618,000 |

**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. 2004 was another year of rapid expansion with the acquisition of the HBOS ATM Estate and the company now has over 2,800 ATMS as well as 4,000 mobile phone electronic top-up terminals.

| | |
|---|---|
| Investment date: | June 2002, June 2003 |
| Equity held: | 1.6% |
| Cost: | £433,000 (2004: £828,000) |
| Valuation: | £1,293,000 (2004: £2,675,000) |
| Valuation basis: | Mid-market price |
| Last audited accounts: | 30 September 2004 |
| Net assets: | £36.4 million |
| Loss before taxation: | £3.1 million |

## Ten Largest Venture Capital Investments *continued*

**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. By 2008, sales of digital radios are anticipated to reach 7 million with a further 19.4 million homes having access to digital radio through digital TV.

| | |
|---|---|
| Investment date: | July 2000 and April 2002 |
| Equity held: | 2.4% |
| Cost: | £1,101,000 (2004: £1,101,000) |
| Valuation: | £1,091,000 (2004: £1,361,000) |
| Valuation basis: | Discounted mid-market price |
| Last audited accounts: | 31 March 2004 |
| Net assets: | £3.5 million |
| Loss before taxation: | £1.5 million |

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

**Branded seafood restaurants**

LFR manages 23 fish restaurants throughout the UK under the "Loch Fyne Restaurants" brand and 5 "Le Petit Blanc" restaurants. 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" brand 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: | 6.8% |
| Cost: | £1,000,000 (2004: £1,000,000) |
| Valuation: | £939,000 (2004: £1,000,000) |
| Valuation basis: | Earnings multiple |
| Last audited accounts: | 31 December 2004 |
| Net assets: | £6.8 million |
| Profit before taxation: | £330,000 |

*Notes: Qualifying equity investments in the above companies carry full voting rights.*

* *AIM listed investment.*

# Directors' Report

The directors present their report and the audited financial statements for the year to 28 February 2005.

**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 has been listed on the London Stock Exchange since April 2000 and has been granted approval by the Inland Revenue as a Venture Capital Trust. The Chairman's Statement on pages 3 and 4 and the Investment Manager's Review on pages 7 and 8 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 continue to 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 have the opportunity to review its future from time to time. 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, and thereafter at five yearly intervals.

**RESULTS AND DIVIDEND**

| | **Year to 28 February 2005 Revenue £'000** | **Year to 28 February 2005 Capital £'000** | Year to 29 February 2004 Revenue £'000 | Year to 29 February 2004 Capital £'000 |
|---|---|---|---|---|
| Return on ordinary activities after taxation | **434** | **2,884** | 37 | 6,686 |
| Appropriated as follows: | | | | |
| Interim dividend paid | | | | |
| Revenue — 1.00p per share (2004: nil) | **227** | **—** | — | — |
| Capital — 2.00p per share (2004: nil) | **—** | **450** | — | — |
| Final dividend proposed | | | | |
| Revenue — 1.25p per share (2004: nil) | **281** | **—** | — | — |
| Capital — 2.25p per share (2004: 3.50p per share) | **—** | **506** | — | 763 |
| Transfers to reserves | **(74)** | **1,928** | 37 | 5,923 |
| | **434** | **2,884** | 37 | 6,686 |

The directors propose a dividend of 3.5p per share for the year ended 28 February 2005 (2004: 3.5p per share) to be paid on 6 July 2005 to shareholders on the register at 10 June 2005, except that shares allotted pursuant to the Offers for Subscription dated 2 March 2005 and 4 April 2005 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:

| | **Year to 28 February 2005 or date of resignation** | Year to 29 February 2004 or date of appointment |
|---|---|---|
| A J Davison | **5,000** | 5,000 |
| N P Lewis | **10,000** | 10,000 |
| E H Sharp | **36,000** | 36,000 |
| T P Sooke (resigned 1 June 2004) | **5,000** | 5,000 |
| A Spiro, Jr | **—** | — |

# Directors' Report *continued*

All of the directors' share interests shown above are held beneficially. In addition, Mr Davison was allotted 4,623 ordinary shares of 5p each on 23 March 2005 pursuant to the Offer for Subscription dated 2 March 2005. There have been no other changes in the directors' share interests between 28 February 2005 and the date of this report.

Brief biographical notes on the directors are given on page 6. Mr Lewis and Mr Spiro, Jr, retiring by rotation, will offer themselves for re-election at the forthcoming annual general meeting. The directors believe their experience in small companies is a great benefit to the Board and recommend their re-election.

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.

**SHARE BUY BACKS**

During the year the company repurchased and cancelled 415,955 ordinary shares of 5p each (2004: 121,720 ordinary shares) for a consideration of £374,000 (2004: £78,000). The buy backs represented 1.8% (2004: 0.6%) of the called up share capital.

**SHARE OFFERS**

Pursuant to the Offer for Subscription dated 16 February 2004, the company allotted 1.1 million ordinary shares between 16 March 2004 and 5 April 2004. Pursuant to the Offers for Subscription dated 2 March 2005 and 4 April 2005, the company allotted 2.1 million ordinary shares between 23 March 2005 and the date of this report. Details of the share offers are given in note 14.

**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 3 to the financial statements.

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 5 to the financial statements.

N P Lewis is a director of and shareholder in Downing. 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 2005 the company had not been notified of any individual shareholdings representing 3% or more of the company's issued share capital during the year 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**

Notice of the annual general meeting is set out on pages 40 and 41.

**AUDITORS**

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*
39 Earlham Street
London WC2H 9LT

2 June 2005

# 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 5 July 2005.

**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 28 February 2005 £** | Year ended 29 February 2004 £ |
|---|---|---|
| A J Davison (Chairman) | **15,000** | 15,000 |
| N P Lewis | **10,000** | 10,000 |
| G R Power (resigned 16 May 2003) | **—** | 2,500 |
| E H Sharp | **10,000** | 10,000 |
| T P Sooke (resigned 1 June 2004) | **5,000** | 10,000 |
| A Spiro, Jr* | **10,000** | 7,500 |

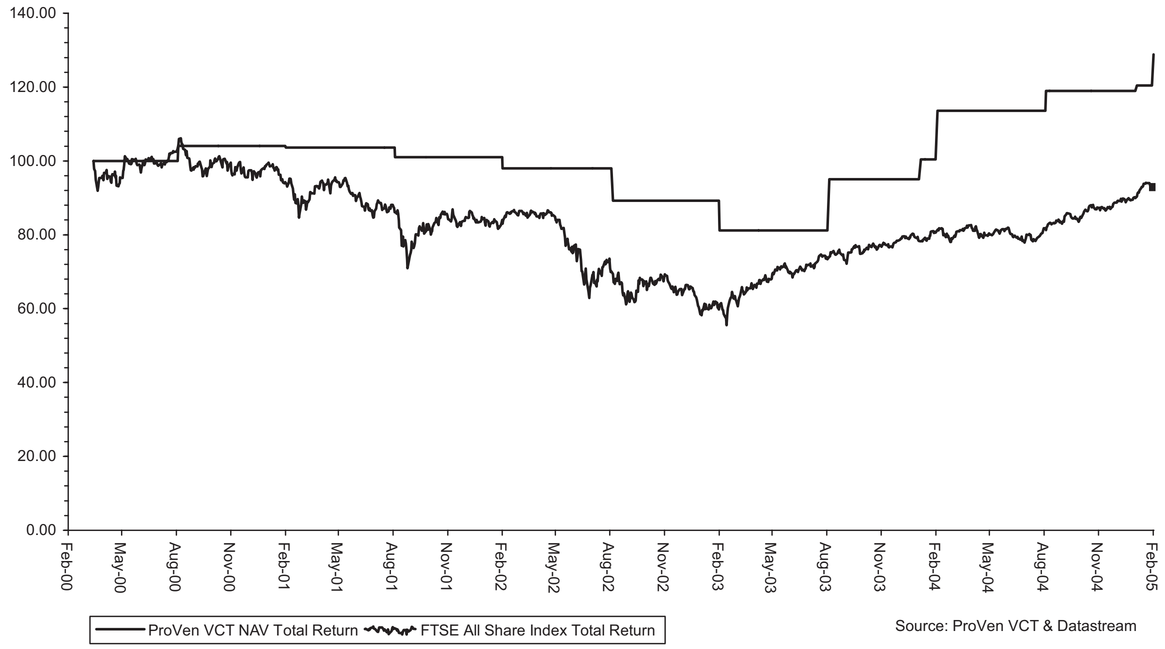
* employee of Beringea LLC during the year under review.

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 10 April 2000, the initial listing date for the ordinary shares.




By Order of the Board
C L Whitten FCIS, *Secretary*
39 Earlham Street
London WC2H 9LT

2 June 2005

# Corporate Governance

The directors support the relevant principles of the new Combined Code issued in July 2003 by the Financial Reporting Council, being the principles of good governance and the code of best practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

Bearing in mind that the assets of the company consist mainly of marketable securities, 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.

**THE BOARD**

The company is led and controlled by a Board of directors who are all non-executives and who have had relevant experience with quoted companies prior to their appointment. The Chairman is Andrew Davison. Biographical details of all Board members are shown on page 6.

Directors are subject to re-election at the first AGM after their appointment and by rotation thereafter. In accordance with the Combined Code, two directors were re-elected during the year and two further directors are offering themselves for re-election at the next AGM.

During the year the following were held:

**4 full board meetings**

All directors attended all meetings with the exception of Alexander Spiro, Jr who was unable to attend two of those meetings.

**2 Audit Committee meetings**

All Members attended.

Additional meetings were held as required to address specific issues including considering recommendations from the investment manager. The board has a formal schedule of matters specifically reserved for its decision.

All directors were involved in the establishment of the company as a VCT (with the exception of Mr Spiro, Jr) and with the launches of offers for subscription of additional ordinary shares. All directors had relevant experience with quoted companies prior to their appointment and it was not therefore thought necessary to provide further training in respect of their obligations and duties.

The Board has also established procedures whereby directors wishing to do so in the furtherance of their duties may take independent professional advice at the company's expense.

All directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

The Board believes that it presents a balanced and understandable assessment of the company's position and prospects. The Audit Committee meets at least once a year. Under the chairmanship of a non-executive director, its membership comprises all the non-executive directors with the exception of the representative of the investment manager. During the year the Audit Committee was chaired by Andrew Davison. The Audit Committee reviews the financial statements and is reported to by the external auditors. Further, the Audit Committee keeps under review the cost effectiveness, independence and objectivity of the auditors. A formal statement of independence is received from the external auditors each year.

During the year the Board recommended that the auditors be re-appointed, and reviewed the internal financial controls including those of the investment manager in the course of which a risk assessment was considered. The investment manager is authorised and regulated by the Financial Services Authority.

The Board reviewed directors' remuneration during the year. Details of the specific levels of remuneration to each director are set out in the Directors' Remuneration Report on page 18, and this is subject to shareholder approval.

## RELATIONS WITH SHAREHOLDERS

The Chairman is the company's principal spokesman with investors, fund managers, the press and other interested parties.

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by shareholders during the course of the year, or to meet with major shareholders if so requested.

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrars collate proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM and proxy form can be found at the end of these financial statements.

## FINANCIAL REPORTING

The directors statement of responsibilities for preparing the accounts is set out on page 22, and a statement by the auditors about their reporting responsibilities is set out in the Auditors' Report on page 23.

## INTERNAL CONTROL

The directors are responsible for the company's system of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the company's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The directors have conducted a review of the effectiveness of the system of internal control for the period covered by the financial statements. This accords with the Turnbull guidance.

Although the Board is ultimately responsible for safeguarding the assets of the company, the Board has delegated, through written agreements, the day-to-day operation of the company to Beringea Limited.

## COMPLIANCE STATEMENT

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting year. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the company has complied throughout the accounting year to 28 February 2005 with the provisions set out in Section 1 of the Combined Code.

1. The Board has not appointed a nominations committee as they consider the Board to be small and it comprises wholly non-executive directors. Appointments of new directors are dealt with by the full Board.

2. New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.

3. Due to the size of the Board and the nature of the company's business, a formal performance evaluation of the Board, its committees, the individual directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise.

4. The company has one independent director, Mr Ernest Sharp, as defined by the Combined Code issued in July 2003. The board considers that Mr Ernest Sharp is independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Other non-executive directors hold directorships of other companies with the same investment manager. The Board considers that all directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code.

# Corporate Governance *continued*

5. The company does not have a chief executive officer or senior independent director. The Board does not consider this necessary for the size of the company.
6. The company does not conduct a formal review as to whether there is a need for an internal audit function. The directors do not consider that an internal audit would be an appropriate control for a venture capital trust.
7. The Audit Committee is Chaired by Andrew Davison, Chairman of the Board of directors, whom the board regard as independent despite recommendations to the contrary in the Combined Code due to his being Chairman of the Board of directors and holding cross directorships with the same investment manager.
8. The non-executive directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts.
9. The company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the annual general meeting.

# 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 28 February 2005 which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 21. 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. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you 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 regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the July 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 group'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 and the part of the directors' remuneration report described as having been audited. 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 and the group, 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 and the part of the directors' remuneration report described as having been audited 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 28 February 2005 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

**Deloitte & Touche LLP**
Chartered Accountants and Registered Auditors
London

2 June 2005

# Statement of Total Return (incorporating the revenue account)
## for the year ended 28 February 2005

| | Notes | **Year ended 28 February 2005** Revenue £'000 | Capital £'000 | Total £'000 | Year ended 29 February 2004 Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Gains on investments | | | | | | | |
| – realised | | — | 1,000 | 1,000 | — | 607 | 607 |
| – unrealised | | — | 2,248 | 2,248 | — | 6,363 | 6,363 |
| Income | 2 | 866 | — | 866 | 356 | — | 356 |
| Investment management fee | 3 | (152) | (456) | (608) | (97) | (290) | (387) |
| Other expenses | 4 | (188) | — | (188) | (213) | — | (213) |
| **Return on ordinary activities before taxation** | | 526 | 2,792 | 3,318 | 46 | 6,680 | 6,726 |
| Tax (charge)/credit on ordinary activities | 6 | (92) | 92 | — | (9) | 6 | (3) |
| **Return on ordinary activities after taxation** | | 434 | 2,884 | 3,318 | 37 | 6,686 | 6,723 |
| Dividends | 7 | (508) | (956) | (1,464) | — | (763) | (763) |
| **Transfer (from)/to reserves** | 15 | (74) | 1,928 | 1,854 | 37 | 5,923 | 5,960 |
| Return per ordinary share | | | | | | | |
| Basic and fully diluted | 8 | 1.9p | 12.7p | 14.6p | 0.2p | 30.6p | 30.8p |

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 in the current year and the prior year. No operations were acquired or discontinued in the current or prior year. Other than shown above, the company had no recognised gains or losses. Accordingly no statement of total recognised gains and losses has been prepared.

# Balance Sheet
## at 28 February 2005

| | Note | 28 February 2005 £'000 | 29 February 2004 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 9 | **21,673** | 19,741 |
| **Current assets** | | | |
| Debtors | 12 | **256** | 612 |
| Cash at bank and in hand | | **3,129** | 2,103 |
| | | **3,385** | 2,715 |
| **Creditors: amounts falling due within one year** | 13 | **(1,060)** | (935) |
| **Net current assets** | | **2,325** | 1,780 |
| **Total assets less current liabilities** | | **23,998** | 21,521 |
| **Capital and reserves** | | | |
| Called up share capital | 14 | **1,125** | 1,090 |
| Share premium | 15 | **941** | — |
| Special reserve | 15 | **16,743** | 17,722 |
| Capital redemption reserve | 15 | **30** | 9 |
| Capital reserve realised | 15 | **353** | 68 |
| Capital reserve unrealised | 15 | **4,751** | 2,503 |
| Revenue reserve | 15 | **55** | 129 |
| **Total equity shareholders' funds** | 16 | **23,998** | 21,521 |
| **Net asset value per share** | 17 | **106.7p** | 98.7p |

The financial statements on pages 24 to 38 were approved by the Board of Directors on 2 June 2005 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 ended 28 February 2005

| | 28 February 2005 £'000 | 29 February 2004 £'000 |
|---|---|---|
| **Net cash outflow from operating activities** | | |
| Net revenue from ordinary activities before tax | **526** | 46 |
| (Increase)/decrease in debtors | **(176)** | 82 |
| Increase in creditors | **56** | 17 |
| Capitalised interest receipts | **(175)** | — |
| Management fees charged to capital | **(456)** | (290) |
| Net cash outflow from operating activities | **(225)** | (145) |
| **Financial investment** | | |
| Purchase of investments | **(787)** | (5,023) |
| Sale of investments | **2,809** | 6,992) |
| **Net cash inflow from financial investment** | **2,022** | 1,969 |
| **Corporation tax paid** | **—** | (3) |
| **Equity dividends paid** | **(1,439)** | — |
| **Financing** | | |
| Issue of ordinary shares | **1,054** | — |
| Share issue expenses | **(58)** | — |
| Purchase of ordinary shares | **(328)** | (78) |
| **Net cash inflow/(outflow) from financing** | **668** | (78) |
| **Increase in cash in the year** | **1,026** | 1,743 |
| **Analysis of cash balance** | | |
| At 29 February 2004 | **2,103** | 360 |
| Net cash inflow for the year | **1,026** | 1,743 |
| At 28 February 2005 | **3,129** | 2,103 |

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

# Notes to the Financial Statements
## for the year ended 28 February 2005

1. **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.

**True and fair override**

The company is no longer an investment company within the meaning of Section 266, Companies Act 1985, having revoked investment company status in July 2004 in order to permit the distribution of capital profits. However, it conducts its affairs as a venture capital trust for taxation purposes under Section 842AA of the Income and Corporation Taxes Act 1988. Notwithstanding, and as permitted by the Statement of Recommended Practice "Financial Statements of Investment Trust Companies"(SORP), issued by the Association of Investment Trust Companies in January 2003, the company has prepared its financial statements in accordance with the SORP. The directors consider that the departure from the Companies Act 1985 is necessary to enable the financial statements to give a true and fair view.

**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.

## 2. INCOME

| | Year ended 28 February 2005 £'000 | Year ended 29 February 2004 £'000 |
|---|---|---|
| **Interest receivable** | | |
| – from listed fixed interest securities | — | 125 |
| – from unlisted fixed interest securities | — | 4 |
| – from unquoted investment portfolio | **631** | 128 |
| – from bank deposits and liquidity funds | **130** | 10 |
| | **761** | 267 |
| **Dividends receivable** | **105** | 89 |
| | **866** | 356 |

## 3. INVESTMENT MANAGEMENT FEE

| | Year ended 28 February 2005 | | Year ended 29 February 2004 | |
|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Revenue £'000 | Capital £'000 |
| Investment management fee | **129** | **388** | 83 | 247 |
| Irrecoverable VAT thereon | **23** | **68** | 14 | 43 |
| | **152** | **456** | 97 | 290 |

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 (2004 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 28 February 2005, the fee payable to Beringea equated to 2.3% per annum of net assets (2004 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, Fees payable for the year under this agreement amounted to £52,275 (2004 £51,000) out of which Beringea paid to Downing Corporate Finance ("Downing") an annual fee of £20,000 (plus VAT & RPI) in consideration for services to the company in relation to its communications with shareholders and their financial advisers.

Under the terms of a deed of variation to the administration agreement, the arrangement under which Beringea pays Downing for communications services has been cancelled and replaced by a contract under which the company pays Downing for these services directly. Under the revised arrangements, the annual fee payable to Beringea for administrative and secretarial services will reduce to £30,330 for the year ending 28 February 2006. The fee payable to Downing in relation to communications with shareholders and their financial advisers will be £21,945 for the year ending 28 February 2006.

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 18.

## 4. OTHER EXPENSES

| | **Year ended 28 February 2005 £'000** | Year ended 29 February 2004 £'000 |
|---|---|---|
| Administrative and secretarial services | **52** | 51 |
| Directors' remuneration (see note 5) | **50** | 55 |
| Auditors' remuneration | | |
| – for audit services | **11** | 13 |
| – for tax services | **3** | 3 |
| Irrecoverable VAT | **24** | 26 |
| Other expenses | **48** | 65 |
| | **188** | 213 |

Irrecoverable VAT attributable to the management fee is disclosed in note 3 and is not included in the figure for irrecoverable VAT stated above.

## 5. DIRECTORS' REMUNERATION

| | **Year ended 28 February 2005 £'000** | Year ended 29 February 2004 £'000 |
|---|---|---|
| Fees paid to directors | **10** | 10 |
| Amounts paid to third parties in consideration for the services of directors | **40** | 45 |
| | **50** | 55 |

| | **Year ended 28 February 2005 £** | Year ended 29 February 2004 £ |
|---|---|---|
| The fees paid in respect of directors during the year 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 |
| E H Sharp | **10,000** | 10,000 |
| T P Sooke (resigned 1 June 2004) | **5,000** | 10,000 |
| A Spiro, Jr | **10,000** | 7,500 |
| | **50,000** | 55,000 |

N P Lewis is a director of and shareholder in Downing, which provides services to the company as outlined in note 3. 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.

Beringea and Downing are potential beneficiaries under the performance incentive arrangements referred to in note 18.

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

# Notes to the Financial Statements *continued*
## for the year ended 28 February 2005

### 6. TAX CHARGE/(CREDIT) ON ORDINARY ACTIVITIES

| | **Year ended 28 February 2005** | | Year ended 29 February 2004 | |
|---|---|---|---|---|
| | **Revenue £'000** | **Capital £'000** | Revenue £'000 | Capital £'000 |
| United Kingdom tax based on the taxable profit for the year | **—** | **—** | — | — |
| Tax attributable to capital expenses | **92** | **(92)** | 6 | (6) |
| Adjustments in respect of prior years | **—** | **—** | 3 | — |
| | **92** | **(92)** | 9 | (6) |
| **Factors affecting tax charge for the period** | | | | |
| Return on ordinary activities before taxation | **526** | **2,792** | 46 | 6,680 |
| Tax on return on ordinary activities at the standard rate of UK corporation tax (30%) | **157** | **838** | 14 | 2,004 |
| UK dividends not subject to corporation tax | **(32)** | **—** | (27) | — |
| Capital returns not subject to corporation tax | **—** | **(975)** | — | (2,091) |
| Excess management expenses brought forward | **(12)** | **—** | — | — |
| Excess of allowable expenses over taxable income | **—** | **24** | — | — |
| Effect of profits/(losses) taxed at the marginal rate of corporation tax rather than the standard rate | **(21)** | **21** | 19 | 81 |
| Adjustments in respect of prior years | **—** | **—** | 3 | — |
| Current tax charge/(credit) for the year | **92** | **(92)** | 9 | (6) |

### 7. DIVIDENDS

| | **Year ended 28 February 2005 £'000** | Year ended 29 February 2004 £'000 |
|---|---|---|
| Interim dividend paid — 3p per share (2004: nil p) | **677** | — |
| Final dividend proposed — 3.5p per share (2004: 3.5p) | **787** | 763 |
| | **1,464** | 763 |

### 8. RETURN PER ORDINARY SHARE

The revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £434,000 (2004: £37,000) and on 22,656,549 ordinary shares (2004: 21,860,400 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 £2,884,000 (2004: profit of £6,686,000) and on 22,656,549 ordinary shares (2004: 21,860,400 ordinary shares), being the weighted average number of ordinary shares in issue during the year.

## 9. FIXED ASSET INVESTMENTS

| | **Year ended 28 February 2005 £'000** | Year ended 29 February 2004 £'000 |
|---|---|---|
| Unquoted investments | **18,171** | 13,918 |
| Listed investments | **3,502** | 5,823 |
| | **21,673** | 19,741 |

Movements in investments during the year are summarised as follows:

| | **Unquoted £'000** | **Listed £'000** | **Total £'000** |
|---|---|---|---|
| Value of investment at 1 March 2004 | 13,918 | 5,823 | 19,741 |
| Purchases at cost | 962 | — | 962 |
| Disposal — proceeds | (520) | (1,758) | (2,278) |
| — realised gain/(loss) on disposal | (103) | 1,103 | 1,000 |
| Transfer following acquisition | (406) | 406 | — |
| Net increase in unrealised appreciation | 4,320 | (2,072) | 2,248 |
| **Valuation at 28 February 2005** | 18,171 | 3,502 | 21,673 |
| Book cost at 28 February 2005 | 13,802 | 3,111 | 16,913 |
| Unrealised appreciation at 28 February 2005 | 4,369 | 391 | 4,760 |
| | 18,171 | 3,502 | 21,673 |

Listed investments comprise equity shares investments traded on AIM and the US NASDAQ.

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

| | **Year ended 28 February 2005 £'000** | Year ended 29 February 2004 £'000 |
|---|---|---|
| Net realised gain on disposal | **1,000** | 607 |
| Increase in unrealised appreciation | **2,248** | 6,363 |
| | **3,248** | 6,970 |

## 10. VENTURE CAPITAL INVESTMENTS

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

| | **Year ended 28 February 2005 Cost £'000** | **Year ended 28 February 2005 Carrying value £'000** | Year ended 29 February 2004 Cost £'000 | Year ended 29 February 2004 Carrying value £'000 |
|---|---|---|---|---|
| **SPC International Limited** | | | | |
| Ordinary shares | **413** | **2,159** | 190 | 1,006 |
| Loan notes | **760** | **760** | 760 | 760 |
| | **1,173** | **2,919** | 950 | 1,766 |
| **Espresso Broadband Limited** | | | | |
| Ordinary shares | **574** | **1,917** | 262 | — |
| Secured loan notes | **791** | **791** | 976 | 976 |
| | **1,365** | **2,708** | 1,238 | 976 |
| **Notability Solutions Limited** | | | | |
| Ordinary shares | **102** | **1,179** | 102 | 1,078 |
| Preference shares | **898** | **998** | 898 | 998 |
| | **1,000** | **2,177** | 1,000 | 2,076 |
| **Mergermarket Limited** | | | | |
| 'B' Ordinary shares | **500** | **1,641** | 500 | 961 |
| Convertible loan notes | **280** | **280** | 280 | 280 |
| | **780** | **1,921** | 780 | 1,241 |
| **Nectar Taverns Plc** | | | | |
| Ordinary shares | **300** | **975** | 300 | 300 |
| Cumulative redeemable preference shares | **700** | **817** | 700 | 700 |
| | **1,000** | **1,792** | 1,000 | 1,000 |
| **Ma Potter's Limited** | | | | |
| Ordinary shares | **210** | **1,263** | 210 | 549 |
| Secured loan stock | **490** | **490** | 490 | 490 |
| | **700** | **1,753** | 700 | 1,039 |
| **Ashford Colour Press Limited** | | | | |
| Ordinary shares | **133** | **521** | 133 | 368 |
| Secured loan stock | **867** | **867** | 867 | 867 |
| | **1,000** | **1,388** | 1,000 | 1,235 |
| **Cardpoint plc*** | | | | |
| Ordinary shares | **433** | **1,293** | 828 | 2,675 |
| **UBC Media Group plc*** | | | | |
| Ordinary shares | **1,101** | **1,091** | 1,101 | 1,361 |
| **LFR plc (t/a Loch Fyne Restaurants)** | | | | |
| Ordinary shares | **1,000** | **939** | 1,000 | 1,000 |
| **Chiaros Holdings Limited (t/a TMI)** | | | | |
| Ordinary shares | **240** | **341** | 240 | — |
| Secured loan stock | **560** | **560** | 560 | 280 |
| | **800** | **901** | 800 | 280 |

## 10. VENTURE CAPITAL INVESTMENTS *continued*

| | Year ended 28 February 2005 Cost £'000 | Year ended 28 February 2005 Carrying value £'000 | Year ended 29 February 2004 Cost £'000 | Year ended 29 February 2004 Carrying value £'000 |
|---|---|---|---|---|
| **Baby Innovations S.A (t/a Steribottle)**** | | | | |
| Ordinary shares (2002 — Funding Units) | **490** | **490** | 416 | — |
| Convertible loan | **87** | **87** | 119 | 119 |
| Unsecured loan units | **59** | **59** | 59 | 297 |
| | **636** | **636** | 594 | 416 |
| **Copyright Promotions Group Limited**** | | | | |
| Ordinary shares | **51** | **396** | 51 | 336 |
| Unsecured loan notes | **107** | **107** | 215 | 215 |
| | **158** | **503** | 266 | 551 |
| **Pilat Media Global plc*** | | | | |
| Ordinary shares | **250** | **459** | 282 | 941 |
| **Oasis Healthcare plc*** | | | | |
| Ordinary shares | **670** | **278** | 670 | 431 |
| **FindWhat.com Inc†**** | | | | |
| Ordinary shares | **188** | **268** | — | — |
| **JVTV Limited** | | | | |
| Ordinary shares | **20** | **20** | — | — |
| Preference shares | **180** | **180** | — | — |
| | **200** | **200** | — | — |
| **Sports Holding Limited** | | | | |
| Ordinary shares | **800** | **131** | 800 | 131 |
| **Zenith Group Limited** | | | | |
| Ordinary shares | **85** | **—** | 80 | 80 |
| Loan stock | **768** | **104** | 720 | 720 |
| | **853** | **104** | 800 | 800 |
| **VI Group plc*** | | | | |
| Ordinary shares | **207** | **104** | 250 | 136 |
| **Linguaphone Group plc** | | | | |
| Ordinary shares | **703** | **99** | 605 | 500 |
| **I D Data plc*** | | | | |
| Ordinary shares | **262** | **9** | 262 | 30 |
| **GB Industries Limited** | | | | |
| Ordinary shares | **1,134** | **—** | 201 | — |
| Secured loan stock | **—** | **—** | 800 | — |
| | **1,134** | **—** | 1,001 | — |
| **Bond iT Limited** | | | | |
| Ordinary shares | **59** | **—** | 59 | — |
| Preference shares | **441** | **—** | 441 | — |
| | **500** | **—** | 500 | — |

**10. VENTURE CAPITAL INVESTMENTS** ***continued***

| | Year ended 28 February 2005 Cost £'000 | Year ended 28 February 2005 Carrying value £'000 | Year ended 29 February 2004 Cost £'000 | Year ended 29 February 2004 Carrying value £'000 |
|---|---|---|---|---|
| **Espotting Media (UK) Limited**** | | | | |
| Convertible loan notes | — | — | 395 | 907 |
| **Transcomm plc*** | | | | |
| Ordinary shares | — | — | 380 | 147 |
| **Centurion Electronics plc*** | | | | |
| Ordinary shares | — | — | 28 | 102 |
| **Totals** | **16,913** | **21,673** | 17,230 | 19,741 |

* Investments traded on the AIM market.
† Investments traded on NASDAQ.
** Non-qualifying investments.

**11. 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) | 123,500 | 33.8% |
| Mergermarket Limited | 'B' ordinary shares (1p) | 199,474 | 33.3% |
| Ashford Colour Press Limited | 'A' ordinary shares (£1) | 133,000 | 50.0% |
| Ma Potter's Limited | 'A' ordinary shares (£1) | 606 | 6.1% |
| Nectar Taverns Plc | Ordinary shares (50p) | 300,000 | 24.7% |
| | Preference shares (£1) | 700,000 | 24.7% |
| Espresso Broadband Limited | 'A' ordinary shares (10p) | 3,202,275 | 33.0% |
| Zenith Group Limited | 'B' ordinary shares (1p) | 15,685 | 21.1% |
| | 'D' ordinary shares (1p) | 2,105 | 42.1% |
| 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% |
| JVTV Limited | Ordinary shares | 9,495 | 12.2% |
| | 'B' preference shares | 180 | 17.0% |
| GB Industries Limited | 'A' ordinary shares | 1,170,286 | 11.7% |
| | 'B' ordinary shares | 921,983 | 18.5% |

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.

## 12. DEBTORS

| | Year ended 28 February 2005 £'000 | Year ended 29 February 2004 £'000 |
|---|---|---|
| Accrued income | **243** | 67 |
| Debtors and prepayments | **13** | 545 |
| | **256** | 612 |

## 13. CREDITORS

| | Year ended 28 February 2005 £'000 | Year ended 29 February 2004 £'000 |
|---|---|---|
| Trade creditors and accruals | **273** | 172 |
| Proposed dividends | **787** | 763 |
| | **1,060** | 935 |

## 14. SHARE CAPITAL

| | Year ended 28 February 2005 £'000 | Year ended 29 February 2004 £'000 |
|---|---|---|
| **Authorised** | | |
| 25,000,000 ordinary shares of 5p each | **1,250** | 1,250 |
| **Allotted, called up and fully paid** | | |
| 22,490,512 (2004: 21,795,735) ordinary shares of 5p each | **1,125** | 1,090 |

During the year 415,955 ordinary shares of 5p were bought by the company for a total cash consideration of £374,000. These shares were subsequently cancelled. Pursuant to an Offer for Subscription dated 16 February 2005, the company allotted 1,110,732 shares in the company between 16 March 2005 and 5 April 2005 for a total consideration of £1,054,314.

Subsequent to the year end, the authorised share capital was increased to 35,000,000 ordinary shares of 5p following approval by shareholders at an extraordinary general meeting of the company held on 21 March 2005. Pursuant to Offers for Subscription dated 2 March 2005 and 4 April 2005, the company allotted 2,143,430 shares in the company between 23 March 2005 and the date of this report for a total consideration of £2,318,627.

**15. RECONCILIATION OF MOVEMENTS IN RESERVES**

| | Share premium £'000 | Special reserve £'000 | Capital redemption reserve £'000 | Capital reserve – realised £'000 | Capital reserve – unrealised £'000 | Revenue reserve £'000 |
|---|---|---|---|---|---|---|
| At 1 March 2004 | — | 17,722 | 9 | 68 | 2,503 | 129 |
| Share buy back and cancellation | — | (374) | 21 | — | — | — |
| Share issue | 941 | — | — | — | — | — |
| Transfer from special reserve | — | (605) | — | 605 | — | — |
| Realised on disposal of investments | — | — | — | 1,000 | — | — |
| Unrealised gain on valuation | — | — | — | — | 2,248 | — |
| Management fee capitalised | — | — | — | (456) | — | — |
| Tax effect of capital items | — | — | — | 92 | — | — |
| Dividends paid and proposed | — | — | — | (956) | — | — |
| Net revenue utilised for the year | — | — | — | — | — | (74) |
| **At 28 February 2005** | 941 | 16,743 | 30 | 353 | 4,751 | 55 |

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.

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

| | **Year ended 28 February 2005 £'000** | Year ended 29 February 2004 £'000 |
|---|---|---|
| At 1 March 2004 | **21,521** | 15,639 |
| Total return after tax and dividends | **1,854** | 5,960 |
| Share buy back and cancellation | **(374)** | (78) |
| Net proceeds from new share issues | **997** | — |
| **At 28 February 2005** | **23,998** | 21,521 |

**17. NET ASSET VALUE PER SHARE**

Net asset value per share is based on net assets at 28 February 2005 of £23,998,000 (2004: £21,521,000) and on 22,490,512 ordinary shares (2004: 21,795,735 ordinary shares) in issue at that date.

## 18. PERFORMANCE INCENTIVE ARRANGEMENTS

Under the terms of the investment management agreement and the administration agreements outlined in note 3, Beringea Limited and Downing Corporate Finance Limited are potential beneficiaries of the company's performance incentive arrangements. Beringea is entitled to receive 91% of any performance incentive paid and Downing 9%.

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.

## 19. 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 are shown below.

**19. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** ***continued***

**Currency risk**

The majority of the company's assets and liabilities are denominated in sterling. The company has an exposure to the US dollar by virtue of its investment in FindWhat (approximately 1% of net assets).

**Financial assets**

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

| | **Year ended 28 February 2005 £'000** | Year ended 29 February 2004 £'000 |
|---|---|---|
| Floating rate | **3,129** | 2,103 |
| Fixed rate | **4,104** | 5,911 |
| Non-interest bearing | **17,825** | 14,442 |
| | **25,058** | 22,456 |

| **Fixed rate assets** | **Year ended 28 February 2005** | Year ended 29 February 2004 |
|---|---|---|
| Weighted average interest rate | **8.3%** | 9.3% |
| Weighted average years to maturity | **3.5** | 4.1 |

Floating rate financial assets comprise variable rate investments in investee companies, cash held on deposit and investments in liquidity funds. 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.

**20. RELATED PARTY TRANSACTIONS**

ProVen VCT is managed by Beringea Limited, and has entered into a co-investment agreement with other Beringea managed funds. Beringea acts as the manager to ProVen Media VCT plc. Certain directors of ProVen VCT plc serve, or did serve, on the board of ProVen Media VCT. Tom Sooke was, until his resignation on 1 June 2004, Chairman of ProVen Media VCT plc, whilst Andrew Davison, Nicholas Lewis and Alexander Spiro, Jr are non-executive directors of that company.

Downing Corporate Finance acted as promoter for the Offer for Subscription dated 16 February 2004 and agreed to underwrite the costs of the Offer in return for a fee of 5.5% of the monies raised. Nick Lewis is a director of Downing.

Beringea acted as promoter for the Offers for Subscription dated 2 March 2005 and 4 April 2005 and agreed to underwrite the costs of the Offers in return for a fee of 5.5% of the monies raised. Alexander Spiro, Jr is a director of Beringea.

**21. CAPITAL COMMITMENTS**

There were no investments which were approved at the year end but which had not completed (2004: £327,000).

# 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 approved as a Venture Capital Trust by the Inland Revenue. The company revoked its investment company status in July 2004 in order to pay a capital dividend. In March and April 2004 the company raised a further £1,054,314 (excluding issue costs of £57,987) through an offer for subscription and between March 2005 and the date of this report a further £2,318,627 (excluding issue costs of £126,086) through a further two offers 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 £80 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. From 6 April 2004, investors subscribing for new shares in a VCT have been entitled to claim income tax relief of 40% on their investment, irrespective of their marginal tax rate (up to a maximum investment of £200,000 per tax year). The tax relief cannot exceed the amount which reduces an investor's income tax liability to nil. In addition all dividends paid by VCTs are tax free and disposals of VCT shares are not subject to capital gains tax. The Chancellor has confirmed that the 40% income tax relief will be available for the tax years 2004/5 and 2005/6 but may then be withdrawn.

ProVen VCT has been approved as a VCT by the Inland Revenue. In order to continue 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 UK Corporation Tax purposes.

# Financial Calendar

| | |
|---|---|
| Annual general meeting 2005 | 5 July 2005 |
| Interim report for six months to 31 August 2005 published | October/November 2005 |
| Preliminary announcement of results for the year to 28 February 2006 | May 2006 |
| Annual general meeting 2006 | July/August 2006 |

**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".

# Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of ProVen VCT plc will be held at 39 Earlham Street, London WC2H 9LT on Tuesday, 5 July 2005 at 11.00 a.m. for the following purposes:

**ORDINARY BUSINESS**

1. To receive and adopt the financial statements for the year to 28 February 2005 and the directors' and auditors' reports thereon.
2. To approve a final dividend of 3.5p per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect N P Lewis as a director.
5. To re-elect A Spiro, Jr as a director.
6. 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 Resolution 7 as an Ordinary Resolution and Resolutions 8 and 9 as Special Resolutions:

7. **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 £406,460 (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).

8. **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 7 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.

9. **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% 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*

39 Earlham Street
London
WC2H 9LT

2 June 2005

**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, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU, 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.

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# Proxy Form

ProVen VCT plc
Annual General Meeting — 5 July 2005

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 5 July 2005, notice of which was sent to shareholders with the directors' report and the accounts for the year to 28 February 2005, 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 28 February 2005 | ☐ | ☐ | ☐ |
| 2. To approve a final dividend of 3.5p per share | ☐ | ☐ | ☐ |
| 3. To approve the Directors' Remuneration Report | ☐ | ☐ | ☐ |
| 4. To re-elect N P Lewis as a director | ☐ | ☐ | ☐ |
| 5. To re-elect A Spiro, Jr as a director | ☐ | ☐ | ☐ |
| 6. To re-appoint Deloitte & Touche LLP as auditors and authorise the directors to determine their remuneration | ☐ | ☐ | ☐ |
| 7. To authorise the directors to allot shares (Ordinary Resolution) | ☐ | ☐ | ☐ |
| 8. To disapply Section 89(1) of the Companies Act 1985 (Special Resolution) | ☐ | ☐ | ☐ |
| 9. To authorise the directors to make market purchases of its own shares by utilising distributable reserves of the company (Special Resolution) | ☐ | ☐ | ☐ |

Signed: ........................................................................ Dated: ........................................................................ 2005

**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
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

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