

PROVEN VCT PLC  
REPORT AND ACCOUNTS  
FOR THE YEAR ENDED  
28 FEBRUARY 2006





## SHAREHOLDER INFORMATION

### Dividends

Dividends are paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Queries relating to dividends and requests for Mandate Forms should be directed to the Company's registrar, Capita Registrars, on 0870 162 3100, or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

### Share Dividend History (since launch)

Year end	Gross Pence per share	Year end	Gross Pence per share
2001	2.4	2004	3.5
2002	2.3	2005	6.5
2003	1.0	2006 (first interim)	3.0
		<b>Cumulative distributions to date</b>	<b>18.7</b>
		2006 (second interim) (to be paid 14 July 2006)	<b>3.5</b>

### Share Price

The Company's share price can be found on various financial websites with the TIDM/EPIC code "PVN".

Latest share price (May 2006): **90.0p per share**

A link to the current share price can be found on Downing's website at [www.downing.co.uk](http://www.downing.co.uk).

### Selling Shares

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. Shareholders who invested in the 2004 and 2005 share issues should be aware that they need to hold their shares for a minimum period of three years to retain the Income Tax relief they received on investment. There may be tax implications in respect of this, therefore you should contact your independent financial adviser if you have any queries.

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a Stockbroker to sell your shares. Downing Management Services Limited is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Contact details are shown on page 1 of this document.

### Financial Calendar

14 July 2006	Payment of second interim dividend in respect of the year to 28 February 2006
21 September 2006	Annual General Meeting
October 2006	Announcement of interim results

### Notification of change of address

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

### Other information for shareholders

Up to date Company information (including financial statements, share price and dividend history) may be obtained from Downing's website at [www.downing.co.uk](http://www.downing.co.uk) by clicking on "VCT Information and Accounts".

If you have any queries regarding your shareholding in ProVen VCT plc, please contact the Registrar on the above number or visit Capita's website at [www.capitaregistrars.com](http://www.capitaregistrars.com) and click on "Shareholders".



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## **DIRECTORS AND ADVISERS**

### **Directors**

Andrew Davison (Chairman)  
Barry Dean  
Nicholas Lewis  
Ernest Sharp  
Alexander Spiro Jr

### **Company Secretary**

Grant Whitehouse

### **Investment Manager**

Beringea Limited  
39 Earlham Street  
London WC2H 9LT  
Telephone: 020 7845 7820  
[www.provenvets.com](http://www.provenvets.com)

### **Administrator**

Downing Management Services Limited  
69 Eccleston Square  
London SW1V 1PJ  
Telephone: 020 7416 7780  
[www.downing.co.uk](http://www.downing.co.uk)

### **Solicitors**

Howard Kennedy  
19 Cavendish Square  
London W1A 2AW

### **Auditors**

Deloitte & Touche LLP  
London

### **VCT Status Adviser**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### **Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Telephone: 0870 162 3100

### **Bankers**

Bank of Scotland  
West End Office  
St James's Gate  
14-16 Cockspur Street  
London SW1Y 5BL

## INVESTMENT STRATEGY

ProVen VCT plc is a Venture Capital Trust (“VCT”) established under the legislation introduced in the Finance Act 1995. The Company’s principal objectives 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.

## FINANCIAL HIGHLIGHTS

	<b>2006</b> <b>pence</b>	<b>2005</b> <b>pence</b> <b>(restated)</b>
Net asset value (per share)	<u>111.3</u>	<u>110.2</u>
Cumulative gross distributions paid (from launch to 28 Feb 2006)	<u>18.7</u>	<u>12.2</u>
Total return (net asset value plus paid cumulative distributions paid and declared)	<u>130.0</u>	<u>122.4</u>
First Interim distribution (per share) – paid 4 November 2005	3.0	3.0
Second Interim distribution (per share) – to be paid 14 July 2006	<u>3.5</u>	<u>3.5</u>
	<u>6.5</u>	<u>6.5</u>

**Registered office**  
39 Earlham Street, London WC2H 9LT  
**Registered number**  
3911323

## DIRECTORS

**Andrew Davison** (63) (Chairman) is currently on the boards of a number of quoted and unquoted companies and is chairman of City of London Investment Group PLC, The Ethical AIM VCT plc, ProVen Growth and Income VCT plc and Pennine AIM VCT 5 plc. He joined County Bank Limited in 1972 and by 1984 had become managing director of NatWest Ventures Limited. He was formerly chairman and chief executive of Business Mortgages Bank plc from 1987 – 1991. He is a former council member of the British Venture Capital Association.

**Barry Dean** (56) is a Chartered Accountant, and has over 25 years experience in the private equity industry including 14 years as Managing Director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a director of August Equity Trust plc (a quoted investment trust investing in private equity), August Equity Ltd which manages funds for investment in mid-market unquoted companies, and a non-executive director of Elderstreet VCT plc. He is also an Advisory Committee Member for Parallel Ventures Managers Limited and is currently Chairman of Intermed Holdings Ltd and Kangol Holdings Ltd.

**Nicholas Lewis** (50) is a director of Downing Corporate Finance Limited, which he founded in 1986. Downing specialises in promoting and administering tax-based investments, having raised approximately £520 million over the last ten years. He is a non-executive director of a number of other venture capital trusts and an executive director of Downing Protected Managers I Limited, Downing Protected Managers II Limited, Downing Protected Managers III Limited, Downing Protected Managers IV Limited and Downing Protected Managers V Limited, companies which act as investment manager to their respective VCTs. He was formerly with NatWest Ventures Limited and, before that, with Apax Partners and Co. Limited.

**Ernest Sharp** (75). For ten years, up until 1995, he was a member of the Investment Board of Electra Candover Direct Investment Plan and until recently was a director of Guinness Flight Venture Capital Trust PLC and Henry J Bean's Group PLC.

**Alexander Spiro, Jr** (58) 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 the Directors are non-executive and, with the exception of Alexander Spiro, are independent of the investment manager.

## CHAIRMAN'S STATEMENT

### Introduction

I have pleasure in presenting the Annual Report for Proven VCT plc for the year ended 28 February 2006, a year in which your Company has produced another solid performance.

### Net Asset Value

At the year end the Company's net asset value per share ("NAV") stood at 111.3p, an increase of 7.6p per share (6.9%) over the year after adjusting for the dividends of 6.5p per share paid during the year. Total return (NAV plus cumulative dividends paid) to shareholders who invested at the outset of the Company now stands at 130.0p per share, compared to an original investment net of income tax relief of 80p per share.

### Share issue

During the year the Company took the opportunity of the 40% income tax relief that was available on new VCT investments to undertake a small fundraising. Between 1 March 2005 and 30 June 2005, the Company issued 2,863,080 shares, generating net proceeds (after fundraising costs) of £2,960,539. The proceeds have given the Company extra funds available for new investments and further spread the burden of the running costs over a larger asset base.

### Format of Accounts

For this accounting period, your Company is required to adopt FRS 21, under which dividends have to be accounted for in the period in which they are liable to be paid rather than the period in respect of which they are declared. As a result comparative figures presented in this statement have been restated. It should be noted that this change does not alter the current or historic values for Total Return. Under FRS 26, the Company is now also required to value quoted investments at bid prices instead of mid-market prices that were used previously. This has resulted in a small reduction in the level of these valuations.

The Company has also adopted the new Statement of Recommended Practice for Investment Trusts ("SORP"), which came into effect in December 2005 and other UK Financial Reporting Standards which have been introduced as part of the convergence programme of the UK towards International Accounting Standards. The main noticeable change arising is that the "Statement of Total Return" has been renamed as the "Income Statement" and our investments are now categorised as "Fair value through profit or loss" assets.

### Venture Capital Investments

During the year the Company invested £2 million in qualifying investments and £226,000 in non-qualifying investments.

The Company also achieved a number of profitable exits producing proceeds of £7.9 million and realised gains in the year of £810,000 against 28 February 2005 valuation or £3.1 million against original cost.

Details of the investment portfolio can be found in the Investment Manager's Report on page 6.

In reviewing the investment valuations at the year end the Board has agreed a number of valuation increases and decreases. Overall the unrealised valuation movement on the portfolio has been an increase of £884,000 over the year.

### Results and dividend

Gross revenue for the year was £1,030,000 (2005: £866,000) and the revenue return after taxation was £548,000 (2005: £434,000).

On 4 November 2005 an interim capital distribution of realised gains of 3.0p per share (2005: 3.0p per share) was paid to shareholders. The Board is pleased to announce the payment of a further capital distribution of 1.5p per share together with a revenue dividend of 2.0p per share for the year ended 28 February 2006, on 14 July 2006 to Shareholders on the register at 16 June 2006. These payments will be made as a second interim dividend rather than a final dividend for the year to 28 February 2006 in order that their payment does not need to be delayed until after the Company's next AGM. This will bring total dividends paid since launch to 22.2p per share.

### Directorate

Ernest Sharp has been a director of the Company since its launch in 2000. Now, albeit still very active, he is 75 and has decided to retire as at the next AGM in September. On behalf of the Board, I would like to thank Ernest for his continuing and very positive valuable contribution and wish him a very happy retirement, which he richly deserves.

The Board has agreed that it is appropriate to find a replacement for Ernest and is delighted to report that Barry Dean has now accepted an invitation to join the Board. Barry has a vast amount of experience in the venture capital industry and, we believe, will be an excellent recruitment.

## CHAIRMAN'S STATEMENT (continued)

### Repurchase of Shares

The Directors are conscious that the Company's share price is affected by the illiquidity of its shares in the market resulting from the fact that investors purchasing "second-hand" shares do not benefit from income tax relief on their investment.

The Directors continue to monitor the market in the Company's shares and will make share purchases when appropriate. During the period the Company repurchased 1,324,117 Ordinary Shares of 5p each, at an average price of 95.9p per share, for cancellation. Generally share buybacks are undertaken at a 10% discount to the latest NAV published by the Company. A Special Resolution to allow the Board to continue to purchase shares for cancellation will be proposed at the forthcoming AGM.

### Proposed amendment to Articles of Association

When the Company launched in 2000, it was planned that a resolution would be put to Shareholders at the AGM to take place in 2007 as to whether the Company should continue as a VCT.

As a result of the small fundraising described above, some Shareholders are now required to hold their shares until June 2008 to ensure they are able to retain the income tax relief they received on their investment. The Directors are therefore proposing to amend the Articles of Association such that the resolution for continuation as a VCT is delayed until the AGM in 2008. The Directors believe that this minor amendment is clearly in the best interests of Shareholders and therefore recommend that Shareholders vote in favour of Resolution 7 at the forthcoming AGM.

### Annual General Meeting

The Annual General Meeting of the Company will be held at 39 Earlham Street, London WC2H 9LT at 12:15 pm on 21 September 2006. Notice of the meeting is at the end of this document.

### Outlook

The Board is very pleased with the performance of the Investment Manager in continuing to deliver such positive results for your Company to date. Following the high number of realisations achieved during the year, your Company now has a significant level of funds available for new investment. The Board is encouraged by the quality and number of new investment opportunities that the Investment Manager is able to generate.

Market conditions over the forthcoming year might not allow your Company to achieve as many profitable realisations as it has in the last, however a strong focus will continue on the existing portfolio even though the Manager will be also more active in making new investments. I look forward to updating Shareholders with the interim results to 31 August 2006.



**Andrew Davison**  
Chairman

25 May 2006

## INVESTMENT MANAGER'S REPORT

### Introduction

ProVen VCT plc's net assets increased to nearly £27 million due largely to £3 million raised from the share offers early in the financial year. The Total Return per share (NAV plus cumulative dividends paid) increased to 130p at 28 February 2006. This represents an increase of 37% over the initial net asset value at launch of 95p and compares favourably with the increase in the total return on the FTSE All Share Index of just 13% over the same period.

### Portfolio Activity

The following investments were made during the year:

	Activity	Total £'000
<b>New Investments</b>		
i-Level Limited	Digital advertising agency	1,000
Campden Media Limited	Publishing	975
		<u>1,975</u>
<b>Follow on Investments</b>		
Cardpoint plc	ATM owner/operator	226
Espresso Broadband Limited	Multi media education resources	2
		<u>2,203</u>

There were also a number of disposals, which are summarised below:

	Cost	Market Value at 28/02/05*	Proceeds	Realised gain/(loss)	Gain/(loss) against cost
	£'000	£'000	£'000	£'000	£'000
<b>AIM Quoted</b>					
Cardpoint plc	221	661	664	3	443
<b>Traded on NASDAQ</b>					
Miva Inc (FindWhat.com)	72	103	109	6	37
<b>Unquoted</b>					
Copyright Promotions Group Limited	158	502	617	115	459
LFR plc (t/a Loch Fyne Restaurants)	1,000	939	1,481	542	481
Nectar Taverns plc	1,000	1,792	1,970	178	970
Baby Innovations S.A #	32	32	32	-	-
Chiaros Holdings Limited	800	901	867	(34)	67
Notability Solutions Limited	1,000	2,177	2,177	-	1,177
Bond IT Limited	500	-	-	-	(500)
	<u>4,783</u>	<u>7,107</u>	<u>7,917</u>	<u>810</u>	<u>3,134</u>

\* adjusted for purchases in year

# loan stock redemption

Since the year end a further follow on investment of £681,000 has been made in Espresso Broadband to enable it to make a strategic acquisition.

In April 2006, the Company took the opportunity to sell its investment in VI Group plc resulting in a loss of £130,000. It is always disappointing to realise investments at a loss but we felt that investment management time and resources would be better directed towards other investments.

### Portfolio Valuation

At 28 February 2006, the Company's unquoted and listed portfolio attributable to the Ordinary Shareholders comprised 20 investments at a total cost of £14.3 million and a valuation of £17.7 million.

A number of companies in the portfolio continue to make good progress. In particular, the company's two investments with the highest valuations, Mergermarket and Espresso Broadband, continue to perform well and this is reflected in their increased valuations over the year. These two investments now account for over 30% of the value of the Company. Whilst these investments have been held for over four years, they are still young, developing companies and, accordingly, their value is potentially subject to more volatility than larger, more established companies. That said, we remain positive about their potential for future growth and development and their impact on VCT returns.

There have, however, been some disappointments. SPC International has been revalued downwards by £1.7 million reflecting wider industry concerns. We are currently working closely with management to find ways to reclaim value for both SPC International and the VCT. Additionally, the investments in Zenith Group and Linguaphone have been fully provided against. Zenith has suffered a number of setbacks with its programme commissions and Linguaphone went into administration shortly after the year end. The net effect of these two write downs is a decrease in the net asset value of just over £200,000 when compared to the previous year end.

### Outlook

The Company continues to be well placed for future development with some well managed and increasingly established portfolio companies and funds available for investment. The strength of the UK economy has provided a positive environment for investing and we are continuing to see a strong flow of investment opportunities. Assuming a continuing supportive economy we remain optimistic about the future performance of the Company.

### Beringea Limited

25 May 2006

## REVIEW OF INVESTMENTS

### Portfolio of investments

The following investments were held at 28 February 2006:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
<b>Top ten venture capital investments</b>				
Mergermarket Limited	780	4,663	2,742	17.5%
Espresso Broadband Limited	1,367	3,839	1,129	14.4%
Ma Potter's Limited	700	1,312	(442)	4.9%
SPC International Limited	1,173	1,265	(1,654)	4.7%
Ashford Colour Press Limited	1,000	1,013	(374)	3.8%
i-Level Limited	1,000	1,000	-	3.7%
Campden Media Limited	975	975	-	3.6%
UBC Media plc *	1,101	746	(345)	2.8%
Cardpoint plc *	438	635	(223)	2.4%
Baby Innovations S.A. t/a Steribottle	604	604	-	2.2%
	<u>9,138</u>	<u>16,052</u>	<u>833</u>	<u>60.0%</u>
<b>Other venture capital investments</b>				
JVTV Holdings Limited	200	570	370	2.1%
Pilat Media Global plc *	250	473	13	1.8%
Oasis Healthcare plc *	670	295	16	1.1%
Sports Holding Limited	800	114	(17)	0.4%
VI Group plc *	207	74	(30)	0.3%
Miva Inc (formerly Findwhat.com Inc) **	116	72	(93)	0.3%
ID Data plc *	263	3	(5)	-
GB Industries Limited	1,134	-	-	-
Linguaphone Group Holdings Limited	703	-	(99)	-
Zenith Group Limited	853	-	(104)	-
	<u>5,196</u>	<u>1,601</u>	<u>51</u>	<u>6.0%</u>
<b>Total venture capital investments</b>	<u>14,334</u>	<u>17,653</u>	<u>884</u>	<u>66.0%</u>
<b>Liquidity funds</b>				
Insight Fund		2,000		7.5%
Standard Life Investments GBP		1,900		7.1%
BGI Sterling First Fund		1,800		6.7%
		<u>5,700</u>		<u>21.3%</u>
<b>Other net current assets (including cash)</b>				
		3,380		12.7%
		<u>26,733</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated:

- \* Listed on the Alternative Investment Market ("AIM")
- \*\* Traded on the US NASDAQ market

All venture capital investments are incorporated in England and Wales with the exception of Miva Inc., which is incorporated in the United States and Baby Innovations S.A. which is incorporated in Madeira.

## REVIEW OF INVESTMENTS (continued)

Further details of the top ten investments are as follows:

### Mergermarket Limited



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

Cost:	£780,000	Latest audited accounts:	31 December 2004
Investment comprises:		Turnover:	£9.1 million
Ordinary Shares:	£780,000	Profit before tax:	£297,000
		Retained profit:	£787,000
Valuation method:	Revenue multiple	Net assets:	£1.4 million
Valuation at 28/02/06:	£4,663,000	Market capitalisation:	n/a
Valuation at 28/02/05:	£1,921,000	Proportion of equity held:	8.9%

Mergermarket, based in London, provides a business intelligence service for advisers and companies active in mergers and acquisitions. The company has four online subscription based publications: mergermarket, dealReporter, debtWire and Wealthmonitor and delivers information directly to subscribers' desktops, PDAs or mobile phones. Since our investment, the company has expanded successfully into the USA, Latin America and Asia and is poised for further growth.

### Espresso Broadband Limited



[www.espresso.co.uk](http://www.espresso.co.uk)

Cost:	£1,367,000	Latest audited accounts:	31 July 2005
Investment comprises:		Turnover:	£4.3 million
Ordinary Shares:	£576,000	Loss before tax:	(£318,000)
Loan Stock:	£791,000	Retained loss:	(£260,000)
Valuation method:	Revenue multiple	Net liabilities:	(£1.2 million)
Valuation at 28/02/06:	£3,839,000	Market capitalisation:	n/a
Valuation at 28/02/05:	£2,708,000	Proportion of equity held:	21.3%

Espresso Broadband develops and delivers multimedia education content for schools. The company continues to make excellent progress in signing up UK primary schools to its flagship "Espresso for Schools" product. Over 6,300 primary schools, equal to more than 33% of UK primary schools, have now subscribed. There is further room for growth in this segment plus potential opportunities in the UK secondary school sector and in wider international markets.

### Ma Potter's Limited



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

Cost:	£700,000	Latest audited accounts:	28 November 2004
Investment comprises:		Turnover:	£12 million
Ordinary Shares:	£210,000	Profit before tax:	£1.0 million
Loan Stock:	£490,000	Retained profit:	£474,000
Valuation method:	Discounted P/E	Net assets:	£1.8 million
Valuation at 28/02/06:	£1,312,000	Market capitalisation:	n/a
Valuation at 28/02/05:	£1,753,000	Proportion of equity held:	11.3%

Ma Potter's is a branded restaurant chain offering quality value-priced dining in a family-friendly atmosphere with locations mostly based in major shopping malls or cinema complexes across the UK. The company opened its first restaurant in London in 1995 and at the time of our investment, in January 2004, had grown to a chain of ten restaurants. The company now has fifteen restaurants and is exploring options for further development.

### SPC International Limited



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

Cost:	£1,173,000	Latest audited accounts:	24 September 2004
Investment comprises:		Turnover:	£17 million
Ordinary Shares:	£413,000	Profit before tax:	£2.3 million
Loan Stock:	£760,000	Retained profit:	£1.6 million
Valuation method:	Discounted P/E	Net assets:	£1.9 million
Valuation at 28/02/06:	£1,265,000	Market capitalisation:	n/a
Valuation at 28/02/05:	£2,919,000	Proportion of equity held:	25.2%

SPC specialises in the repair and refurbishment of electronic equipment in the IT, banking and retail sectors. ProVen VCT plc invested £950,000 in June 2003 and a further £223,000 in November 2004. The fall in valuation compared to prior year reflects wider industry concerns. The investment manager, however, remains optimistic for SPC's longer term prospects.

## REVIEW OF INVESTMENTS (continued)

### Ashford Colour Press Limited



Cost:	£1,000,000	Latest audited accounts:	31 March 2005
Investment comprises:		Turnover:	£11 million
Ordinary Shares:	£133,000	Profit before tax:	£448,000
Preferred Shares:	£250	Retained profit:	£448,000
Loan Stock:	£867,000	Net assets:	£1.9 million
Valuation method:	Discounted P/E	Market capitalisation:	n/a
Valuation at 28/02/06:	£1,013,000	Proportion of equity held:	23.5%
Valuation at 28/02/05:	£1,388,000		

Ashford Colour Press Limited is a medium sized printing business, based in Hampshire, and specialising in the educational sector. Beringea led the £5 million management buyout of the company in September 2002 in which ProVen VCT plc invested alongside ProVen Growth & Income VCT plc. The business is long established and has a strong operational management team with significant experience in the printing business.

[www.ashford-colour-press.co.uk](http://www.ashford-colour-press.co.uk)

### i-Level Limited



Cost:	£1,000,000	Latest audited accounts:	31 March 2005
Investment comprises:		Turnover:	£31 million
Ordinary Shares:	£1,000,000	Profit before tax:	£821,000
		Retained profit:	£65,000
Valuation method:	Cost	Net assets:	£1.8 million
Valuation at 28/02/06:	1,000,000	Market capitalisation:	n/a
Valuation at 28/02/05:	Not held	Proportion of equity held:	8.2%

i-Level is Europe's largest privately owned digital media agency and recognised within the media industry as consistently leading the way in this rapidly expanding market. The company provides its clients with the ability to improve the return on its investment in digital assets, providing expertise to increase online traffic, brand awareness, response rates and actual sales revenue.

[www.i-level.com](http://www.i-level.com)

### Campden Media Limited



Cost:	£975,000	Latest audited accounts:	None yet published
Investment comprises:		Turnover:	n/a
Ordinary Shares:	£197,000	Profit before tax:	n/a
Loan Stock:	£778,000	Retained profit:	n/a
Valuation method:	Cost	Net assets:	n/a
Valuation at 28/02/06:	£975,000	Market capitalisation:	n/a
Valuation at 28/02/05:	Not held	Proportion of equity held:	11.4%

Campden Media is a magazine publisher and event organiser in the healthcare and private wealth management sectors. The company publishes a range of titles many of which are endorsed by the relevant professional bodies. The business has a strong and proven management team and operates in sectors which are regarded as more resilient to adverse macro-economic movements.

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

### UBC Media plc



Cost:	£1,101,000	Latest audited accounts:	31 March 2005
Investment comprises:		Turnover:	£16 million
Ordinary Shares:	£1,101,000	Profit before tax:	£1 million
		Retained profit:	£1 million
Valuation method:	Discounted Bid Price	Net assets:	£6 million
Valuation at 28/02/06:	£746,000	Market capitalisation:	£43 million
Valuation at 28/02/05:	£1,091,000	Proportion of equity held:	2.4%

UBC Media is a leading player in the rapidly emerging digital radio marketplace. It owns the national digital radio stations Classic Gold Digital and Oneworld Radio and its production business is a leading supplier of commissioned programming to the BBC and commercial radio. The company is also a leading supplier of software that drives digital radio data services and is positioned to be a leading player in the UK music download market through its ownership of a digital data frequency spectrum.

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

## REVIEW OF INVESTMENTS (continued)

### Cardpoint plc



Cost:	£438,000	Latest audited accounts:	30 September 2005
Investment comprises:		Turnover:	£61 million
Ordinary Shares:	£438,000	Loss before tax:	(£11 million)
		Retained loss:	(£11 million)
Valuation method:	Bid Price	Net assets:	£77 million
Valuation at 28/02/06:	£635,000	Market capitalisation:	£92 million
Valuation at 28/02/05:	£1,293,000	Proportion of equity held:	0.7%

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 service areas, petrol stations, pubs, hospitals, hotels and large retail and leisure outlets. The company has expanded rapidly since it was admitted to AIM in June 2002, acquiring the non-branch ATM network of HBOS plc and rival competitor Moneybox.

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

### Baby Innovations S.A t/a Steribottle



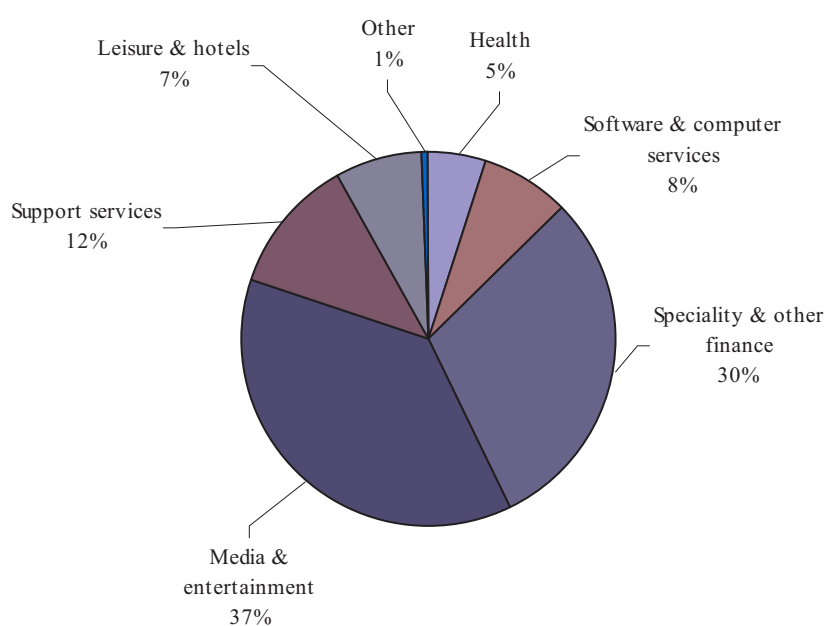
Cost:	£604,000	Latest audited accounts:	31 December 2004
Investment comprises:		Turnover:	n/a
Ordinary Shares:	£490,000	Loss before tax:	(£568,000)
Loan stock:	£114,000	Retained loss:	(£568,000)
Valuation method:	Latest investment	Net liabilities:	(£3.5 million)
Valuation at 28/02/06:	£604,000	Market capitalisation:	n/a
Valuation at 28/02/05:	£636,000	Proportion of equity held:	2.6%

The Steri-bottle is the world's first ready-to-use, disposable, sterile and affordable baby feeding unit. ProVen VCT plc first invested in the company in January 2002, alongside other institutional and private investors, to fund the company's marketing and distribution strategy. The company is currently involved in developing the latest version of the feeding unit which is scheduled for launch in 2006.

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

### Analysis of Investments by Commercial Sector

The split of the venture capital investment portfolio by commercial sector (by value at 28 February 2006) is as follows:



## REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 28 February 2006.

### Principal activity and status

The Directors initially obtained provisional approval for the Company to act as a venture capital trust from HM Revenue and Customs (the Inland Revenue) and the Company has continued to meet the standards set out by the Revenue. The Company revoked its status as an investment company in July 2004 upon the payment of a capital distribution however the Directors consider that the Company has conducted its affairs in a manner to enable it to continue to comply with Section 842 AA of the Income and Corporation Taxes Act 1988. 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 Companies Act 1985.

The Company has no employees (other than the Directors).

The Company's business during the year is reviewed in the Chairman's Statement and the Investment Manager's Report.

### Results and dividends

	£'000	Pence per share
Return on ordinary activities after tax for the year ended 28 February 2006	1,782	7.4
Transferred to reserves	<u>1,782</u>	

The Company paid an interim capital distribution of realised gains of 3p per share (2005: 3.0p per share) for the year ended 28 February 2006 on 4 November 2005.

A further capital distribution of 1.5p per share and revenue dividend of 2p per share (total 3.5p per share) will be paid on 14 July 2006 to Shareholders on the register at 16 June 2006.

### Directors

The Directors of the Company during the year and their interests in the issued Ordinary shares of the Company are as follows:

	No. of ordinary shares 28 Feb 2006 & at date of this report	28 Feb 2005
<b>Directors</b>		
Andrew Davison	9,051	5,000
Barry Dean	-	n/a
Nicholas Lewis	10,000	10,000
Ernest Sharp	36,000	36,000
Alexander Spiro Jr	-	-

Barry Dean was appointed as a Director on 10 May 2006.

Ernest Sharp intends to retire at the forthcoming Annual General Meeting ("AGM"). Andrew Davison will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming AGM. The remainder of the Board feel he has made a valuable contribution during the term of his appointment and remains committed to his role. Barry Dean has a vast amount of experience in the venture capital industry, as described within his biography on page 3. The Board therefore recommends Shareholders to elect both directors at the forthcoming AGM.

### Share capital

Pursuant to the Offers for Subscription dated 2 March 2005 and 4 April 2005, the Company issued 2,863,080 ordinary shares of 5p each at prices between 108.16p and 112.93p per share from 23 March 2005 to 27 June 2005.

During the year the Company purchased 1,324,117 Ordinary Shares of 5p each at an average price of 95.9p per share, which represented approximately 5.9% of the issued share capital.

### Performance incentive fees

Performance incentive fees payable to Beringea Limited ("Beringea") and Downing Corporate Finance Limited ("DCF") 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. The 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 acting period, before taking into account such incentive. Beringea Limited will be entitled to 91% of the performance incentive fees and DCF are entitled to the other 9% of the performance incentive fees. The performance fee has been calculated in respect of the year under review, and, as the targets have not been met, no fee is due to be paid for the year ended 28 February 2006.

The Board is shortly expecting to put proposals to Shareholders to amend the performance incentive arrangements such that the interests of Beringea, DCF and the Shareholders are better aligned.

### Investment management and administration fees

Beringea Limited provides investment management services to the Company for an annual fee of 2.5% of net assets per annum (excluding VAT). The investment agreement is terminable by either party at any time thereafter by one year's prior written notice.

## REPORT OF THE DIRECTORS (continued)

### Investment management and administration fees

Additionally, Beringea Limited provided administration services to the Company for a fee of £22,748 (excluding VAT) for the period to 22 November 2005 when this agreement was terminated.

Since 22 November 2005, Downing Management Services Limited (“DMS”) has provided administration services to the Company for a fee of £38,000 (plus VAT & RPI adjustment) per annum.

The annual running costs of the Company, for the year, are also subject to a cap of 3.5% of the Company's net assets.

### VCT status adviser

The Company has retained Pricewaterhouse-Coopers LLP (“PwC”) to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate, and regular review of the portfolio. Although PwC works closely with the Investment Manager and Administrator, they report directly to the Board.

### Creditor payment policy

The Company's payment policy is to pay creditors within thirty days of receipt of an invoice except where other terms have been agreed. Trade creditors of the Company at the year end amounted to £192,000 (2005: £4,000.).

### Financial Instruments

The material risks arising from the Company's financial instruments are investment and interest rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised in note 19. These policies have remained unchanged since the beginning of the financial period.

As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio.

The Company's interest rate risk is as follows:

- floating rate assets, which include financial assets and liabilities, bear interest at rates based predominately on quarterly LIBOR;
- fixed rate assets represent investments with predetermined yield targets;
- no interest rate assets include investments in ordinary shares with no attributable fixed dividend rate.

### Annual General Meeting

The Annual General Meeting will be held at 39 Earlam Street, London WC2H 9LT at 12:15pm on 21 September 2006. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

### Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

### Substantial interests

As at 28 February 2006 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of the issued share capital.

### 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 profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether all 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

By Order of the Board



**Grant Whitehouse**  
69 Eccleston Square  
London  
SW1V 1PJ

25 May 2006

## DIRECTORS' REMUNERATION REPORT

The Board have 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 21 September 2006.

Under the requirements of Schedule 7A, the Company's Auditors are required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Independent Auditors' Report on page 17.

### Directors' remuneration policy

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- The Directors shall be paid out of the funds of the Company by way of fees for their services, an aggregate sum not exceeding £100,000 per annum. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally.
- The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in the performance of their duties as Directors including any expenses incurred in attending Meetings of the Board or of Committees of the Board or General Meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.

As the members of the Board are all non-executive and remuneration is calculated as set out above, the remuneration committee has not met. In the Directors' opinion, there is no requirement for an independent remuneration committee to meet.

### Directors' agreements

Each of the Directors has entered into an agreement whereby he is required to devote such time to the affairs of the Company as the Board reasonably requires consistent with his role as a non-executive Director. A three month rolling notice applies.

### Directors' remuneration (audited)

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

	2006	2005
	£	£
Andrew Davison	15,000	15,000
Nicholas Lewis	10,000	10,000
Ernest Sharp	10,000	10,000
Tom Sooke	n/a	5,000
Alexander Spiro Jr	10,000	10,000
	<u>45,000</u>	<u>50,000</u>

No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director. The remuneration levels for the forthcoming year will be at the following rates:

	Annual Rate £
Andrew Davison	15,000
Barry Dean	12,500
Nicholas Lewis	10,000
Ernest Sharp	12,500
Alexander Spiro Jr	10,000
	<u>60,000</u>

### Insurance cover

Directors' and Officers liability insurance cover is held by the Company in respect of the Directors.

## DIRECTORS' REMUNERATION REPORT (continued)

### Performance graph

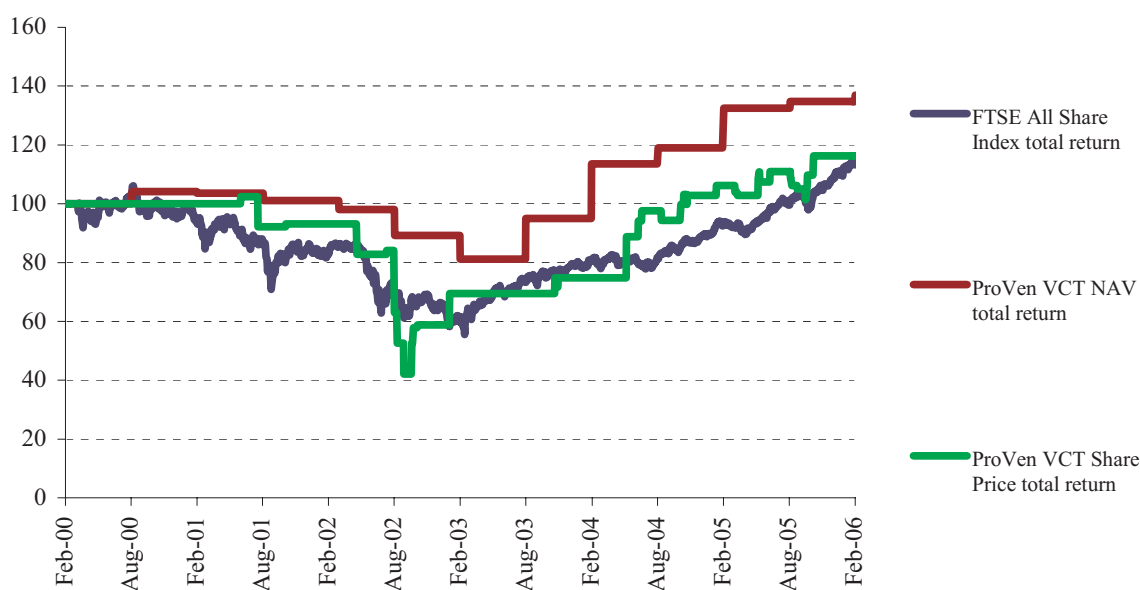
The chart below represents the Company's performance over the reporting periods since incorporation, and compares the Company's Net Asset Value plus dividends and/or capital distributions total return and the Share Price total return (Share price plus dividends and/or capital distributions) to a rebased FTSE All Share Index total return. The FTSE All Share Index has been chosen as a comparison as it reasonably represents the spread of investments held by the Company and has been rebased to 100 at April 2000 the launch date.

By Order of the Board



**Grant Whitehouse**  
69 Eccleston Square  
London  
SW1V 1PJ

25 May 2006



## CORPORATE GOVERNANCE

The Directors support the relevant principles of the new Combined Code issued in July 2003, 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 UK Listing Authority.

### **The Board**

The Company has a Board comprising of five non-executive directors. The Chairman and senior director is Andrew Davison. Ernest Sharp and Barry Dean are considered to be independent directors by the Board. Biographical details of all Board members (including the significant commitments of the Chairman) are shown on page 3.

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. As one Director is retiring only one other Director is offering himself for re-election at the next AGM.

Full Board meetings take place quarterly and the Board meets more regularly to address specific issues including considering recommendations from the Investment Manager, making all decisions concerning the acquisition or disposal of investments, and reviews, periodically, the terms of engagement of all third party advisers (including investment managers and administrators). All the members of the Board (with the exception of Barry Dean who was appointed on 10 May 2006) attended each full board meeting held during the period, with the exception of Nicholas Lewis, who was unable to attend the 12 May 2005 board meeting, and Alexander Spiro, who was unable to attend the 12 May 2005 and 17 January 2006 board meetings. The board has a formal schedule of matters specifically reserved for its decision.

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 has not appointed a nominations committee or remuneration committee as it considers itself to be small and it comprises wholly non-executive directors. Appointments of new directors and remuneration are dealt with by the full Board. The Board has specific Terms of Reference in order to fulfil its duties in respect of matters relating to remuneration.

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 13, and this is subject to shareholder approval.

### **Audit Committee**

The Company has an audit committee comprising of Andrew Davison as Chairman, Nicholas Lewis and Ernest Sharp. This committee has defined terms of reference and duties.

The Audit Committee is responsible for reviewing the half yearly and annual accounts before they are presented to the Board, the terms of appointment of the Auditors, together with their remuneration, as well as a full review of the effectiveness of the Company's internal control and risk management systems.

Any non-audit services provided by the auditors are reviewed and approved by the Committee prior to being undertaken, to ensure that auditor objectivity and independence is safeguarded. The Committee is satisfied with the performance of the auditors and recommends to Shareholders that they be re-appointed as auditors for the forthcoming year.

The Committee reviewed the internal financial controls and recommended that, although still appropriate to the Company, they be updated. They also considered the need for an internal audit function and concluded that this function would not be an appropriate control for a venture capital trust.

As the Company has had no staff, other than directors, there are no procedures in place in respect of C3.4 of the Combined Code.

### **Relations with shareholders**

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.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROVEN VCT PLC

We have audited the financial statements of ProVen VCT plc ("the Company") for the year ended 28 February 2006 which comprise the income statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, 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 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

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (Generally Accepted United Kingdom Accounting Practice) are set out in the statement of directors' responsibilities. 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework 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 report to you if, in our opinion, the Directors' report is not consistent with the financial statements. We also report to you 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 other transactions is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 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 Company's corporate governance procedures or its risk and control procedures.

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

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company, as at 28 February 2006 and of the Company's return for the year then ended; and
- 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.

### Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
London

25 May 2006

## INCOME STATEMENT for the year ended 28 February 2006

	Note	Year ended 28 February 2006			Year ended 28 February 2005 (as restated)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	3	1,030	-	1,030	866	-	866
Gains on "fair value through profit or loss" assets	10	-	1,694	1,694	-	3,248	3,248
		1,030	1,694	2,724	866	3,248	4,114
Investment management fees	4	(191)	(574)	(765)	(152)	(456)	(608)
Other expenses	5	(177)	-	(177)	(188)	-	(188)
<b>Return on ordinary activities before tax</b>		662	1,120	1,782	526	2,792	3,318
Tax on ordinary activities	7	(114)	114	-	(92)	92	-
<b>Return attributable to equity shareholders</b>		548	1,234	1,782	434	2,884	3,318
<b>Return per share</b>	9	2.3p	5.1p	7.4p	1.9p	12.7p	14.6p

All Revenue and Capital items in the above statement derive from continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 28 February 2006			Year ended 28 February 2005 (as restated)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return attributable to equity shareholders	548	1,234	1,782	434	2,884	3,318
Total recognised gains for the year	548	1,234	1,782	434	2,884	3,318

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 28 February 2006

	Year ended 28 February 2006 £'000	Year ended 28 February 2005 (as restated) £'000
Opening shareholders' funds	24,785	21,521
Adjustment for distribution provided for in 2004	-	762
Issue of shares	2,961	997
Purchase of own shares	(1,276)	(374)
Total recognised gains for the year	1,782	3,318
Distributions paid	(1,519)	(1,439)
Closing shareholders' funds	26,733	24,785

The prior year restatement is described within note 2.  
The accompanying notes are an integral part of this statement.

**BALANCE SHEET**  
as at 28 February 2006

	Notes	2006		2005 (as restated)	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
“Fair value through profit or loss” assets	10		17,653		21,673
<b>Current assets</b>					
Debtors	11	180		256	
Current investments	12	5,700		2,700	
Cash at bank and in hand		3,484		429	
		<u>9,364</u>		<u>3,385</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(284)</u>		<u>(273)</u>	
<b>Net current assets</b>			9,080		3,112
<b>Net assets</b>			<u>26,733</u>		<u>24,785</u>
<b>Capital and reserves</b>					
Called up share capital	14		1,201		1,125
Capital redemption reserve	15		96		29
Special reserve	15		15,468		16,744
Share premium account	15		3,759		941
Capital reserve – realised	15		2,287		858
Capital reserve – unrealised	15		3,319		4,752
Revenue reserve	15		603		336
<b>Total equity shareholders’ funds</b>			<u>26,733</u>		<u>24,785</u>
<b>Net asset value per Ordinary share</b>	16		<u>111.3p</u>		<u>110.2p</u>

The financial statements on pages 18 to 28 were approved and authorised for issue by the Board of Directors on 25 May 2006 and were signed on its behalf by



**Andrew Davison**  
Chairman

The accompanying notes are an integral part of these financial statements.

## CASH FLOW STATEMENT

for the year ended 28 February 2006

	Notes	Year ended 28 February 2006		Year ended 28 February 2005	
		£'000	£'000	£'000	£'000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>17</b>		170		(225)
<b>Capital expenditure</b>					
Purchase of investments		(2,483)		(787)	
Sale of investments		8,202		2,809	
Net cash inflow from capital expenditure			5,719		2,022
<b>Equity distributions paid</b>			(1,519)		(1,439)
<b>Management of liquid resources</b>					
Purchase of current investments held as liquidity funds		(3,900)		(2,700)	
Withdrawal from liquid funds		900		-	
			(3,000)		(2,700)
<b>Net cash inflow/(outflow) before financing</b>			1,370		(2,342)
<b>Financing</b>					
Proceeds from share issue		3,097		1,054	
Share issue costs		(136)		(58)	
Purchase of own shares		(1,276)		(328)	
Net cash inflow from financing			1,685		668
<b>Increase/(decrease) in cash</b>	<b>18</b>		<u>3,055</u>		<u>(1,674)</u>

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE ACCOUNTS

## for the year ended 28 February 2006

### 1. Accounting policies

#### **Basis of accounting**

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice ("UK GAAP"). Where presentation guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised December 2005 ("SORP") is inconsistent with the requirements of UK GAAP, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. Except as stated in note 2, consistent accounting policies have been applied this year and in the prior year.

The financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments.

#### **Presentation of Income Statement**

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. The net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

#### **Investments**

Listed fixed income investments and investments quoted on the Alternative Investment Market ("AIM") are designated as "fair value through profit or loss" assets and are initially measured at cost, in accordance with Financial Reporting Standard 26 "Financial Instruments: Measurement". Thereafter the investments are measured at subsequent reporting dates at fair value, which is the bid price with illiquidity discounts applied where deemed appropriate. The Company previously valued the investments using middle market price. The financial effect of the change in valuation policy is that the investments are valued at £380,000 less than if they were valued at mid-price.

In respect of unquoted instruments, fair value is established by using the International Private Equity and Venture Capital Valuation Guidelines. Where no reliable fair value can be estimated for such unquoted equity investments they are carried at cost, subject to any provision for impairment. Where an investee company has gone into receivership or liquidation the investment, although not physically disposed of, is treated as being realised.

Gains and losses arising from changes in fair value are included in the income statement for the year as a capital item and transaction costs on acquisitions or disposals of investments are charged to capital reserves as a deduction from proceeds or an addition to costs.

It is not the Company's policy to exercise either significant or controlling influence over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

#### **Income**

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex dividend date.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount, and only where there is reasonable certainty of collection.

#### **Expenses**

All expenses are accounted for on accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows:

- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and accordingly the investment management fee and finance costs have been allocated 25% to revenue and 75% to capital, in order to reflect the directors expected long-term view of the nature of the investment returns of the Company.

#### **Deferred 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.

## NOTES TO THE ACCOUNTS (continued) for the year ended 28 February 2006

### 2. Changes in accounting policies

The Company is required to comply with a number of new UK Financial Reporting Standards (FRS), which now represent UK Generally Accepted Accounting Practice (UK GAAP), in preparing its financial statements for the year ended 28 February 2006. These Standards have been introduced as part of the process of aligning UK accounting principles with International Accounting Standards.

As required by FRS 21 "Events after the Balance Sheet Date", dividends to shareholders are accounted for in the period in which the Company is liable to pay them rather than in the period in respect of which they are declared. The comparative figures for the year have been re-stated accordingly. The effect of the adoption of FRS 21 on the reported net assets of the company is as follows:

	<b>2005</b> <b>£'000</b>
<b>Net assets</b>	
As previously reported	23,998
Add: proposed dividends not accounted for until paid	787
As restated	<u>24,785</u>

FRS 26 "Financial Instruments: Measurement" has also been adopted and the effects of this are disclosed in note 1.

### 3. Income

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
<b>Income from investments</b>		
Loan stock interest	511	631
Dividend income	239	105
Liquidity funds interest	163	63
	<u>913</u>	<u>799</u>
<b>Other income</b>		
Deposit interest	114	67
Other income	3	-
	<u>1,030</u>	<u>866</u>

### 4. Investment management fees

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Investment management fees	<u>765</u>	<u>608</u>

The Company has an agreement with Beringea Limited for the provision of management services in respect of its portfolio of venture capital investments which is terminable with one years' notice. The management fee is based upon an annual amount of 2.5% (plus VAT) of net assets.

### 5. Other expenses

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Administration services	32	52
Directors' remuneration	45	50
Auditors' remuneration for audit	12	11
Auditors' remuneration for non-audit services	3	3
Irrecoverable VAT	18	24
Other	67	48
	<u>177</u>	<u>188</u>

The annual running costs of the Company for the year are subject to an expenses cap of 3.5% of the Company's net assets.

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 28 February 2006**

**6. Directors' remuneration**

Details of remuneration (excluding VAT and employers NIC) are given in the Directors' Remuneration Report on pages 13 to 14.

The Company had no employees (other than Directors) during the year (2005: nil).

**7. Tax on ordinary activities**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>(a) Tax charge for year</b>		
<b>Current year</b>		
UK corporation tax (charged to the revenue account)	114	92
Charged to capital expenses	(114)	(92)
	<u>-</u>	<u>-</u>
<b>Charge for year</b>	<u>-</u>	<u>-</u>
<b>(b) Factors affecting tax charge for the year</b>		
Return on ordinary activities before taxation	<u>662</u>	<u>526</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 26.8% (2005: 24.3%)	178	128
Effects of:		
UK dividend income	(64)	(26)
Excess revenue management fees utilised	-	(10)
	<u>114</u>	<u>92</u>
Capital expenses	(154)	(111)
Excess capital management fees carried forward	40	19
	<u>-</u>	<u>-</u>

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £514,000 (2005: £364,000). The deferred tax asset has not been recognised due to the fact that it is unlikely the excess management fees will be set off in the foreseeable future.

**8. Distributions**

	Year ended 28 February 2006			Year ended 28 February 2005 (as restated)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Paid in year</b>						
2006 First interim dividend	-	732	732	-	-	-
2005 Final dividend	281	506	787	-	-	-
2005 Interim dividend	-	-	-	227	450	677
2004 Final dividend	-	-	-	-	762	762
	<u>281</u>	<u>1,238</u>	<u>1,519</u>	<u>227</u>	<u>1,212</u>	<u>1,439</u>
<b>Proposed</b>						
2006 Second interim dividend	481	360	841	-	-	-
2005 Final dividend	-	-	-	281	506	787
	<u>481</u>	<u>360</u>	<u>841</u>	<u>281</u>	<u>506</u>	<u>787</u>

**9. Return per share**

The revenue return per share is based on the net revenue on ordinary activities after taxation of £548,000 (2005: £434,000) and on 24,227,680 (2005: 22,656,549) shares, being the weighted average number of shares in issue throughout the year.

The capital return per share is based on the net capital return after taxation of £1,234,000 (2005: £2,884,000) and on 24,227,680 (2005: 22,656,549) shares, being the weighted average number of shares in issue throughout the year.

## NOTES TO THE ACCOUNTS (continued) for the year ended 28 February 2006

### 10. Investments

“Fair value through profit or loss” assets

	Quoted on AIM £'000	Traded on NASDAQ £'000	Unlisted £'000	Total £'000
Cost at 1 March 2005	2,924	188	13,802	16,914
Gains/(losses) at 1 March 2005	311	80	4,368	4,759
<b>Opening fair value at 1 March 2005</b>	<b>3,235</b>	<b>268</b>	<b>18,170</b>	<b>21,673</b>
<b>Movement in the year:</b>				
Purchased at cost	226	-	1,977	2,203
Sale - proceeds	(664)	(109)	(7,144)	(7,917)
- realised gains on sales	3	6	801	810
Gains/(losses) in the income statement	(574)	(93)	1,551	884
<b>Closing fair value at 28 February 2006</b>	<b>2,226</b>	<b>72</b>	<b>15,355</b>	<b>17,653</b>
Closing cost at 28 February 2006	2,929	116	11,289	14,334
Gains/(losses) at 28 February 2006	(703)	(44)	4,066	3,319
	2,226	72	15,355	17,653

Costs incidental to the acquisitions of investments incurred during the year were £2,000 and commission costs incurred on the disposal of quoted investments were £2,700, investments traded on NASDAQ - £4,200 unquoted - £8,500.

Beringea Limited also acts as the investment manager for ProVen Growth & Income VCT plc and Global Rights Development Fund L.P., and as an investment adviser to The Global Rights Fund II, L.P. Details of common investments made by these funds and by the Company are summarised below (shown at cost at 28 February 2006).

	ProVen Growth and Income VCT plc £'000	The Global Rights Fund II, L.P. £'000	Global Rights Development Fund L.P. £'000
Ashford Colour Press Limited	550	-	-
Baby Innovations S.A. t/a Steribottle	210	-	-
Campden Media Limited	488	-	-
Cardpoint plc	129	975	-
Espresso Broadband Limited	523	-	-
i-Level Limited	600	-	-
JVTV Holdings Limited	200	-	-
Linguaphone Group Holdings Limited	-	-	2,005
Ma Potter's Limited	300	-	-
Mergermarket Limited	317	853	-
Miva Inc (Findwhat.com, Inc)	73	3,925	-
Oasis Healthcare plc	170	-	-
Pilat Media Global plc	74	-	-
Sports Holding Limited	260	1,670	-
Steribottle Limited (Baby Innovations S.A.)	210	-	-
UBC Media plc	400	1,002	-
Zenith Group Limited	426	1,279	-

**NOTES TO THE ACCOUNTS (continued)**  
**for the year ended 28 February 2006**

**11. Debtors**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Other debtors	5	9
Prepayments and accrued Income	175	247
	<u>180</u>	<u>256</u>

**12. Current investments**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
BGI Sterling Liquidity First Fund	1,800	2,700
Standard Life Investments GBP Liquidity Fund	1,900	-
Insight Liquidity Fund	2,000	-
	<u>5,700</u>	<u>2,700</u>

**13. Creditors: amounts falling due within one year**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>(as restated)</b>
		<b>£'000</b>
Trade creditors	192	4
Accruals and deferred income	92	269
	<u>284</u>	<u>273</u>

**14. Called up share capital**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised:</b>		
35,000,000 (2005: 25,000,000) Ordinary shares of 5p each	<u>1,750</u>	<u>1,250</u>
<b>Issued, allotted, called up and fully-paid:</b>		
24,029,475 (2005: 22,490,512) Ordinary shares of 5p each	<u>1,201</u>	<u>1,125</u>

The authorised share capital of the Company was increased to £1,750,000 by the creation of a further 10,000,000 Ordinary Shares of 5p each following approval by shareholders at an extraordinary general meeting of the company held on 21 March 2005.

Between 23 March 2005 and 27 June 2005, 2,863,080 ordinary shares of 5p each were issued at prices between 108.16p and 112.93p per share pursuant to the offer for subscription by way of a prospectus. The aggregate consideration for the shares was £3,097,146 which excluded share issue costs of £136,607.

During the year the Company repurchased 1,324,117 Ordinary shares of 5p each for an average consideration of 95.9p per share for an aggregate consideration of £1,269,190, and representing 5.9% of the issued share capital. These shares were subsequently cancelled.

**NOTES TO THE ACCOUNTS (continued)**  
for the year ended 28 February 2006

**15. Reserves**

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
<b>At 1 March 2005</b>	29	16,744	941	352	4,752	55	22,873
Restatement in line with FRS21 (note 2)	-	-	-	506	-	281	787
Shares issued	-	-	2,818	-	-	-	2,818
Shares repurchased	67	(1,276)	-	-	-	-	(1,209)
Gains on investments	-	-	-	810	884	-	1,694
Management fees	-	-	-	(574)	-	-	(574)
Tax – capital	-	-	-	114	-	-	114
Realisation of revaluations from previous years	-	-	-	2,317	(2,317)	-	-
Distributions paid	-	-	-	(1,238)	-	(281)	(1,519)
Retained net revenue	-	-	-	-	-	548	548
<b>At 28 February 2006</b>	<u>96</u>	<u>15,468</u>	<u>3,759</u>	<u>2,287</u>	<u>3,319</u>	<u>603</u>	<u>25,532</u>

The Special Reserve is a distributable reserve, which was created to enable the Company to purchase its own shares in the market without affecting its ability to pay dividends. The Capital reserve – realised and Revenue Reserve are also distributable reserves.

**16. Net asset value per ordinary share**

	2006		2005 (as restated)	
	Net asset value per share pence	Net asset value £'000	Net asset value per share pence	Net asset value £'000
Ordinary shares	<u>111.3p</u>	<u>26,733</u>	<u>110.2p</u>	<u>24,785</u>

Net asset value per share is based on net assets at the year end, and on 24,029,475 ordinary shares (2005:22,490,512) being the number of shares in issue at the year end.

**17. Reconciliation of net revenue return before taxation to net cash flow from operating activities**

	2006 £'000	2005 £'000
Net revenue before taxation	662	526
Expenses charged to capital	(574)	(456)
Decrease/(increase) in prepayments and accrued income	72	(176)
Increase in accruals and deferred income	10	56
Capitalised interest receipts	-	(175)
Net cash inflow/(outflow) from operating activities	<u>170</u>	<u>(225)</u>

**18. Reconciliation of net cash flow to movement in net funds**

	2006 £'000	2005 £'000
Beginning of year	429	2,103
Net cash inflow/(outflow)	<u>3,055</u>	<u>(1,674)</u>
End of year	<u>3,484</u>	<u>429</u>

## NOTES TO THE ACCOUNTS (continued) for the year ended 28 February 2006

### 19. Financial instruments and derivatives

The Company's financial instruments comprise investments in quoted and unquoted companies, cash and liquid resources and are all designated at "fair value through profit or loss". The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations.

The Company has not entered into any derivative transactions.

The main risks arising from the Company's financial instruments are interest rate and investment risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

#### Market price risk

This arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions by way of price movements. These risks are monitored by the Investment Manager on a regular basis and by the Board.

#### Liquidity risk

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

#### Interest rate risk profile of financial assets and financial liabilities

##### *Financial assets and liabilities*

The Company's financial assets and liabilities, other than investments, are at floating rate.

Investments in unquoted companies comprise equity and loan stock. With the exception of the equity holdings, which have no interest rate attached to them, the investments are fixed rate.

	Average interest rate	Average period until maturity	2006 £'000	2005 (as restated) £'000
Fixed rate	11.1%	1,327 days	3,799	4,301
Floating rate	4.6%		9,080	3,112
No interest rate			13,854	17,372
			<u>26,733</u>	<u>24,785</u>

- Fixed rate assets represent investments with predetermined yield targets.
- Floating rate assets bear interest at rates based predominately on quarterly LIBOR.
- No interest rate assets includes investments in ordinary shares with no fixed dividend rate.

#### Financial Liabilities

The Company has no financial liabilities or guarantees, other than as disclosed in the balance sheet.

#### Currency exposure

As at 28 February 2006, the Company had one American investment which was valued at £72,500 (2005: £268,500). The Company also had one Madeiran investment which valued at £604,000 (2005 - £636,000). These investments represented 3.0% of Net Assets Value (2005: 3.6%).

#### Borrowing facilities

The Company has no committed borrowing facilities as at 28 February 2006.

#### Investment risk

As a venture capital trust, it is the Company's specific business to evaluate and control the investment risk in its portfolio.

## **NOTES TO THE ACCOUNTS (continued)**

### **for the year ended 28 February 2006**

#### **20. Contingencies, guarantees and financial commitments**

The Company had committed £681,000 for the purchase of one investment at the year end. There were no contingencies or guarantees of the Company at the year end.

#### **21. Controlling party and related party transactions**

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

Beringea Limited, of which Alexander Spiro Jr is a director, acted as promoter for the Offers for Subscription dated 2 March 2005 and 4 April 2005 and agreed to underwrite the costs of the Offer in return for a fee of 5.5% of the monies raised. Beringea Limited was also the investment manager and provided investment management and administration services to the Company during the year. The total fees relating to these services (including VAT) amounted to £765,000, of which £227,000 was outstanding at the year end.

On 23 May 2006, the Company entered into an agreement with Downing Management Services Limited ("DMS"), a company of which Nicholas Lewis is a director, to provide administration services to the Company for a fee of £38,000 (plus VAT & RPI adjustment) per annum. The agreement took effect from 22 November 2005 and is for a minimum term of 3 years and thereafter is terminable by either party at any time by giving twelve months' prior written notice, subject to early termination in the event of, inter alia, certain insolvency events or a material breach of the agreement. The total fees relating to these services (including VAT) amounted to £11,000, all of which were outstanding at the year end.

DMS also earned £2,000 plus VAT from the Company in respect of its role in providing services in connection with the purchase by the company of its own shares. These services are now included within the administration manager services provided by DMS as mentioned above.

Downing Corporate Finance Limited, of which Nicholas Lewis is a director, earned £2,000 plus VAT from the Company in respect of its role as Financial Adviser to the Company. This role has now ceased as it is now provided by DMS within the administration services mentioned above.

## NOTICE OF ANNUAL GENERAL MEETING OF PROVEN VCT PLC

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of ProVen VCT plc will be held at 39 Earlham Street, London WC2H 9LT at 12:15 pm on 21 September 2006 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 28 February 2006 together with the report of the auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To re-appoint Deloitte & Touche LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration.
4. To re-elect as Director, Andrew Davison, who retires by rotation and, being eligible, offers himself for re-election.
5. To elect as a Director, Barry Dean.

As **Special Business**, to consider and, if thought fit, pass the following resolutions:

### ***Special Resolution***

6. To amend the current Articles of Association of the Company by the removal of the existing Article 175 relating to the duration of the Company and its substitution with the following new article 175:

#### **“DURATION OF COMPANY**

175. At the annual general meeting of the Company held in 2008 and, if the Company has not then been liquidated, reorganised or reconstructed, at the fifth annual general meeting of the Company convened by the Directors thereafter, the Directors shall propose an ordinary resolution that the Company should continue as a venture capital trust for a further five year period. If such ordinary resolution is not passed the Directors shall draw up proposals for the voluntary liquidation reconstruction or other reorganisation of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors for a date not more than nine months after the date of the meeting at which such ordinary resolution was not passed. The Directors shall use all reasonable endeavours to ensure that such proposals for the liquidation, reorganisation or reconstruction of the Company as are approved by special resolution are implemented as soon as is reasonably practicable after the passing of such resolution. For the purposes of this Regulation 175 an ordinary resolution will not have been carried only if those members in person or by proxy who vote against the resolution hold in aggregate not less than twenty-five per cent of the issued capital of the Company at such time entitled to attend vote at such a meeting.”

### ***Ordinary Resolution***

7. 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 £125,000 (representing approximately 10% 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).

## NOTICE OF ANNUAL GENERAL MEETING (continued)

### *Special Resolutions*

8. 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. THAT, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its own Ordinary Shares of 5p each ("Ordinary Shares") in the capital of the Company provided that:

- (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 14.99% of the present issued Ordinary share capital of the Company;
- (ii) the minimum price which may be paid for an Ordinary Share is 5p, exclusive of all expenses;
- (iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;
- (iv) the Company may validly make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares in pursuance of any such contract.

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.

By order of the Board



**Grant Whitehouse**

Secretary  
Registered Office  
69 Eccleston Square  
London SW1V 1PJ

25 May 2006

### **Notes**

- (a) Any member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and vote instead of that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
- (b) To be valid the instrument appointing a proxy and authority under which it is executed must be deposited at Capita Registrars, P O Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time of the Meeting.
- (c) Completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person.
- (d) 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 (Saturday and Public Holidays excluded) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.



# FORM OF PROXY

## PROVEN VCT PLC

For use at the Annual General Meeting of the above-named Company to be held on 21 September 2006 at 39 Earlham Street, London WC2H 9LT at 12:15 pm.

I/We\*.....  
(in BLOCK CAPITALS please)

of .....

being the holder(s)\* of Ordinary shares of 5p each in the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or .....

of .....

as my/our\* proxy to attend for me/us\* on my/our\* behalf at the Annual General Meeting of the Company to be held at 39 Earlham Street, London WC2H 9LT on 21 September 2006 or at any adjournment thereof.

I/We\* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

### ORDINARY BUSINESS

1. To receive and adopt the Directors' report and accounts.
2. To approve the Directors' Remuneration Report.
3. To re-appoint the auditors and authorise the Directors to determine their remuneration.
4. To re-elect Andrew Davison as a Director.
5. To elect Barry Dean as a Director.

FOR	AGAINST	WITHHELD
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SPECIAL BUSINESS

6. To amend the Articles of Association
7. To authorise the directors to allot shares
8. To disapply Section 89(1) of the Companies Act 1985.
9. To authorise the Directors to make market purchases of its shares.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2006

Signature(s)\* .....

#### Notes:

1. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the meeting" and insert the name and address of the person whom you wish to appoint in the space provided. A proxy need not be a member of the Company.
2. In the case of a corporation this form must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the corporation.
3. In the case of joint shareholders any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
4. If you do not indicate the way you desire your proxy to vote, you will be deemed to have authorised your proxy to vote or abstain from voting at his/her discretion.
5. To be valid this form of proxy must be completed and deposited (together with any power of attorney, or other authority under which it is signed) with Capita Registrars, P O Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
6. Completion of this form will not preclude you from attending and voting at the meeting if you so wish.
7. Any alteration made to the form of proxy must be initialled.

\* Delete as appropriate



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**CAPITA REGISTRARS**  
**Registrars for**  
**ProVen VCT plc**  
**Proxy Department**  
**PO Box 25**  
**Beckenham**  
**Kent**  
**BR3 4BR**

Second Fold

First fold



