

PROVEN VCT PLC
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
29 FEBRUARY 2008



SHAREHOLDER INFORMATION

Websites

Latest financial information, including information on recent investment transactions, newsletters and electronic copies of Annual Reports, Half Yearly Financial Statements and Interim Management Statements can be found on the Company's website:

www.provenvcts.com

Dividend history, links to Company announcements and other financial information can be found on Downing's website at www.downing.co.uk by clicking on "VCT Information and Accounts". Shareholders can also check details of their shareholdings using Capita Registrar's website at www.capitaregistrars.com, by clicking on "Shareholders".

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 (form can be downloaded from www.capitaregistrars.com). Queries relating to dividends and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras), or by writing to them at the address shown on page 1.

Dividend History (since launch)

Ordinary Shares		'C' Shares	
Year end	Pence per share	Year end	Pence per share
2001	2.40		
2002	2.30		
2003	1.00		
2004	3.50		
2005	6.50		
2006	6.50		
2007	46.00		
2008 (first interim)	6.00	2008 (interim)	1.00
Cumulative distributions paid to 29 Feb 2008	74.20	Cumulative distributions paid to 29 Feb 2008	1.00
2008 (second interim) - paid 14 March 2008	2.50		
2008 (final) proposed - payable 22 July 2008	1.25	2008 (final) proposed - payable 22 July 2008	1.75

Share Price

The Company's share price can be found on various financial websites with the following TIDM/EPIC codes

TIDM/EPIC code	Ordinary Shares "PVN"	'C' Shares "PVNC"
Latest share price (18 June 2008):	74.0p per share	78.0p per share

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 2007 and 2008 share issues should be aware that they need to hold their shares for a minimum period to retain the Income Tax relief they received on investment. Selling your shares may have tax consequences 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

17 July 2008	Annual General Meeting
22 July 2008	Payment of final dividend
October 2008	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.

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COMPANY INFORMATION

Company Number	3911323
Registered Office	39 Earlham Street London WC2H 9LT
Directors	Andrew Davison (Chairman) Barry Dean Nicholas Lewis Malcolm Moss
Secretary	Grant Whitehouse
Investment Manager	Beringea Limited 39 Earlham Street London WC2H 9LT Tel: 020 7845 7820 www.provenvcts.com
Administration Manager	Downing Management Services Limited Kings Scholars House 230 Vauxhall Bridge Road London SW1V 1AU Tel: 020 7416 7780 www.downing.co.uk
Auditors	Deloitte & Touche LLP London
VCT Status Adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars	Capita Registrars Northern House, Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA Tel: 0871 664 0300 (calls cost 10p per minute plus network extras) www.capitaregistrars.com
Solicitors	Howard Kennedy 19 Cavendish Square London W1A 2AW
Bankers	Bank of Scotland West End Office St James's Gate 14-16 Cockspur Street London SW1Y 5BL

INVESTMENT OBJECTIVES

ProVen VCT's principal investment objectives are:

- to achieve a total return significantly greater than that available from direct investment in quoted businesses by investing in a portfolio of carefully selected smaller companies with excellent growth prospects;
- to minimise the risk of each investment and the portfolio as a whole; and
- to obtain and maintain VCT status in order to secure the substantial tax benefits available for investment in a VCT.

The detailed investment policy adopted to achieve the investment objectives is set out in the Report of the Directors on page 15.

FINANCIAL HIGHLIGHTS

	2008 pence	2007 pence
Ordinary Shares		
Net asset value (per Ordinary Share)	<u>88.5</u>	<u>108.3</u>
Cumulative gross distributions paid (from launch to 29 Feb 2008)	<u>74.2</u>	<u>53.2</u>
Total return (net asset value plus cumulative distributions paid and declared)	<u>162.7</u>	<u>161.5</u>
Dividends paid/payable in respect of the year ended 29 February 2008:		
Interim dividend (per Ordinary Share) (paid on 6 December 2007)	6.00	31.0
Second interim dividend (per Ordinary Share) (paid on 14 March 2008)	2.50	15.0
Final proposed dividend (per Ordinary Share) (payable on 22 July 2008)	<u>1.25</u>	<u>-</u>
	<u>9.75</u>	<u>46.0</u>
	2008 pence	2007 pence
'C' Shares		
Net asset value (per 'C' Share)	<u>89.6</u>	<u>n/a</u>
Cumulative gross distributions paid (from launch to 29 Feb 2008)	<u>1.0</u>	<u>n/a</u>
Total return (net asset value plus cumulative distributions paid and declared)	<u>90.6</u>	<u>n/a</u>
Interim dividend (per 'C' Share) (paid on 6 December 2007)	1.00	n/a
Final proposed dividend (per 'C' Share) (payable on 22 July 2008)	<u>1.75</u>	<u>n/a</u>
	<u>2.75</u>	

DIRECTORS

Andrew Davison (65) (Chairman) is currently on the boards of a number of quoted and unquoted companies and is chairman of ProVen Growth and Income VCT plc, Pennine AIM VCT 5 plc and City of London Investment Group 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.

Barry Dean (58) 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 New Star Private Equity Investment Trust plc (a quoted investment trust investing in private equity) and a non-executive director of Elderstreet VCT plc. He is also an Advisory Committee Member for Parallel Ventures Managers Limited.

Nicholas Lewis (52) 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 £500 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 the managers of the Downing Protected VCTs. He was formerly with NatWest Ventures Limited and, before that, with Apax Partners and Co. Limited.

Malcolm Moss (48) is a Senior Managing Director and Founder of Beringea LLC. Over the last 20 years he has been responsible for the growth, development and management of the private equity business of Beringea in both the UK and the USA. In addition to sitting on the boards of ProVen VCT and ProVen Growth & Income VCT he sits on the investment committees of Beringea's two venture funds; InvestCare Partners and Global Rights II and as a non-executive director on several other portfolio investments. Prior to founding Beringea, Malcolm gained Europe wide industrial, planning and analytical experience in healthcare, engineering and financial services with respectively Baxter International, Uniroyal Inc. and Lloyds TSB Group.

All the Directors are non-executive and, with the exception of Malcolm Moss, are considered to be independent of the investment manager.

CHAIRMAN'S STATEMENT

The year to 29 February 2008 has seen a sharp change in investor confidence led by the "credit crunch" and general fears for the economic outlook. While, in most cases, the underlying businesses of the Company's investments have not been greatly affected by the above, there has been some impact on investment valuations, particularly of AIM-quoted investments.

Net Asset Value

Ordinary Shares

At the year end, the Company's net asset value per Ordinary Share ("Ordinary NAV") stood at 88.5p, an increase of 1.2p per share or 1.1% over the year after adjusting for the dividends of 21p per Ordinary Share which were paid during the year.

Total return (Ordinary NAV plus cumulative dividends paid) to Ordinary Shareholders who invested at the outset of the Company now stands at 162.7p per share, compared to an original investment, net of income tax relief, of 80p per share.

At 30 November 2007, the Company announced an Ordinary NAV of 113.5p per share and a total return of 181.7p. The uplift at 30 November 2007 was primarily due to an increase in the valuation of Espresso Group. This was based on projections prepared by Espresso using a forecasting model which subsequently was found to be flawed. Although the prospects for Espresso remain bright, the valuation of the investment has been reduced back to a similar level as it was at the half-year date. The reduction in the Espresso valuation has been the primary reason for the reduction in the Company's Ordinary NAV since 30 November 2007.

'C' Shares

At the year end, the Company's net asset value per 'C' Share ("C' Share NAV") stood at 89.6p, a decrease of 3.9p per share or 4.1% on the initial 'C' Share NAV at launch after adjusting for the dividends of 1.0p per 'C' Share which were paid during the year. Total return ('C' Share NAV plus cumulative dividends paid) to 'C' Shareholders who invested at the 'C' Share fundraising now stands at 90.6p per share. The 'C' Share pool has suffered from a full provision that has been needed against one investment, The Vending Corporation Limited. The Vending Corporation's business has experienced an extremely sharp downturn and now faces an uncertain future.

Board change

There was one Board change during the year when David Eberly stepped down as representative of Beringea, the Investment Manager, on 31 December 2007 and was replaced by Malcolm

Moss. I wish to thank David for his contribution since joining the Board in January 2007 and look forward to continuing to work with him in his role with Beringea.

Malcolm Moss is a Senior Managing Director and Founder of Beringea LLC and also sits on the board of Beringea Limited, the Company's investment manager. Malcolm brings to the Board extensive investment experience in the media, intellectual property rights and content sectors.

Ordinary Share top-up issue

In February 2008, the Company launched a small Ordinary Share fundraising. The Offer closed on 7 April 2008 having raised £1.1 million (net of costs). All shares were allotted after 29 February 2008.

Venture capital investments

It has been a busy year for the Company in terms of investment activity. The Ordinary Share pool made six new investments and the 'C' Share pool eight new investments.

The Ordinary Share pool also made four major disposals, three of which produced significant gains over their previous carrying valuation. Total realised gains for the year were £1.8 million of which £1.2 million arose from the disposal of Oasis Healthcare.

Overall, the Ordinary Share portfolio produced an unrealised loss of £626,000 for the year. The loss is explained by a fall in share prices of two AIM-quoted investments, full provisions made against two unquoted investments where there is doubt as to whether value can be recovered and adjustments (both up and down) of carrying values of other unquoted investments generally based on trading performance. An analysis is provided on page 8.

The 'C' Share pool produced an unrealised loss of £905,000, mainly explained by a full provision required against the investment in The Vending Corporation Limited. An analysis is provided on page 12. Full details of the investment management activities can be found in the Investment Manager's Report on page 6.

Results and dividend

The loss on activities after taxation for the year was £313,000 (2007: gain £7,394,000), comprising a revenue return of £682,000 and a capital loss of £995,000.

On 6 December 2007, an interim dividend of 6.0p per Ordinary Share (2007: 31.0p per share) and 1.0p per 'C' Share (2007: nil) was paid to Shareholders. A second interim dividend of 2.5p per Ordinary Share was paid on 14 March 2008.

CHAIRMAN'S STATEMENT (continued)

Results and dividend (continued)

The Board is proposing final dividends as follows:

Ordinary Shares	1.25p per share
'C' Shares	1.75p per share

Subject to Shareholder approval, these dividends will be paid on 22 July 2008 to Shareholders on the register at 4 July 2008.

Repurchase of shares

In order to ensure liquidity in the market in the Company's shares, the Company operates a policy of buying in its own shares as they become available in the market.

During the year, the Company repurchased 171,768 Ordinary Shares, at an average price of 85.4p per share, and 2,677 'C' Shares, at an average price of 81.5p per share, for cancellation. Generally, share buybacks are undertaken at a 10% discount to the latest NAV published by the Company. The Board intends to continue with this policy and will put a resolution to Shareholders at the AGM.

Articles of Association

At the forthcoming AGM, the Board will seek Shareholder approval to update the Company's Articles of Association. Resolution 10, which is a special resolution, proposes the adoption of new Articles of Association which incorporate a number of changes which are required as a result of the implementation of the Companies Act 2006. An explanation of the proposed changes is provided within the Report of the Directors.

The Board recommends Shareholders vote for Resolution 10 as, in the Board's opinion, the proposed changes are in the best interests of Shareholders.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held at 39 Earlam Street, London WC2H 9LT at 11:00 am on 17 July 2008. Notice of the meeting is at the end of this document.

Four items of special business will be proposed at the AGM in respect of share buybacks as mentioned above, two resolutions in connection with authority for the Directors to allot shares and to change the Articles of Association also as mentioned above.

Outlook

I am pleased to report that, since the year end, Company has realised another of the investments held by the Ordinary Share pool. The investment in ILG Digital was sold at a significant profit against cost and an uplift against the valuation at 29 February 2008 equivalent to 6.9p per Ordinary Share.

Following the significant number of realisations in the last year and the recent fundraising, the Ordinary Share pool now has funds available for investment, as well as the significant level of funds which the 'C' Share pool still has to invest. The rate of new investments over the last year has been good, however, with more uncertain economic conditions, it becomes increasingly important to ensure that new investments remain of the highest quality.



Andrew Davison
Chairman

19 June 2008

INVESTMENT MANAGER'S REPORT

Introduction

The Company's investment manager since inception has been Beringea Limited, a specialist venture capital management company which has been established for over 20 years. Total venture capital funds under management are currently around £75 million.

The Company raised £14.6 million (£13.8 million after expenses) from its 'C' Share fundraising during the financial year and a further £1.2 million (£1.1 million after expenses) from an Ordinary Share top-up offer after the year end.

Portfolio Performance

Ordinary Share Pool

During the year under review the total return to Ordinary Shareholders increased to 162.7p.

Dividends paid to Ordinary Shareholders for the year were 8.5p per share and a further final dividend for the year of 1.25p per share will be paid in July 2008. The total dividends of 9.75p represent a tax-free yield of 9% on the net asset value per share at 1 March 2007 and a tax-free yield of 9.75% on the initial subscription price at launch of 100p per share.

'C' Share Pool

The 'C' Share pool was raised only one year ago and consequently during the year under review a significant proportion was still invested in cash and liquidity funds. In addition, the qualifying venture capital investments were made relatively recently and the majority are still being carried at the cost of investment. The total return per 'C' Share decreased from 94.5p (the initial net asset value at allotment) to 90.6p. A dividend of 1p per 'C' Share was paid in December 2007 and a final dividend for the year of 1.75p per 'C' Share will be paid in July 2008.

Portfolio Activity

Ordinary Share Pool

Five new investments were made during the year. In addition, under the terms of the disposal of Sports Holdings Group, part of the sale proceeds were reinvested in the company in the form of a loan.

Acquisitions	Cost £'000	Description
Optima Data Intelligence Services	900	Marketing and data intelligence services
Saffron Media Group	480	Mobile telephone and web content services
Eagle Rock Entertainment	420	Music and entertainment programming
Coolabi	283	Character rights management
Donatantonio	575	Import and distribution of Mediterranean foods
Sports Holdings	146	Sports and entertainment management
	<u>2,804</u>	

Several realisations were made during the year. The most significant of these was the sale of Oasis Healthcare, which generated total proceeds for the Ordinary Share pool of £2.2 million. This represents a return of 3.3 times the original cost of investment. Gyro International was also sold, generating proceeds of £1.3 million, a return on the original investment cost of 1.9 times. During the year the Company also sold the remainder of its shares in Cardpoint, increasing the total proceeds over the life of this investment to £3.4 million. This represents 2.2 times the original cost of the investment.

On a less satisfactory note, following several years of underperformance, the investment in Sports Holdings Group was sold back to the company's management for £279,000, crystallising a loss of £521,000. Under the terms of the disposal £146,000 of the proceeds were reinvested in the company in the form of a loan.

The most significant realisations (original cost or disposal proceeds in excess of £500,000) are summarised below:

	Cost £'000	Market Value at 28/02/07 £'000	Proceeds £'000	Realised gain/ (loss) £'000	Gain/ (loss) against cost £'000
AIM quoted					
Cardpoint	438	680	666	(14)	228
Oasis Healthcare	670	982	2,218	1,236	1,548
Unquoted					
Sports Holdings	800	117	279	162	(521)
Gyro International	652	865	1,257	392	605
Liquidations etc.					
Linguaphone Group Holdings	703	-	-	-	(703)
Campus Communications	200	-	-	-	(200)

'C' Share Pool

Good progress was made on investing the 'C' Share funds raised in the 2006/07 tax year. A total of £4.6 million was invested in eight companies, of which £0.2 million was non-qualifying:

Acquisitions	Cost £'000	Description
Dianomi	126	Online marketing services
Heritage Partners	800	Image rights ownership, management and distribution
Steak Media	275	Digital media advertising
Charterhouse Leisure	371	Restaurants
The Vending Corporation	1,016	Import and distribution of vending machines
Donatantonio	875	Import and distribution of Mediterranean foods
Breeze Tech	175	Proximity marketing services
Path Group	1,000	Import and distribution of audio-visual components
	<u>4,638</u>	

INVESTMENT MANAGER'S REPORT (continued)

Portfolio valuation

Ordinary Share Pool

At 29 February 2008, the Company's unquoted and quoted Ordinary Share portfolio comprised 16 investments with a cost of £12.5 million and a valuation of £15.0 million. In addition, the Ordinary Share pool held cash and liquidity funds of £5.3 million.

As the fund has matured and successful investments have been realised, the value in the portfolio has become more concentrated in a few of the remaining investments. Espresso Group accounted for 29% of the Ordinary Share net asset value at the year end. The year end valuation shows a material decline from the valuation reported as at 30 November 2007 (the result of a flaw in Espresso's complex sales and forecasting financial model) but is still significantly above the original investment cost and above the valuation at 28 February 2007. The company itself continues to perform strongly and has established itself as the dominant provider of online educational video content to the UK primary school sector with a market share of over 60% and high contract renewal rates. Following the acquisition in 2007 of 4 Learning, the educational business of Channel 4, Espresso has entered the UK secondary schools market with its Clipbank product and has already established a strong and growing presence. There is scope for further growth in UK markets and also expansion opportunities into other geographic territories and related online content businesses.

ILG Digital accounted for a further 13% of the Ordinary Share net asset value at the year end. ILG, which had grown to become Europe's leading independent digital advertising agency, was sold in April 2008.

Our concerns over Campus Communications (formerly JVTV) proved to be justified as the company finally went into administration shortly after the year end. Additionally, Linguaphone, which was in liquidation, was dissolved after the year end. Both of these had no effect on current year returns as the investments had been fully provided against.

'C' Share Pool

The 'C' Share investment portfolio was valued at £3.7 million against an original investment cost of £4.6 million. In addition, the 'C' Share pool held cash and liquidity funds of £9.4 million.

The majority of investments in the 'C' Share portfolio were valued at the initial investment cost. The exceptions to this were Steak Media, which has performed well and has been revalued upwards, and The Vending Corporation ("TVC"), which has been fully provided against. TVC has been significantly impacted by the credit problems and the decisions of

key customers to reduce their expenditure on vending machines.

Post year end investment activity

The Company has made two new investments and four follow on investments since 29 February 2008:

Acquisitions	Ord Share pool £'000	C Share pool £'000	Description
New			
Opticvision	500	400	Security systems
Isango	410	205	Travel experiences aggregator
Follow on			
SPC International	475	400	IT repair/refurbishment
Coolabi	17	-	Character rights management
Heritage Partners	-	100	Image rights ownership, management and distribution
Charterhouse Leisure	-	165	Restaurants
	<u>1,402</u>	<u>1,270</u>	

In addition, further investments totalling £275,000 into existing 'C' Share portfolio companies have been approved but have not yet completed.

The Company sold its investment in ILG Digital in a private equity backed deal in April. The deal valued ILG at approximately £45 million and resulted in a profit on the original cost of £3.1 million for Ordinary Shareholders. This represents another excellent return for Ordinary Shareholders for an investment held for just over two years.

Outlook

Ordinary Share Pool

Following an active period for the disposal of investments, including the sales of ILG Digital, Gyro International and Oasis Healthcare, the value in the portfolio has become concentrated in a few of the remaining investments, with Espresso Group being the most significant. Espresso continues to develop well and has the potential to deliver significant value to Shareholders. We expect to see further growth in the aggregate value of the other remaining Ordinary Share investments as the portfolio matures, leading to profitable realisations. New investments will be mainly restricted to a proportion of the cash received from investment disposals and the proceeds from the latest top up fundraising.

'C' Share Pool

The 'C' Share pool is well on the way to meeting the investment targets set by the VCT legislation. Despite the uncertainty in the wider economy we continue to see a good flow of attractive investment opportunities and we will continue to invest selectively from the 'C' Share funds.

Beringea Limited

19 June 2008

REVIEW OF INVESTMENTS ORDINARY SHARE POOL

Ordinary Share portfolio of investments

The following investments were held at 29 February 2008:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Top ten venture capital investments (by value)				
Espresso Group Limited	2,048	6,015	683	29.5%
ILG Digital Limited	1,345	2,760	(591)	13.5%
SPC International Limited	1,145	1,011	(98)	4.9%
Campden Media Limited	975	972	(81)	4.8%
Optima Data Intelligence Services Limited	900	900	-	4.4%
Ashford Colour Press Limited	875	828	115	4.1%
Donatantonio Limited	575	575	-	2.8%
Eagle Rock Entertainment Limited	420	565	145	2.8%
Saffron Media Group Limited (formerly Harmony Media Group Limited)	480	480	-	2.4%
Pilat Media Global plc*	173	320	(328)	1.6%
	<u>8,936</u>	<u>14,426</u>	<u>(155)</u>	<u>70.8%</u>
Other venture capital investments				
UBC Media plc*	1,101	311	(228)	1.5%
Coolabi plc*	283	301	18	1.5%
ID Data plc*	263	3	-	0.0%
GB Industries Limited	1,134	-	-	0.0%
Baby Innovations S.A. t/a Steribottle	604	-	(114)	0.0%
Sports Holdings Limited	147	-	(146)	0.0%
	<u>3,532</u>	<u>615</u>	<u>(470)</u>	<u>3.0%</u>
Total venture capital investments	<u>12,468</u>	15,041	<u>(625)</u>	73.8%
Liquidity funds		4,400		21.6%
Cash at bank and in hand		<u>945</u>		<u>4.6%</u>
Total Ordinary Share investments		<u>20,386</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

All venture capital investments are registered in England and Wales with the exception of Baby Innovations S.A., which is registered in Madeira.

REVIEW OF INVESTMENTS ORDINARY SHARE POOL (continued)

Further details of the ten largest venture capital investments (by value) for the Ordinary Share pool are as follows:

Espresso Group Limited



Cost:	£2,048,000	Latest audited accounts:	31 July 2007
Investment comprises:		Turnover:	£11.9 million
'A' ordinary shares:	£574,000	Loss before tax:	(£588,000)
'B' ordinary shares:	£683,000	Net assets:	£8.3 million
Loan stock:	£791,000		
Valuation method:	Revenue/ earnings multiple		
Valuation at 29/02/08:	£6,015,000	Market capitalisation:	n/a
Valuation at 28/02/07:	£5,332,000	Proportion of equity held:	19.7%

Espresso Group develops and delivers multimedia education content for schools. Over 10,000 primary schools, equal to approximately 60% of the UK primary school market, now subscribe to its flagship "Espresso for Schools" product. Following the acquisition of 4 Learning, the educational business of Channel 4, the company has expanded into the UK secondary schools market with encouraging results. Opportunities exist for expansion into other geographical territories and diversification into other related online content businesses.

www.espresso.co.uk

ILG Digital Limited



Cost:	£1,345,000	Latest audited accounts:	31 March 2006
Investment comprises:		Turnover:	£25.8 million
'A' ordinary shares:	£900,000	Profit before tax:	£703,000
'B' ordinary shares:	£445,000	Net assets:	£11.2 million
Valuation method:	Earnings multiple		
Valuation at 29/02/08:	£2,760,000	Market capitalisation:	n/a
Valuation at 28/02/07:	£3,351,000	Proportion of equity held:	9.4%

ILG Digital 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. The company was acquired by ECI Partners in April 2008 generating a capital return of over three times the VCT's initial investment.

www.i-level.com

SPC International Limited



Cost:	£1,145,000	Latest audited accounts:	30 September 2006
Investment comprises:		Turnover:	£15.7 million
Ordinary shares:	£195,000	Profit before tax:	£316,000
'A' ordinary shares:	£190,000	Net assets:	£2.7 million
Loan stock:	£760,000		
Valuation method:	Earnings multiple		
Valuation at 29/02/08:	£1,011,000	Market capitalisation:	n/a
Valuation at 28/02/07:	£1,110,000	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 £223,000 in November 2004. A further £475,000 was invested in March 2008 in the form of a loan secured on the company's assets.

www.spcint.com

Campden Media Limited



Cost:	£975,000	Latest audited accounts:	31 December 2006
Investment comprises:		Turnover:	£6.5 million
Ordinary shares:	£195,000	Loss before tax:	(£792,000)
'A' ordinary shares:	£2,000	Net assets:	£1.3 million
Loan stock:	£778,000		
Valuation method:	Earnings multiple		
Valuation at 29/02/08:	£972,000	Market capitalisation:	n/a
Valuation at 28/02/07:	£1,053,000	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

REVIEW OF INVESTMENTS ORDINARY SHARE POOL (continued)

Optima Data Intelligence Services Limited



Cost:	£900,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£90,000	Profit before tax:	n/a
'A' ordinary shares:	£54,000		
Preference shares:	£180,000	Net assets:	n/a
Loan stock:	£576,000		
Valuation method:	Cost		
Valuation at 29/02/08:	£900,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of loan stock held:	21.7%

www.e-optima.co.uk

Optima provides publishers in the B2B market with database services to allow them to manage, communicate and sell to existing and potential customers. The management team has significant experience in the sector and this has been complemented post investment by the appointment of an experienced non-executive Chairman.

Ashford Colour Press Limited



Cost:	£875,000	Latest audited accounts:	31 March 2007
Investment comprises:		Turnover:	£10.5 million
Ordinary shares:	£133,000	Loss before tax:	(£17,000)
'A' ordinary shares:	£250	Net assets:	£2.0 million
Loan stock	£742,000		
Valuation method:	Earnings multiple		
Valuation at 29/02/08:	£828,000	Market capitalisation:	n/a
Valuation at 28/02/07:	£834,000	Proportion of equity held:	23.5%

www.ashford-colour-press.co.uk

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.

Donatantonio Limited



Cost:	£575,000	Latest audited accounts:	31 January 2007
Investment comprises:		Turnover:	£3.3 million
Ordinary shares:	£7,000	Profit before tax:	£475,000
'A' ordinary shares:	£89,000	Net assets:	£1.9 million
Preferred shares:	£19,000		
Loan stock:	£460,000		
Valuation method:	Cost		
Valuation at 29/02/08:	£575,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	15.6%

www.donatantonio.com

Donatantonio Limited is the UK market leader in the import and distribution of premium quality, authentic Mediterranean ingredients to the UK food-manufacturing and food services sectors. Donatantonio's state-of-the-art facilities allow it to provide certification of food quality once the goods reach the UK. This means that the products supplied to food manufacturers are ready for immediate incorporation into finished products and do not require further testing by the manufacturer before production can begin.

Eagle Rock Entertainment Limited



Cost:	£420,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£42,000	Profit before tax:	n/a
Preferred shares:	£378,000	Net assets:	n/a
Valuation method:	Earnings multiple		
Valuation at 29/02/08:	£565,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	3.8%

www.eaglerockent.com

Eagle Rock is a leading independent producer, publisher and distributor of music programming for television and DVD, comprising live concerts and documentaries. Eagle has an extensive catalogue of audio-visual IPR, which is available for multi-media exploitation including broadcast, broadband and telephony.

REVIEW OF INVESTMENTS ORDINARY SHARE POOL (continued)

**Saffron Media Group Limited (formerly
Harmony Media Group Limited)**

SAFFRONDIGITAL

Cost:	£480,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£417,000	Profit before tax:	n/a
'A' ordinary shares:	£63,000	Net assets:	n/a
Valuation method:	Cost		
Valuation at 29/02/08:	£480,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	12.1%

Saffron Media Group was formed in 2003 and is a leading multi-platform distributor of film-related content in the UK. It has established relationships with major film studios such as Universal, Warner, Sony and Disney to exploit their movie libraries. The company has also developed a bespoke content delivery platform with technology which enables both film and non-film related content owners to access mobile and online consumers.

www.harmonymediagroup.com

Pilat Media Global plc*



Pilat Media

www.pilatmedia.com

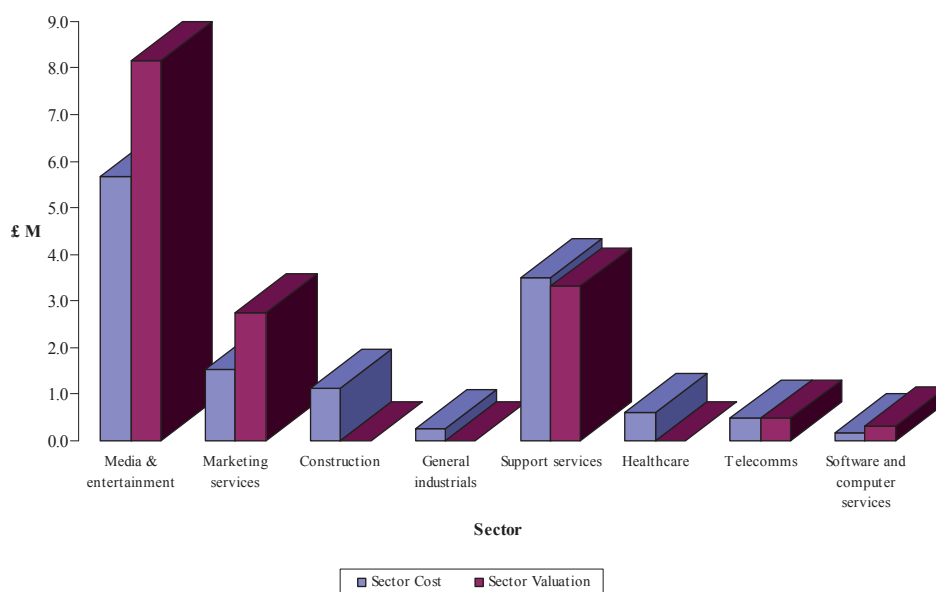
Cost:	£173,000	Latest audited accounts:	31 December 2006
Investment comprises:		Turnover:	£19.4 million
Ordinary shares:	£173,000	Profit before tax:	£3.7 million
		Net assets:	£17.9 million
Valuation method:	Bid price		
Valuation at 29/02/08:	£320,000	Market capitalisation:	£22.7 million
Valuation at 28/02/07:	£648,000	Proportion of equity held:	1.5%

Pilat Media is an AIM-listed company supplying business management software to broadcasters worldwide including BSkyB and Five (UK), Discovery Communications (US), Network Ten (Australia) and the South African Broadcasting Corporation. ProVen VCT first invested in the company in 2002 on admission to AIM and has since made a number of partial disposals recouping its initial investment.

References to the latest audited accounts refer to the latest annual report and accounts to be prepared by the investee company following the date of investment by ProVen VCT plc. Where no annual report has been published since the date of the investment, this is shown as "n/a".

The split of the Ordinary Share pool venture capital investments by commercial sector (by value and cost at 29 February 2008) is summarised as follows:

**Ordinary Share pool
Spread of Investments by Sector**



REVIEW OF INVESTMENTS C SHARE POOL

‘C’ Share portfolio of investments

The following investments were held at 29 February 2008:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Venture capital investments				
Path Group Limited	1,000	1,000	-	7.6%
Donatantonio Limited	875	875	-	6.7%
Heritage Partners Limited	800	800	-	6.1%
Steak Media Limited	275	385	110	2.9%
Charterhouse Leisure Limited	371	371	-	2.9%
Breeze Tech Limited	175	175	-	1.3%
Dianomi Limited	126	126	-	1.0%
The Vending Corporation Limited	1,016	-	(1,016)	0.0%
Total venture capital investments	<u>4,638</u>	<u>3,732</u>	<u>(906)</u>	<u>28.5%</u>
Liquidity funds		7,950		60.6%
Cash at bank and in hand		<u>1,426</u>		<u>10.9%</u>
Total ‘C’ Share investments		<u>13,108</u>		<u>100.0%</u>

All venture capital investments are unquoted and are registered in England and Wales.

Further details of the venture capital investments for the ‘C’ Share pool are as follows:

Path Group Limited



Cost:	£1,000,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£100,000	Profit before tax:	n/a
‘A’ ordinary shares:	£5,000	Net assets:	n/a
Loan notes:	£895,000		
Valuation method:	Cost		
Valuation at 29/02/08:	£1,000,000	Market capitalisation::	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	21%

Path Group has been distributing consumer electronic accessories since inception in 1984, and during this time, as well as becoming a leading distributor in the UK, has established itself internationally with selling and distribution operations in the US and Russia and a buying function in Hong Kong. Beringea led the management buyout from the current owners in early 2008.

www.path.co.uk

Donatantonio Limited



Cost:	£875,000	Latest audited accounts:	31 January 2007
Investment comprises:		Turnover:	£3.3 million
Ordinary shares:	£11,000	Profit before tax:	£475,000
‘A’ ordinary shares:	£135,000	Net assets:	£1.9 million
Preferred shares:	£29,000		
Loan stock:	£700,000		
Valuation method:	Cost		
Valuation at 29/02/08:	£875,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	24.1%

Donatantonio Limited is the UK market leader in the import and distribution of premium quality, authentic Mediterranean ingredients to the UK food-manufacturing and food services sectors. Donatantonio’s state-of-the-art facilities allow it to provide certification of food quality once the goods reach the UK. This means that the products supplied to food manufacturers are ready for immediate incorporation into finished products and do not require further testing by the manufacturer before production can begin.

www.donatantonio.com

REVIEW OF INVESTMENTS

C SHARE POOL (continued)

Heritage Partners Limited



Cost:	£800,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
'C' ordinary shares:	£350,000	Profit before tax:	n/a
Loan stock:	£450,000	Net assets:	n/a
Valuation method:	Cost		
Valuation at 29/02/08:	£800,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	15.0%

Heritage Partners is an owner and distributor of high value still, graphic and video images, representing imagery sourced from creators around the world and a global distribution network. Typical customers are advertising agencies using images for ads/concepts, magazines wanting photos/images for publications, corporations for presentation or marketing materials, or TV producers doing historic documentaries.

www.imagestate.co.uk

Steak Media Limited



Cost:	£275,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£148,000	Profit before tax:	n/a
Preferred shares:	£127,000	Net assets:	n/a
Valuation method:	Earnings multiple		
Valuation at 29/02/08:	£385,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	5.3%

Steak Media is a digital media agency specialising in search engine marketing, media planning and buying, mobile marketing and other integrated online marketing strategies. Steak's founders and management team were key employees who facilitated much of the rapid growth of former portfolio company, Espotting. They have taken their expertise and contacts into the digital marketing sector and launched what in less than two years, has become one of the top 15 interactive agencies in the UK.

www.steakmedia.co.uk

Charterhouse Leisure Limited



Cost:	£371,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£74,000	Profit before tax:	n/a
Loan stock:	£296,000	Net assets:	n/a
Valuation method:	Cost		
Valuation at 29/02/08:	£371,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	12.3%

Charterhouse Leisure trades under the name "Coal Grill & Bar", a new restaurant chain with branches in Wimbledon and Basingstoke and plans to open in several other locations. Coal provides informal dining and drinking to the mid market sector. The core management team developed and ran the "Ma Potters" restaurant chain, a former ProVen VCT investment that was sold in 2007 for a total return of over 2.5 times the initial investment.

www.coalgrillandbar.co.uk

Breeze Tech Limited



Cost:	£175,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£17,000	Profit before tax:	n/a
Preferred shares:	£79,000	Net assets:	n/a
Loan stock:	£79,000		
Valuation method:	Cost		
Valuation at 29/02/08:	£175,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	14.0%

Breeze Tech specialises in bluetooth marketing, delivering content or advertising to mobile devices via bluetooth, normally in high footfall areas as part of an overall advertising/branding campaign for consumer brands. The company is a relatively small but dynamic player in a fast growing market: brand marketing budgets dedicated to mobile advertising are expected to grow faster than any other segment, at 67% per annum through 2011, to create an £11bn market.

www.breeze-tech.co.uk

REVIEW OF INVESTMENTS C SHARE POOL (continued)

Dianomi Limited



Cost:	£126,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£13,000	Profit before tax:	n/a
'A' ordinary shares:	£92,000	Net assets:	n/a
Loan stock:	£21,000		
Valuation method:	Cost		
Valuation at 29/02/08:	£126,000	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	2.8%

Dianomi provides contextual pay-per-lead marketing to over 70 blue chip clients in financial services including JP Morgan, Barclays, Schroders, M&G investments and Fidelity etc via media partners (FT.com, Telegraph, Google, Miva etc). Dianomi also manages the information delivery, tracking and monitoring of clients who use this service to make an investment decision.

www.dianomi.com

The Vending Corporation Limited



Cost:	£1,016,000	Latest audited accounts:	n/a
Investment comprises:		Turnover:	n/a
Ordinary shares:	£57,000	Profit before tax:	n/a
'A' ordinary shares:	£25,000	Net assets:	n/a
'B' ordinary shares:	£43,000		
Loan stock:	£891,000		
Valuation method:	Full provision		
Valuation at 29/02/08:	-	Market capitalisation:	n/a
Valuation at 28/02/07:	Not held	Proportion of equity held:	15.8%

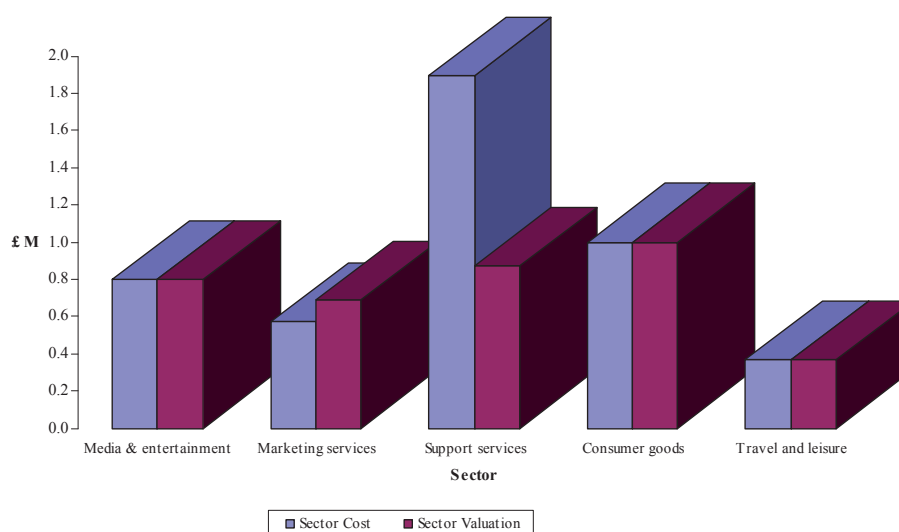
The Vending Corporation ("TVC") is the UK's leading independent distributor of chilled beverage and snack vending machines. TVC represents the major, market leading international vending manufacturers in the UK and Europe and its customer base includes leading UK and international blue chip companies.

www.thevendingcorporation.com

References to the latest audited accounts refer to the latest annual report and accounts to be prepared by the investee company following the date of investment by ProVen VCT plc. Where no annual report has been published since the date of the investment, this is shown as "n/a".

The split of the 'C' Share pool venture capital investments by commercial sector (by value and cost at 29 February 2008) is summarised as follows:

'C' Share pool
Spread of Investments by Sector



REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts of the Company for the year ended 29 February 2008.

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 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 prior to 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 Part 6 of the Income Tax Act 2007. 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).

Business review and developments

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

As a VCT with all of its executive and administrative activities delegated to third parties, the Company does not have a formal environmental policy.

Results and dividends

	£'000	Pence per share
Return on ordinary activities after tax for the year ended 29 February 2008 split as:		
Ordinary Shares	256	1.0p
'C' Shares	<u>(569)</u>	(3.9p)
	<u>(313)</u>	

The Company paid an interim capital distribution of 6.0p per Ordinary Share (2007: 31.0p per Ordinary Share) together with an interim revenue distribution of 1.0p per 'C' Share for the year ended 29 February 2008 on 6 December 2007.

A further capital distribution of 2.5p per Ordinary Share was paid on 14 March 2008 to Shareholders on the register at 22 February 2008.

Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares of 5p and 'C' Shares of 25p of the Company, at 28 February 2007, 29 February 2008 and the date of this report were as follows:

Director		At the date of this report	29 Feb 2008	28 Feb 2007
Andrew Davison	Ords	8,948	4,428	4,428
	'C' Shares	9,335	9,335	-
Barry Dean	'C' Shares	10,300	10,300	-
Nicholas Lewis	Ords	21,356	10,000	10,000
Malcolm Moss	-	-	-	n/a

David Eberly resigned as a director on 31 December 2007 and Malcolm Moss was appointed on the same day.

Andrew Davison and Malcolm Moss retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, are offering themselves for re-election. The remainder of the Board feel that Andrew and Malcolm have both made valuable contributions during the terms of their appointments and remain committed to their roles. Both have considerable experience in VCTs and other areas, as shown in their respective biographies on page 3, and the Board therefore recommends that Shareholders support the resolutions to re-elect both directors at the AGM.

Each of the Directors has entered into a consultancy agreement which is terminable by three months' notice on either side. Each Director is required to devote such time to the affairs of the Company as the Board requires.

At the last AGM on 26 July 2007, Directors were granted the authority to make market purchases of up to 14.9% of the issued share capital of the Company and to disapply pre-emption rights and allot up to a maximum nominal amount of £116,550 Ordinary Shares and £40,511 'C' Shares. The authority to make market purchase was used as described below.

Share capital

The Company has two classes of shares: Ordinary Shares of 5p each and 'C' Shares of 25p each. Each share class has a separate pool of assets attributable to it, with each class bearing a proportion of the running costs of the company. Ordinary Shares and 'C' Shares rank *pari passu* with each other in terms of voting and other rights.

Between 6 March 2007 and 31 May 2007 the Company issued 14,620,454 'C' Shares of 25p each for £1 per share under the terms of the prospectus dated 14 November 2006. Share issue costs thereon amounted to £804,000.

In accordance with the Company's policy as discussed in the Chairman's Statement, during the year the Company repurchased 171,768 Ordinary Shares, at an average price of 85.4p per share, and 2,677 'C' Shares, at an average price of 81.5p per share. These shares were subsequently cancelled.

REPORT OF THE DIRECTORS (continued)

Performance incentive fees

Ordinary Shares

Beringea Limited (“Beringea”) and Downing Corporate Finance Limited (“DCF”) are entitled to receive performance incentive fees, which are calculated as follows for each financial year starting on or after 1 March 2006:

- (i) 33 per cent. of the cumulative dividends paid in relation to financial years starting on or after 1 March 2006 over and above 3 pence per Ordinary Share per annum but less than 6 pence per Ordinary Share per annum; plus
- (ii) 20 per cent. of the cumulative dividends paid in excess of 6 pence per Ordinary Share per annum, less the cumulative amount of any performance fee previously paid in relation to the financial years starting on or after 1 March 2007.

The performance incentive fees are only payable when the sum of the net asset value per Ordinary Share plus all distributions per Ordinary Share paid since launch exceeds 130p.

Beringea Limited is entitled to 91% of the performance incentive fees and DCF is entitled to the other 9% of the performance incentive fees. The performance fees payable in respect of the year under review were £845,000 to Beringea Limited, and £84,000 to Downing Corporate Finance Limited (both amounts inclusive of VAT)

‘C’ Shares

Beringea is entitled to receive performance incentive fees in respect of the ‘C’ Shares. These are first calculated in relation to the financial year starting on 1 March 2010 and provided that:

- (i) the Company has returned to holders of ‘C’ Shares who subscribed under the ‘C’ Share prospectus in aggregate an amount equal to 25p per £1 so subscribed; and
- (ii) the sum of the net asset value per ‘C’ Share plus distributions per ‘C’ Share paid since launch exceeds 130p,

an annual performance incentive fee (inclusive of VAT) is payable equal to:

- (i) 33 per cent. of the cumulative dividends paid in relation to the financial years starting on or after 1 March 2010 over and above 3 pence per ‘C’ Share per annum but less than 6 pence per ‘C’ Share per annum; plus
- (ii) 20 per cent. of the cumulative dividends paid in relation to the financial years starting on or after 1 March 2010 in excess of 6 pence per ‘C’ Share per annum,

less the cumulative amount of any incentive fee previously paid to the Investment Manager.

No such fees were paid in respect of the ‘C’ Shares in the year under review.

Investment Policy

The Company’s investment policy covers several areas as follows:

Qualifying investments

The Company seeks to make investments in VCT Qualifying companies with the following characteristics:

- a strong, balanced and well motivated management team
- good growth potential;
- an attractive entry price for the Company; and
- a clearly identified route for a profitable realisation within a 3-4 year period.

In respect of the ‘C’ Share pool only, it is intended that at least 90% of the pool’s Qualifying investments (by cost) will be in unquoted companies, with up to 10% being in companies quoted on AIM.

Also in respect of the ‘C’ Share pool only, approximately 75% of the pool’s VCT Qualifying investments (by cost) will be made into companies in a broad range of sectors, with the remainder being in a range of different companies in the media industry.

Other investments

Funds not invested in Qualifying investments will be held in cash, liquidity funds or in fixed interest securities of A rating or better.

The Company may also make a small number of non-qualifying investments in companies meeting the criteria for qualifying investments described above.

Venture Capital Trust Regulations

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

REPORT OF THE DIRECTORS (continued)

Investment Policy (continued)

Venture Capital Trust Regulations (continued)

1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible shares" generally being ordinary share capital);
3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
4. No investment constitutes more than 15% of the Company's total investments (by value at time of investment);
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;
6. The Company distributes sufficient Revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and
7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year).

Borrowings

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a maximum effectively equal to the sum of its share capital and reserves currently equal to £20.5 million. There are no plans to utilise this ability at the current time.

Investment management and administration fees

Beringea Limited provides investment management services to the Company for an annual fee of 2.0% of the Ordinary Share net assets and the 'C' Share net assets per annum (excluding VAT). Beringea is also entitled to receive performance incentive fees as described above. The investment management agreement is terminable by either party at any time thereafter by one year's prior written notice.

The Board is satisfied with Beringea's approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of Beringea Limited as investment manager remains in the best interests of Shareholders.

Downing Management Services Limited ("DMS") provides administration services to the Company for a fee of £38,000 (plus VAT & RPI adjustment) per annum.

The annual running costs (excluding any performance fees payable) of the Company, for the year, are also subject to a cap of 3.25% of the Company's net assets.

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 £53,000 (2007: £21,000).

Key performance indicators

At each board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its investment objectives (as shown on page 2). The Board believes the Company's key performance indicators are Net Asset Value Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 2).

In addition, the Board considers the Company's performance in relation to other VCTs.

VCT status adviser

The Company has retained PricewaterhouseCoopers 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 Administration Manager, they report directly to the Board.

Compliance with the main VCT regulations as at 29 February 2008 and for the year then ended is summarised as follows:

1. 70% of its investments in qualifying companies	76.1%
2. At least 30% of the Company's qualifying investments in "eligible shares"	47.5%
3. At least 10% of each investment held in "eligible shares"	Complied
4. No investment constitutes more than 15% of the Company's portfolio	Complied
5. Income is derived wholly or mainly from shares and securities;	78.0%
6. No more than 15% of the income from shares and securities is retained;	0.0%

REPORT OF THE DIRECTORS (continued)

Principal risks and uncertainties

The principal financial risks faced by the Company, which include interest rate, liquidity, investment and market risks, are summarised within note 20 to the financial statements.

In addition to these risks, the Company, as a fully listed Company on the London Stock Exchange and as a Venture Capital Trust, operates in a complex regulatory environment and, therefore, faces a number of related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the UKLA Listing Rules, Companies Act 2006 and the Companies Act 1985 could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board reviews and agrees policies for managing each of these risks. The Directors receive quarterly reports from the Managers which monitor the compliance of these risks, and place reliance on the Managers to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial period.

New Articles of Association

At the Annual General Meeting ("AGM"), a special resolution will be proposed to amend the Articles of Association of the Company, to make them compliant with the recent changes caused by the implementation of the Companies Act 2006. The main changes are summarised as follows:

AGM

The AGM will be held within six months of the Company's accounting reference date. Currently, the AGM must be held within 15 months of the previous AGM.

Electronic communications

General authority is given to the Company to provide Shareholders notices, documents and information in electronic form (such as by email or fax) and by means of publication on a website. The Company will contact Shareholders at a later date to request their consent to receive communications via electronic form or by means of a website.

General Meetings

Extraordinary General Meetings will just be referred to as General Meetings and the notice period for General Meetings will be reduced from 21 to 14 days.

Removal of extraordinary resolutions

Any references to extraordinary resolutions have been replaced with special resolutions.

Appointment of proxy

A proxy will be allowed to be appointed by electronic form, the 48 hour deadline for proxies to be deposited before a General Meeting will no longer include weekends or bank holidays, Shareholders will be allowed to appoint multiple proxies and a proxy will have the right to speak at a general meeting and vote on a show of hands as well as on a poll.

Retirement of director reaching the age of 70

A director who has reached the age of 70 will no longer have to vacate his office at the conclusion of the following AGM.

Directors' conflicts of interest

Under provisions being introduced by the Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The new Articles of Association, as allowed by the Companies Act 2006, give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with such that a breach of duty is avoided.

Adoption of the new Articles is being proposed by Resolution 10 at the AGM.

Annual General Meeting

The Annual General Meeting will be held at 39 Earlham Street, London WC2H 9LT at 11:00 am on 17 July 2008. 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 auditors will be proposed at the forthcoming Annual General Meeting.

Substantial interests

As at 29 February 2008 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.

REPORT OF THE DIRECTORS (continued)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

United Kingdom company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Statement as to disclosure of information to Auditors

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditors. This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

By Order of the Board



Grant Whitehouse
Secretary
39 Earlham Street
London WC2H 9LT

19 June 2008

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 17 July 2008.

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 24.

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.

Directors' remuneration, as shown in the table below, is set at a level designed to reflect the time commitment and high level responsibility borne by the non-executive directors and should be broadly comparable with that paid by similar companies.

The remuneration committee met during the year and reviewed the remuneration levels in view of current market rates and funds raised under the 'C' Share offer.

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:

	Year ended 29 Feb 2008	Year ended 28 Feb 2007
	£	£
Andrew Davison	17,500	15,417
Barry Dean	17,500	11,250
David Eberly	10,417	1,227
Nicholas Lewis	12,500	10,417
Malcolm Moss	2,083	n/a
Ernest Sharp	n/a	6,875
Alexander Spiro Jr	n/a	9,190
	<u>60,000</u>	<u>54,376</u>

The remuneration levels for the forthcoming year have been agreed at the following rates:

	Annual Rate £
Andrew Davison	20,000
Barry Dean	20,000
Nicholas Lewis	15,000
Malcolm Moss	15,000
	<u>70,000</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 charts below represent the Company's Ordinary Share and 'C' Share performance over the reporting periods since launch and compare the Company's Net Asset Value Total Return and the Share Price Total Return to a rebased FTSE All Share Index Total Return. Net Asset Value Total Return is calculated as Net Asset Value plus dividends and/or capital distributions reinvested in the Company at the Net Asset Value prevailing at the date the dividends/distributions were paid. Share Price Total Return is calculated in a similar way, but reinvesting dividends at the mid-market share price at the date dividends are paid.

The FTSE All Share Index has been chosen as a comparison as it reasonably represents the spread of investments held by the Company. All series have been rebased to 100 at the relevant launch dates.

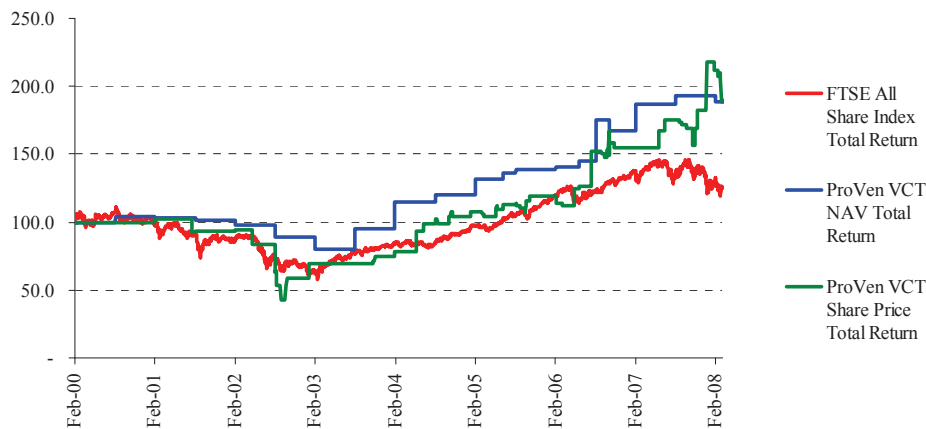
By Order of the Board



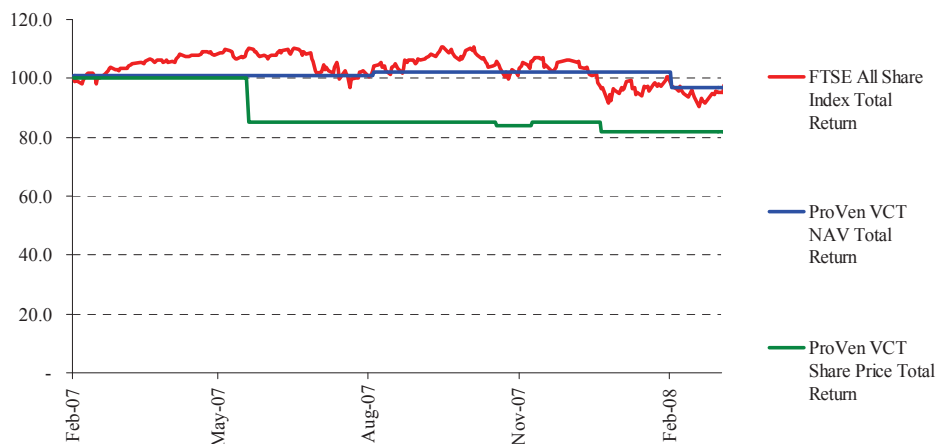
Grant Whitehouse
Secretary

19 June 2008

ProVen VCT plc
Ordinary Share performance chart



ProVen VCT plc
'C' Share performance chart



CORPORATE GOVERNANCE

The Directors support the relevant principles of the new Combined Code issued in July 2006, being the principles of good governance and the code of best practice, as set out in the Combined Code.

The Board

The Company has a Board comprising four non-executive directors. The Chairman and senior director is Andrew Davison. Andrew Davison, Barry Dean and Nicholas Lewis 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. A further two Directors are offering themselves 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 the Investment Manager and Administration Manager). The Board has a formal schedule of matters specifically reserved for its decision.

Six Board meetings took place in the year under review. Attendance is summarised as follows:

	Meetings attended	Maximum possible
Andrew Davison	6	6
Barry Dean	5	6
David Eberly	4	5
Nicholas Lewis	5	6
Malcolm Moss	1	1

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 nomination committee as it considers itself to be small and it comprises wholly non-executive directors. Appointments of new directors are dealt with by the full Board.

The Board considered the nomination of Malcolm Moss as a new non-executive director, and after taking into consideration his experience, he was invited to join the Board.

Remuneration committee

The Board has appointed a remuneration committee comprising of all directors and chaired by Andrew Davison. The committee generally meets once a year and at other times as required and has specific terms of reference in order to fulfil its duties in respect of matters relating to remuneration.

Audit Committee

The Company has an audit committee comprising Barry Dean (who was appointed as chairman of the committee on 6 May 2008) Andrew Davison and Nicholas Lewis. This committee has defined terms of reference and duties. The Committee met once during the year with all members being in attendance. Each of the members of the audit committee has recent and relevant financial experience as evidenced by their biographies on page 3.

The Audit Committee is responsible for reviewing the annual accounts before they are presented to the Board, and normally will also review the half yearly accounts. It is also responsible for reviewing 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 reappointed 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.

CORPORATE GOVERNANCE (continued)

Relations with shareholders (continued)

Separate resolutions are proposed at the AGM on each substantially separate issue. The Administration Manager collates 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.

The terms of reference of the audit and remuneration committee and terms and conditions of appointment of non-executive directors are available to Shareholders upon request.

Financial reporting

The Directors' statement of responsibilities for preparing the accounts is set out in the Report of the Directors on page 15, and a statement by the Auditors about their reporting responsibilities is set out in the Independent Auditors' Report on page 24.

Internal control

The Board has adopted an Internal Control Manual ("Manual") for which they are responsible, which has been compiled in order to comply with the Combined Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and reviews the effectiveness of the Manual, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

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 the following advisers:

<i>Venture Capital Investment Management</i>	Beringea Limited
<i>Administration</i>	Downing Management Services Limited

Going concern

The Directors are of the opinion that at the time of approving the financial statements, they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason they believe that the Company continues to be a going concern and that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting period. With the exception of the limited items outlined below, the Company has complied throughout the accounting year ended 29 February 2008 with the provisions set out in Section 1 of the Combined Code:

- a) 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. Also 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 at the Annual General Meeting. (A5-1, A3-3)
- b) The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts. (B1-6) The Directors do have consultancy agreements in place.
- c) Due to the size of the Board, 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. (A6, A7-2)
- d) The Company does not have a majority of independent directors as defined by the Combined Code issued in July 2006 as a result of other directorships of 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. (A3-2, A3-3). (Consequently the remuneration and audit committees do not comply with B2-1 and C3-1.)
- e) Due to the size of the Board, the Company does not have a formal nomination committee. Relevant matters were dealt with by the full Board. (A4-1, B2)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROVEN VCT PLC

We have audited the financial statements of ProVen VCT plc for the year ended 29 February 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 24. 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted 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 to be audited in accordance with relevant 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit 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 to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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 to be 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 to be 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 the Company's affairs as at 29 February 2008 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

19 June 2008

INCOME STATEMENT

for the year ended 29 February 2008

Company Position

	Notes	Year ended 29 February 2008			Year ended 28 February 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	1,406	-	1,406	576	-	576
Gains on investments	10	-	285	285	-	9,059	9,059
		1,406	285	1,691	576	9,059	9,635
Investment management fees	3	(218)	(653)	(871)	(160)	(479)	(639)
Performance incentive fees	4	(47)	(882)	(929)	-	(1,416)	(1,416)
Other expenses	5	(185)	(19)	(204)	(181)	(5)	(186)
Return on ordinary activities before tax		956	(1,269)	(313)	235	7,159	7,394
Tax on ordinary activities	7	(274)	274	-	(36)	36	-
Return attributable to equity shareholders		<u>682</u>	<u>(995)</u>	<u>(313)</u>	<u>199</u>	<u>7,195</u>	<u>7,394</u>
Return per Ordinary Share	9	1.1p	(0.1p)	1.0p	0.8p	29.7p	30.5p
Return per 'C' Share	9	3.2p	(7.1p)	(3.9p)	n/a	n/a	n/a

Split as: Ordinary Shares

	Year ended 29 February 2008			Year ended 28 February 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	695	-	695	576	-	576
Gains on investments	-	1,190	1,190	-	9,059	9,059
	695	1,190	1,885	576	9,059	9,635
Investment management fees	(143)	(430)	(573)	(160)	(479)	(639)
Performance incentive fees	(47)	(882)	(929)	-	(1,416)	(1,416)
Other expenses	(114)	(13)	(127)	(181)	(5)	(186)
Return on ordinary activities before tax	391	(135)	256	235	7,159	7,394
Tax on ordinary activities	(118)	118	-	(36)	36	-
Return attributable to equity shareholders	<u>273</u>	<u>(17)</u>	<u>256</u>	<u>199</u>	<u>7,195</u>	<u>7,394</u>

INCOME STATEMENT (continued) for the year ended 29 February 2008

‘C’ Shares

	Year ended 29 February 2008			Year ended 28 February 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	711	-	711	-	-	-
Gains on investments	-	(905)	(905)	-	-	-
	711	(905)	(194)	-	-	-
Investment management fees	(75)	(223)	(298)	-	-	-
Performance incentive fees	-	-	-	-	-	-
Other expenses	(71)	(6)	(77)	-	-	-
Return on ordinary activities before tax	565	(1,134)	(569)	-	-	-
Tax on ordinary activities	(156)	156	-	-	-	-
Return attributable to equity shareholders	409	(978)	(569)	-	-	-

All Revenue and Capital movements in the year for the Ordinary Shares and ‘C’ Shares relate to continuing operations.

A Statement of Total Recognised Gains and Losses relating to each class of share has not been prepared as all gains and losses are recognised in the relevant Income Statements as shown above.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS’ FUNDS for the year ended 29 February 2008

Notes	Year ended 29 February 2008			Year ended 28 February 2007		
	Ordinary shares £'000	‘C’ shares £'000	Total £'000	Ordinary shares £'000	‘C’ shares £'000	Total £'000
Opening shareholders’ funds	25,249	-	25,249	26,733	-	26,733
Issue of shares	-	14,621	14,621	-	-	-
Share issue costs	14	(804)	(804)	-	-	-
Purchase of own shares	(148)	(2)	(150)	(711)	-	(711)
Total recognised gains for the year	256	(569)	(313)	7,394	-	7,394
Distributions	8	(146)	(5,034)	(8,167)	-	(8,167)
Closing shareholders’ funds	20,469	13,100	33,569	25,249	-	25,249

The accompanying notes are an integral part of this statement.

BALANCE SHEET as at 29 February 2008

	Notes	29 February 2008			28 February 2007		
		Ordinary Shares £'000	'C' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Fixed assets							
Investments	10	15,041	3,732	18,773	15,629	-	15,629
Current assets							
Debtors	11	769	87	856	968	-	968
Current investments	12	4,400	7,950	12,350	4,750	-	4,750
Cash at bank and in hand		945	1,426	2,371	4,218	4,491	8,709
		<u>6,114</u>	<u>9,463</u>	<u>15,577</u>	<u>9,936</u>	<u>4,491</u>	<u>14,427</u>
Creditors: amounts falling due within one year	13	<u>(686)</u>	<u>(95)</u>	<u>(781)</u>	<u>(316)</u>	<u>(4,491)</u>	<u>(4,807)</u>
Net current assets		<u>5,428</u>	<u>9,368</u>	<u>14,796</u>	<u>9,620</u>	<u>-</u>	<u>9,620</u>
Net assets		<u>20,469</u>	<u>13,100</u>	<u>33,569</u>	<u>25,249</u>	<u>-</u>	<u>25,249</u>
Capital and reserves							
Called up share capital	14	1,157	3,654	4,811	1,165	-	1,165
Capital redemption reserve	15	140	1	141	132	-	132
Special reserve	15	8,836	-	8,836	13,145	-	13,145
Share premium account	15	3,759	10,159	13,918	3,759	-	3,759
Capital reserve – realised	15	3,640	(73)	3,567	4,348	-	4,348
Capital reserve – unrealised	15	2,573	(905)	1,668	2,376	-	2,376
Revenue reserve	15	364	264	628	324	-	324
Total equity shareholders' funds		<u>20,469</u>	<u>13,100</u>	<u>33,569</u>	<u>25,249</u>	<u>-</u>	<u>25,249</u>
Net asset value per share	16	88.5p	89.6p		108.3p	n/a	

The financial statements on pages 25 to 39 were approved and authorised for issue by the Board of Directors on 19 June 2008 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 29 February 2008

	Notes	Year ended 29 February 2008			Year ended 28 February 2007		
		Ordinary Shares £'000	'C' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	Total £'000
Net cash (outflow)/inflow from operating activities	17	<u>(1,003)</u>	<u>343</u>	<u>(660)</u>	<u>(1,557)</u>	<u>-</u>	<u>(1,557)</u>
Capital expenditure							
Purchase of investments	10	(2,805)	(4,638)	(7,443)	(1,679)	-	(1,679)
Sale of investments	10	<u>4,985</u>	<u>-</u>	<u>4,985</u>	<u>11,884</u>	<u>-</u>	<u>11,884</u>
Net cash inflow/(outflow) from capital expenditure		<u>2,180</u>	<u>(4,638)</u>	<u>(2,458)</u>	<u>10,205</u>	<u>-</u>	<u>10,205</u>
Equity dividends paid	8	(4,888)	(146)	(5,034)	(8,167)	-	(8,167)
Management of liquid resources							
Purchase of current investments held as liquidity funds		(2,700)	(11,850)	(14,550)	-	-	-
Withdrawal from liquidity funds		<u>3,050</u>	<u>3,900</u>	<u>6,950</u>	<u>950</u>	<u>-</u>	<u>950</u>
Net cash inflow/(outflow) from liquid resources		<u>350</u>	<u>(7,950)</u>	<u>(7,600)</u>	<u>950</u>	<u>-</u>	<u>950</u>
Net cash (outflow)/inflow before financing		(3,361)	(12,391)	(15,752)	1,431	-	1,431
Financing							
Proceeds from share issue		206	10,130	10,336	-	4,491	4,491
Share issue costs	14	-	(804)	(804)	-	-	-
Purchase of own shares		<u>(118)</u>	<u>-</u>	<u>(118)</u>	<u>(697)</u>	<u>-</u>	<u>(697)</u>
Net cash (outflow)/ inflow from financing		<u>88</u>	<u>9,326</u>	<u>9,414</u>	<u>(697)</u>	<u>4,491</u>	<u>3,794</u>
(Decrease)/increase in cash	18	<u>(3,273)</u>	<u>(3,065)</u>	<u>(6,338)</u>	<u>734</u>	<u>4,491</u>	<u>5,225</u>

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

NOTES TO THE ACCOUNTS

for the year ended 29 February 2008

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice (“UK GAAP”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” revised December 2005 (“SORP”).

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

The Company implements new Financial Reporting Standards (“FRS”) issued by the Accounting Practices Board when required. FRS 29 “Financial Instruments: Disclosures” (which replaces FRS 25 “Financial Instruments: Disclosure and Presentation”), was mandatory for accounting periods commencing 1 January 2007, and has therefore been adopted for the year under review. No comparative restatements have been required as a result of the implementation of this standard.

Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the Association of Investment Companies (“AIC”), 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 Part 6 of the Income Tax Act 2007.

Fixed assets investments

All investments are designated as “fair value through profit or loss” assets and are initially measured at cost. Thereafter the investments are measured at subsequent reporting dates at fair value.

Listed fixed income investments and investments quoted on AIM are measured using bid prices. In respect of unquoted instruments, fair value is established by using 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.

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 acquisition or disposal of the investment expensed.

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.

Current assets investments

Current assets investments comprise investments in liquidity funds with AAA rating and are redeemable on call. These investments are marked-to-market.

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 receivable 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 acquisition of an investment are deducted from the Capital Account;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- 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.

NOTES TO THE ACCOUNTS (continued) for the year ended 29 February 2008

1. Accounting policies (continued)

Taxation

The tax effects of different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a venture capital trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises.

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.

2. Income

	2008 £'000	2007 £'000
Income from investments		
Loan stock interest	461	268
Dividend income	-	43
Liquidity funds interest	636	230
	<u>1,097</u>	<u>541</u>
Other income		
Deposit interest	309	28
Other income	-	7
	<u>1,406</u>	<u>576</u>

3. Investment management fees

	2008 £'000	2007 £'000
Investment management fees	<u>871</u>	<u>639</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 year's notice. The management fee is based upon an annual amount of 2.0% (plus VAT) of net assets and are shown inclusive of VAT.

4. Performance incentive fees

	2008 £'000	2007 £'000
Beringea Limited	845	1,289
Downing Corporate Finance Limited	84	127
	<u>929</u>	<u>1,416</u>

Beringea Limited ("Beringea") and Downing Corporate Finance Limited ("DCF") are entitled to receive performance incentive fees as described in the Report of the Directors on page 16. The performance incentive fees above relate solely to the Ordinary Shares and are stated inclusive of VAT.

NOTES TO THE ACCOUNTS (continued)
for the year ended 29 February 2008

5. Other expenses

	2008	2007
	£'000	£'000
Administration services	46	46
Directors' remuneration	64	54
Social security costs	3	2
Auditors' remuneration for audit	14	14
Auditors' remuneration for taxation services	2	2
Auditors' remuneration for non-audit services	-	2
Other	75	66
	<u>204</u>	<u>186</u>

The annual running costs of the Company for the year are subject to an expenses cap of 3.25% of the Company's net assets.

6. Directors' remuneration

Details of remuneration (excluding VAT and employers' NIC) are given in the Directors' Remuneration Report on page 20.

The Company had no employees (other than Directors) during the year (2006: nil). Costs in respect of Directors are disclosed in note 5.

7. Tax on ordinary activities

	2008	2007
	£'000	£'000
(a) Tax charge for year		
Current year		
UK corporation tax (charged to the revenue account)	274	36
Charged to capital expenses	(274)	(36)
Charge for year	<u>-</u>	<u>-</u>
(b) Factors affecting tax charge for the year		
Return on ordinary activities before taxation	<u>956</u>	<u>235</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 30% (2007: 19%)	287	45
Effects of:		
UK dividend income	-	(8)
Capital expenses	(466)	(360)
Disallowable expenses	6	(1)
Excess capital management fees carried forward	<u>173</u>	<u>324</u>
	<u>-</u>	<u>-</u>

(c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £2,796,000 (2007: £2,218,000). 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.

NOTES TO THE ACCOUNTS (continued) for the year ended 29 February 2008

8. Distributions

	Year ended 29 February 2008			Year ended 28 February 2007			
	Pence	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Ordinary Share dividends							
Paid in year							
2008 First interim	6.0	-	1,391	1,391	-	-	-
2007 Second interim	15.0	233	3,264	3,497	-	-	-
2007 First interim	31.0	-	-	-	-	7,330	7,330
2006 Second interim	3.5	-	-	-	478	359	837
		<u>233</u>	<u>4,655</u>	<u>4,888</u>	<u>478</u>	<u>7,689</u>	<u>8,167</u>
Paid since year end							
2008 Second interim	2.5	-	578	578	-	-	-
2007 Second interim	15.0	-	-	-	233	3,263	3,496
		<u>-</u>	<u>578</u>	<u>578</u>	<u>233</u>	<u>3,263</u>	<u>3,496</u>
'C' Share dividend							
Paid in year							
2008 Interim	1.0	<u>146</u>	<u>-</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>-</u>

9. Return per share

	Ordinary Shares	'C' Shares
Revenue return per share based on: Net revenue after taxation (£'000)	<u>273</u>	<u>409</u>
Weighted average number of ordinary shares in issue	<u>23,306,117</u>	<u>13,663,478</u>
Capital return/(loss) per share based on: Net capital gain for the financial year (£'000)	<u>(17)</u>	<u>(978)</u>
Weighted average number of ordinary shares in issue	<u>23,306,117</u>	<u>13,663,478</u>

10. Investments

"Fair value through profit or loss" assets

	Investments quoted on AIM £'000	Unlisted investments £'000	Total £'000
Opening cost at 1 March 2007	2,644	10,609	13,253
Gains at 1 March 2007	208	2,168	2,376
Opening fair value at 1 March 2007	<u>2,852</u>	<u>12,777</u>	<u>15,629</u>
Purchases at cost	283	7,160	7,443
Sales - proceeds	(2,885)	(1,699)	(4,584)
- realised gains on sales	1,222	595	1,817
Losses in the income statement	<u>(538)</u>	<u>(994)</u>	<u>(1,532)</u>
Closing fair value at 29 February 2008	<u>934</u>	<u>17,839</u>	<u>18,773</u>
Closing cost at 29 February 2008	1,819	15,287	17,106
(Losses)/gains at 29 February 2008	<u>(885)</u>	<u>2,552</u>	<u>1,667</u>
	<u>934</u>	<u>17,839</u>	<u>18,773</u>

NOTES TO THE ACCOUNTS (continued)
for the year ended 29 February 2008

11. Debtors

	2008	2007
	£'000	£'000
Other debtors	481	883
Prepayments and accrued Income	375	85
	<u>856</u>	<u>968</u>

12. Current investments

	2008	2007
	£'000	£'000
BGI Sterling Liquidity First Fund	4,200	850
Insight Liquidity Fund	3,800	2,000
Standard Life Investments GBP Liquidity Fund	4,150	1,900
RBS Liquidity Fund	200	-
	<u>12,350</u>	<u>4,750</u>

13. Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Trade creditors	53	21
Unallotted share capital	206	4,491
Other social security costs	8	3
Accruals and deferred income	514	292
	<u>781</u>	<u>4,807</u>

14. Called up share capital

	2008	2007
	£'000	£'000
Authorised:		
35,000,000 (2007: 35,000,000) Ordinary shares of 5p each	1,750	1,750
25,000,000 (2007: 25,000,000) 'C' shares of 25p each	6,250	6,250
	<u>8,000</u>	<u>8,000</u>
Issued, allotted, called up and fully-paid:		
23,138,248 (2007: 23,310,016) Ordinary shares of 5p each	1,157	1,165
14,617,777 (2006: n/a) 'C' shares of 25p each	3,654	-
	<u>4,811</u>	<u>1,165</u>

Between 6 March 2007 and 31 May 2007, 14,620,454 'C' shares of 25p each ("C' Shares") were issued at £1 per share pursuant to the offer for subscription by way of a prospectus. The aggregate consideration for the shares was £13,816,000 which excluded share issue costs of £804,000.

During the year the Company repurchased 171,768 Ordinary shares of 5p each ("Ordinary Shares") for an average consideration of 85.4p per share for an aggregate consideration of £147,000, and representing 0.7% of the issued share capital. These shares were subsequently cancelled.

During the year the Company repurchased 2,677 'C' Shares for an average consideration of 85.4p per share for an aggregate consideration of £2,000, and representing 0.07% of the issued share capital. These shares were subsequently cancelled.

NOTES TO THE ACCOUNTS (continued)
for the year ended 29 February 2008

15. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Share premium £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
At 1 March 2007	132	13,145	3,759	4,348	2,376	324	24,084
Issue of new shares	-	-	10,965	-	-	-	10,965
Share issue costs	-	-	(804)	-	-	-	(804)
Purchase of own shares	9	(148)	(2)	-	-	-	(141)
Expenses capitalised	-	-	-	(1,554)	-	-	(1,554)
Tax relief on capital expenses	-	-	-	274	-	-	274
Gains on investments	-	-	-	1,816	(1,531)	-	285
Realisation of revaluations from previous years	-	-	-	(823)	823	-	-
Retained revenue	-	-	-	-	-	683	683
Transfer between reserves	-	(4,161)	-	4,161	-	-	-
Distributions paid	-	-	-	(4,655)	-	(379)	(5,034)
At 29 February 2008	141	8,836	13,918	3,567	1,668	628	28,758

Split between:

Ordinary Shares

At 1 March 2007	132	13,145	3,759	4,348	2,376	324	24,084
Purchase of own shares	8	(148)	-	-	-	-	(140)
Expenses capitalised	-	-	-	(1,325)	-	-	(1,325)
Tax relief on capital expenses	-	-	-	118	-	-	118
Gains/(losses) on investments	-	-	-	1,816	(626)	-	1,190
Realisation of revaluations from previous years	-	-	-	(823)	823	-	-
Retained revenue	-	-	-	-	-	273	273
Transfer between reserves	-	(4,161)	-	4,161	-	-	-
Distributions paid	-	-	-	(4,655)	-	(233)	(4,888)
At 29 February 2008	140	8,836	3,759	3,640	2,573	364	19,312

'C' Shares

Issue of new shares	-	-	10,965	-	-	-	10,965
Share issue costs	-	-	(804)	-	-	-	(804)
Purchase of own shares	1	-	(2)	-	-	-	(1)
Expenses capitalised	-	-	-	(229)	-	-	(229)
Tax relief on capital expenses	-	-	-	156	-	-	156
Gains/(losses) on investments	-	-	-	-	(905)	-	(905)
Retained revenue	-	-	-	-	-	410	410
Distributions paid	-	-	-	-	-	(146)	(146)
At 29 February 2008	1	-	10,159	(73)	(905)	264	9,446

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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 29 February 2008

16. Net asset value per share

	Shares in Issue		2008 Net asset value per share		2007 Net asset value per share	
	2008	2007	£'000	£'000	£'000	£'000
Ordinary Shares	23,138,248	23,310,016	88.5p	20,469	108.3p	25,249
'C' Shares	14,617,777	-	89.6p	13,100	-	-
				<u>33,569</u>		<u>25,249</u>

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

	Ordinary shares		2008 Total		Ordinary shares		2007 Total	
	£'000	'C' Shares £'000	£'000	£'000	£'000	'C' Shares £'000	£'000	£'000
Net revenue return before taxation	391	565	956	235	-	-	235	
Expenses charged to capital	(1,325)	(229)	(1,554)	(1,900)	-	-	(1,900)	
(Decrease)/increase in prepayments and accrued income	(204)	(86)	(290)	90	-	-	90	
Increase in accruals and other creditors	135	93	228	18	-	-	18	
Net cash inflow/(outflow) from operating activities	<u>(1,003)</u>	<u>343</u>	<u>(660)</u>	<u>(1,557)</u>	<u>-</u>	<u>-</u>	<u>(1,557)</u>	

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

	2008 £'000	2007 £'000
Beginning of year	8,709	3,484
Net cash (outflow)/inflow	<u>(6,338)</u>	<u>5,225</u>
End of year	<u>2,371</u>	<u>8,709</u>

NOTES TO THE ACCOUNTS (continued) for the year ended 29 February 2008

19. Financial instruments and derivatives

The Company's financial instruments comprise investments in quoted companies, unquoted companies, cash and liquid resources and are all designated as "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.

Interest rate risk profile of financial assets and financial liabilities

Financial assets and liabilities

The Company's financial assets and liabilities, other than fixed asset investments, are either floating rate or non-interest bearing. Venture capital investments comprise equity and fixed rate preference shares and loan stock. With the exception of the equity holdings, the investments are fixed rate, with the equity holdings having no interest rate attached to them.

	Average interest rate	Average period until maturity	2008 £'000	2007 £'000
Fixed rate	5.6%	1,752 days	6,547	3,732
Floating rate	5.5%		14,795	9,620
No interest rate			12,227	11,897
			<u>33,569</u>	<u>25,249</u>

- "Fixed rate assets" bear interest at rates based on predetermined yield targets.
- "Floating rate assets" bear interest at rates based predominately on base rate.
- "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 within the balance sheet.

Currency exposure

As at 29 February 2008, the Company had one investment incorporated in Madeira which was valued at nil (2007: £114,000) and represented 0% of Net Assets (2007: 0.5%).

Borrowing facilities

The Company has no committed borrowing facilities as at 29 February 2008.

20. Principal financial risks

As a VCT, the majority of the Company's assets are represented by financial instruments which are held as part of the investment portfolio. In order to ensure continued compliance with relevant VCT regulation and to be in a position to deliver the long term capital growth which is part of the Company's investment objective, the Board is very much aware of the need to manage and mitigate the risks associated with the financial instruments held within the investment portfolio.

The management of these risks starts the application of a clear investment policy which has been developed by the Board who are experienced investment professionals. Furthermore, the Board has appointed an experienced investment manager to whom they have communicated the Company's investment objectives and whose remuneration is linked to the achievement of those objectives. The Investment Managers Report regularly to the Board on performance, and to facilitate the direct Board involvement with key decisions, on whether or not to invest, disinvest and the nature, terms and the security of investments being made.

NOTES TO THE ACCOUNTS (continued) for the year ended 29 February 2008

20. Principal financial risks (continued)

Further information about the VCT's investment policy is set out in the Investment Manager's Report and in the Report of the Directors on page 15.

In assessing the risk profile of its investment portfolio, the Board has identified three principal classes of financial instrument which are analysed within note 10 and note 12. All financial instruments are "fair value through the profit and loss account" and are recognised as such on initial recognition.

In addition to its investment portfolio, the VCT maintains a portfolio of liquidity funds and a cash position. The liquidity fund portfolio comprises investments in liquidity funds operated by major institutions and have an A-rating or higher. Cash is mainly held by Bank of Scotland plc which is an AA-rated financial institution. The Directors consider that the risk profile associated with cash deposits and liquidity fund investments is low and thus the carrying value in the financial statements is a close approximation of the fair value.

The Board has reviewed the Company's financial risk profile and is of the opinion that the exposure to financial risk has not changed significantly since the previous year.

A review of the specific financial risks faced by the Company is presented below.

Market risks

The key market risks to which the Company is exposed are market price risk and interest rate risk.

Market price risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. At 29 February 2008, the unrealised loss on AIM-quoted investments was £885,000 (2007: gain £208,000).

The investments the Company holds are, in the main, thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

The Board considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk reward profile is maintained.

It is not the Company's policy to use derivative instruments to mitigate market risk, as the Board believes that the effectiveness of such instruments does not justify the cost involved.

The Company's sensitivity to fluctuations in the share prices of its AIM-quoted investments is summarised below. A 10% fall in the share price of all of the AIM-quoted stocks held by the Company would have an effect as follows:

10% fall in AIM-quoted stocks	Impact on Net Assets £'000	Impact on NAV per share pence
Ordinary Shares	(93)	(0.5)
'C' Shares	None held	None held

As many of the Company's unquoted investments are valued using Price/Earnings ratios of small publicly quoted companies, a fall in share prices generally would impact on the valuation of the unquoted portfolio. A 10% fall in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

NOTES TO THE ACCOUNTS (continued) for the year ended 29 February 2008

20. Principal financial risks (continued)

10% fall in unquoted investment valuations	Impact on Net Assets £'000	Impact on NAV per share pence
Ordinary Shares	(1,411)	(6.1)
'C' Shares	(373)	(2.6)

Interest rate risk

The Company receives interest on its cash deposits at a rate agreed with its banker, while investments in loan stock and fixed interest investments predominately attract interest at fixed rates. A summary of the interest rate profile of the Company's investments is shown in note 19. As the Company must comply with the VCT regulations, increases in interest rates could lead to a potential breach of these regulations.

The Company therefore monitors the level of income received from fixed, floating and non interest rate assets to ensure that the regulations are not breached. The Company has reviewed the potential financial impact of the interest rate risk and concluded that a 1.0% change in base rate would cause a 3.6% change in overall income receivable by the Company.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company's financial assets that are exposed to credit risk are summarised as follows:

	2008 £'000	2007 £'000
Investments in liquidity funds	12,350	4,750
Investments in loan stocks	6,547	3,732
Cash and cash equivalents	2,371	8,708
Interest, dividends and other receivables	850	962
	<u>22,118</u>	<u>18,152</u>

Credit risk in respect of investments in liquidity funds is minimised by investing in AAA-rated funds.

Investments in loan stocks comprise a fundamental part of the Company's venture capital investments and are managed within the main investment management procedures.

Cash is mainly held by Bank of Scotland plc, which is an AA-rated financial institution and, consequently the Directors consider that the risk profile associated with cash deposits is low.

Interest, dividends and other receivables are predominantly covered within the investment management procedures.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. As the Company only ever has a very low level of creditors and has no borrowings, the Board believes that the Company's exposure to liquidity risk is minimal.

NOTES TO THE ACCOUNTS (continued)

for the year ended 29 February 2008

21. Management of capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for Shareholders.

The requirements of the Venture Capital Trust Regulations and the fact that the Company has a policy of not having any borrowings mean that there is limited scope to manage the Company's capital structure. However, to the extent it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, purchasing its own shares or issuing new shares.

As the Company has a low level of liabilities, the Board considers the Company's net assets to be its capital. The Company does not have any externally imposed capital requirements. There has been no change in the objectives, policies or processes for managing capital from the previous year.

22. Contingencies, guarantees and financial commitments

Following the disposal of Gyro International Limited on 1 February 2008, the Company has distributed gains received as a result of this disposal as capital dividends in March 2008. The total amounts of distribution attributable to the Ordinary Share pool were £580,000. The performance incentive fees, triggered by payment of dividends were £115,940 (inclusive of VAT). The Total Return to Ordinary Shareholders as adjusted for the payment of dividends and performance incentive fees is 162.2p.

There were no contingencies, guarantees or financial commitments of the Company at the year end.

23. Controlling party and related party transactions

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

Beringea Limited, of which Malcolm Moss is a director, acted as promoter for the Offers for Subscription dated 11 February 2008 and agreed to underwrite the costs of the Offer in return for a fee of 5.5% of the monies raised. No issue costs were due or outstanding at the year end. Beringea Limited was also the investment manager and provided investment management to the Company during the year. The fees relating to this service, together with performance incentive fees due in the year under the agreement, amounted to £1,716,000 (2007: £1,928,000) (inclusive of VAT where applicable), of which £450,000 (2007: £124,000) was outstanding at the year end.

The Company has an agreement with Downing Management Services Limited, 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 total fee relating to this service amounted to £47,000 (2007: £46,000), of which £12,000 (2007: £11,000) was outstanding at the year end.

Downing Corporate Finance Limited, a company of which Nicholas Lewis is a director and shareholder, was entitled to performance incentive fees during the year totalling £84,000 (2007: £127,000) (inclusive of VAT), of which £21,000 (2007: £127,000) was outstanding at the year end.

24. Post balance sheet event

Between 4 April 2008 and 7 April 2008, the Company issued 1,338,126 Ordinary Shares for consideration of approximately 90.48p per share. Share issue costs thereon amounted to £65,000.

On 1 May 2008 the Company sold its investment in ILG Digital Limited for the amount of £4.5 million. The effect of this is an increase of approximately 6.9p in Net Asset Value per Ordinary Share compared to the valuation at 29 February 2008.

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 11:00 am on 17 July 2008 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 29 February 2008 together with the report of the auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of the final dividends of 1.25p per Ordinary Share and 1.75p per 'C' Share.
4. 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.
5. To re-elect as Director, Malcolm Moss, who retires in accordance with the Articles of Association, and offers himself for re-election.
6. To re-elect as Director, Andrew Davison, who retires by rotation and, being eligible, offers himself for re-election.

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

Ordinary Resolution

7. THAT the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to allot shares up to a maximum nominal amount of £122,381 (representing approximately 10% of the Ordinary Share capital in issue at today's date) and £365,444 (representing approximately 10% of the 'C' 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).

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.

NOTICE OF ANNUAL GENERAL MEETING (continued)

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”) and ‘C’ shares of 25p each (“‘C’ Shares”) in the capital of the Company provided that:
- (i) the maximum number of Ordinary Shares and ‘C’ Share hereby authorised to be purchased shall not exceed 14.9% of the present issued share capital of the Company;
 - (ii) the minimum price which may be paid for an Ordinary Share is 5p and for a ‘C’ Share is 25p, exclusive of all expenses;
 - (iii) the maximum price which may be paid for an Ordinary Share or a ‘C’ Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares or ‘C’ 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 share is contracted to be purchased;
 - (iv) the Company may validly make a contract to purchase Ordinary Shares or ‘C’ 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 or ‘C’ 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.
10. THAT the Articles of Association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By order of the Board



Grant Whitehouse
Secretary
Registered Office
39 Earlham Street
London WC2H 9LT

19 June 2008

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 Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU 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 and ‘C’ Shares of the Company kept, a copy of the New Articles of Association and a copy of the current Articles of Association (marked up to show the proposed changes) 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 17 July 2008 at 39 Earlham Street, London WC2H 9LT at 11:00 am.

I/We*
 (in BLOCK CAPITALS please)

of

being the holder(s)* of Ordinary shares of 5p/ 'C' shares of 25p* 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 17 July 2008 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

	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' report and accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve payment of the final dividends of 1.25p per Ordinary Share and 1.75p per 'C' Share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the auditors and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Malcolm Moss as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Andrew Davison as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

7. To authorise the directors to allot shares pursuant to Section 80 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To disapply Section 89 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to make market purchases of its shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To adopt the new Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this day of 2008

Signature(s)*

Notes:

- 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.
- 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.
- 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.
- 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.
- 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 Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
- Completion of this form will not preclude you from attending and voting at the meeting if you so wish.
- Any alteration made to the form of proxy must be initialled.

* Delete as appropriate



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Business Reply Service
Licence No. RRJU-YLYH-CTJK



ProVen VCT plc
c/o Downing Management Services Limited
Kings Scholars House
230 Vauxhall Bridge Road
London
SW1V 1AU

Second Fold

First fold

