

ProVen VCT plc  
Annual Report and Accounts  
for the year ended 28 February 2010



Managed by  
Beringea LLP



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# ProVen VCT plc

## Principal Investment Objectives

- 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.

## Financial Highlights

148.25p	Ordinary Share net asset value total return per share since launch (net asset value at 28 February 2010 plus cumulative dividends paid)
9.35p	Average annual Ordinary Share dividends paid since launch (based on the initial subscription price of 100p)
80.25p	'C' Share net asset value total return per share since launch (net asset value at 28 February 2010 plus cumulative dividends paid)
1.58p	Average annual 'C' Share dividends paid since launch (based on the initial subscription price of 100p)
92.20p	'D' Share net asset value total return per share since launch (net asset value at 28 February 2010 - No 'D' Share dividends paid to date)

# Fund Overview

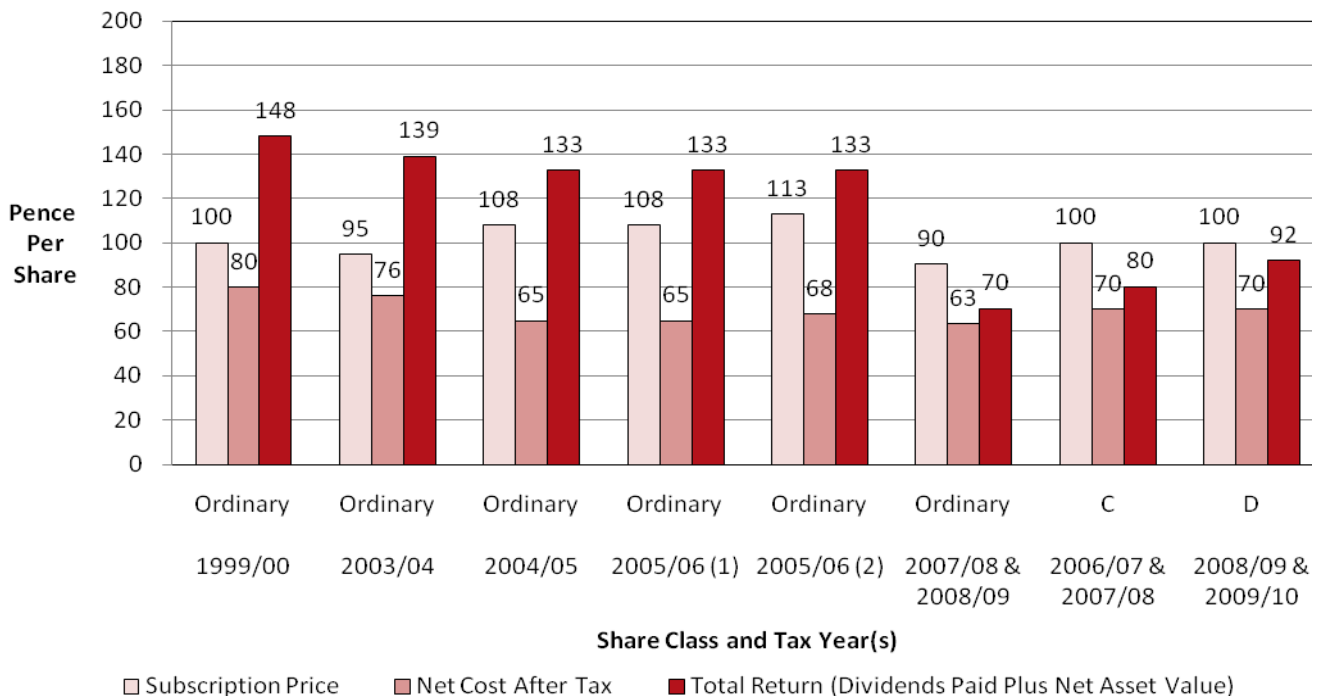
## Financial summary

As at 28 February	Ordinary Shares		'C' Shares		'D' Shares	
	2010 pence	2009 pence	2010 pence	2009 pence	2010 pence	2009 pence*
Net asset value per share	54.80	57.70	75.50	75.60	92.20	n/a
Dividends paid since launch	93.45	92.45	4.75	3.75	-	n/a
Total return (net asset value plus dividends paid since launch)	148.25	150.15	80.25	79.35	92.20	n/a
Year on year change in:						
VCT total return	-1.3%		1.1%		n/a	
FTSE All Share Index total return	47.3%		47.3%		47.3%	

\* There were no 'D' shares in issue at 28 February 2009.

## Shareholder investment and returns analysis

The chart below shows the subscription price, net cost after tax, assuming full income tax relief at the rate ruling at the time of investment, and total return for each share class and tax year fundraising, as at 28 February 2010. Ordinary Shares and D Shares raised under the Offers open at 28 February 2010 are excluded as no shares had been allotted. The Ordinary share funds raised in 2005/2006, were issued at either 108.15p, prior to 13 May 2005, or 112.91p, after 13 May 2005. No account has been taken of the possible benefit of any capital gains tax deferral (which was available for new investments up to and including tax year 2003/2004) or of additional shares that may have been available through early bird or financial intermediary discounts.



# Chairman's Statement

I am pleased to present the Annual Report for ProVen VCT plc for the year ended 28 February 2010 and would like to welcome any new shareholders who may have subscribed under the Company's recent Linked 'D' Share offer or the Ordinary Share Top-Up Offer.

Against a background of unprecedented volatility in stock markets, the continuing uncertainty about the economy has held back development of many smaller companies. The Investment Manager has also taken a cautious approach to investing in this climate. This has resulted in a relatively low level of investment activity during the year. The Board recognises that this has been a risky time for investing and is supportive of the Investment Manager's patient approach to identifying and securing suitable investment opportunities. The valuations of unquoted businesses are generally a discounted reflection of stock market pricing and it is therefore pleasing to be able to report that overall the existing portfolio has performed satisfactorily.

## Net asset value

### Ordinary Shares

At the year end, the Company's net asset value per Ordinary Share ("Ordinary NAV") stood at 54.8p, a decrease of 1.9p per share or 3.3% over the year after adjusting for the dividend of 1.0p per Ordinary Share which was 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 148.25p per share, compared to an original investment, net of income tax relief, of 80p per share.

### 'C' Shares

At the year end, the Company's net asset value per 'C' Share ("C' Share NAV") stood at 75.5p, an increase of 0.9p per share or 1.2% over the year after adjusting for the dividend of 1.0p per 'C' Share which was 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 80.25p per share, compared to an original investment, net of income tax relief, of 70p per share.

### 'D' Shares

At the year end, the Company's net asset value per 'D' Share ("D' Share NAV") stood at 92.2p. No dividends have been paid to 'D' Shareholders to date.

## Portfolio activity and valuation

### Ordinary Share pool

The economic climate has not been supportive of investment realisations at attractive prices, nor has new investment been easy. A number of new investment opportunities were progressed to an advanced stage, but they have proved impossible to complete on acceptable terms. Accordingly, the investment activity in the Ordinary Share pool during the year comprised one new and two follow-on investments totalling £1.2 million and a small number of realisations, primarily from repayments of loan stock, which produced total proceeds of £529,000.

The detailed review of the investment valuations of the unquoted portfolio at the year end has resulted in a number of investments showing increases and decreases in value over the year. The net effect was such that the net unrealised loss for the year was £65,000. Further details are provided in the Investment Manager's Review and the Investment Portfolio.

### 'C' Share pool

The 'C' Share pool made two new investments and two follow-on investments during the year at a total cost of £1.8 million.

In reviewing the unquoted investment valuations at the year end, the Board again made a number of changes to the valuations, with the majority of these being uplifts. Net unrealised gains on the 'C' Share portfolio for the year came to £617,000. Again further details are provided in the Investment Manager's Review and the Investment Portfolio.

### 'D' Share pool

The 'D' Share pool did not make any investments during the year and held its funds in bank deposits and liquidity funds as at the year end.

## Results and dividends

The total return on ordinary activities for the year was as follows:

	Revenue £'000	Capital £'000	Total £'000
Ordinary Shares	(200)	(275)	(475)
'C' Shares	(335)	452	117
'D' Shares	(56)	(69)	(125)
	(591)	108	(483)

On 10 July 2009, the Company paid final dividends of 1.0p per Ordinary Share and 1.0p per 'C' Share.

The Board is proposing to pay a final dividend of 8.0p per Ordinary Share for the year ended 28 February 2010. No final dividends are proposed in respect of the 'C' Shares or 'D' Shares. Subject to Shareholder approval, the Ordinary Share dividend will be paid on 27 August 2010 to Shareholders on the register at 23 July 2010.

## New fundraisings

### Linked 'D' Share issue

In November 2009, the Company launched a second Linked 'D' Share offer, in conjunction with ProVen Growth and Income VCT plc. Up to the date of this report, the offer has raised a total of £5.2 million of which £2.6 million is allocated to 'D' Shares issued and to be issued by ProVen VCT plc. No shares were issued before 28 February 2010.

The offer is scheduled to close on 29 October 2010 and will provide the Company with additional funds over which the fixed running costs of the Company can be borne and to make further venture capital investments.

### Ordinary Share Top-up Offer

In November 2009, the Company also launched an Ordinary Share Top-Up offer, in conjunction with ProVen Growth and Income VCT plc and ProVen Health VCT plc. The offer closed on 28 May 2010 having raised a total of £2.1 million of which £1.2 million was allocated to Ordinary Shares issued by ProVen VCT plc. No shares were issued before 28 February 2010.

## Share buybacks

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 368,855 Ordinary Shares at an average price of 48.5p per share and 41,460 'C' Shares at an average price of 66.6p per share for cancellation. No 'D' Shares were repurchased in the year.

The Board intends to continue to make purchases of its shares when they become available in the market and has a current policy of purchasing Ordinary Shares and 'C' Shares at a price equivalent to a 10% discount to the latest published NAV and at a 5% discount in respect of 'D' Shares.

A special resolution to allow the Board to continue to purchase shares for cancellation will be proposed at the forthcoming AGM.

## Investment policy

In light of the current market conditions, the Board has reviewed the Company's Investment Policy and is proposing to make a minor adjustment to increase flexibility in respect of the non-qualifying investments. The Investment Manager sees opportunities to make further investments in existing portfolio companies or other companies familiar to the Investment Manager that, for technical reasons, would not be VCT qualifying, for example a purchase of shares from an exiting member of an investee company's management team. Such investment opportunities can be at attractive prices and are, of course, in companies well-known to the Investment Manager.

Further details regarding Resolution 8 to be proposed at the AGM seeking shareholder approval for the proposed change are set out in the Report of the Directors.

## Chairman's Statement (continued)

### Board composition

In September 2010, a UK Listing Rule in relation to directors' independence becomes effective for all VCTs. Under the rule, Directors who also serve on the Board of other funds managed by the same investment manager are deemed not to be independent of the investment manager. In view of this, Nick Lewis has agreed to step down from the Board of ProVen VCT plc at the forthcoming AGM. Nick will continue to be a director of ProVen Growth and Income VCT plc.

The Board has decided not to seek to appoint a replacement director as it has concluded that a board comprising three directors is sufficient for a VCT of this size. Some changes to the individual directors' fees have been agreed to reflect the changes to the Board, however, total directors' fees will fall slightly.

I would like to thank Nick for his valuable contribution as a director since the Company's launch in 2000 and look forward to continuing to hear his views as a result of his ongoing role in ProVen Growth and Income VCT plc

### Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held at 39 Earlham Street, London WC2H 9LT at 12:45 pm on 24 August 2010. Notice of the meeting is at the end of this document.

Five items of special business will be proposed at the AGM in respect of share buybacks, adjustment to the Investment Policy, adoption of updated Articles of Association (as described in the Report of the Directors) and two resolutions in connection with authority for the Directors to allot shares.

### Outlook

Although there has been a low level of investment activity in the year under review, the Board takes comfort from the fact that the Company's NAVs have been reasonably stable over this difficult year and is generally satisfied with the performance of the majority of the existing portfolio companies.

The Board expects to see higher levels of new investment activity during the coming year, in particular in respect of the 'D' Share pool. This has already been evident since the year end, during which time the Company has made one new investment. Although the recession may be coming to an end, we are still expecting to see continuing turmoil and growth uncertainty. The new Government has unprecedented challenges to deal with and, as a result, we must expect uncomfortable and, possibly, abrupt policy changes which will provide opportunities and reverses to the small enterprises that form our investment pools. Nonetheless, this phase of the economic cycle has historically yielded excellent growth opportunities. Accordingly, we will be looking to the Investment Manager to continue to generate dealflow from which the Company can secure attractive new investments.

**Andrew Davison**

Chairman

30 June 2010

# Investment Manager's Review

## Introduction

Beringea LLP is a specialist venture capital management company which has been established for over 20 years. It currently manages over £60 million of venture capital funds in the UK and has been the investment manager of ProVen VCT plc since inception in 2000.

The Company currently has three share classes: Ordinary Shares, 'C' Shares and 'D' Shares. The share pools are initially kept as separate pools of assets. The Ordinary and 'C' Share pools are due to merge in 2012; the 'D' Shares will remain as a separate pool.

The year covered by this report was one of the most challenging periods for making new investments for many years. With the UK economy in recession for most of the period and the stock market falling dramatically between September 2008 and March 2009, confidence among the owners and directors of small growth companies was in short supply. Consequently, few businesses were seeking to raise additional capital, as companies put their expansion plans on hold until there was visibility of a return to economic growth. Likewise, we were cautious when reviewing new investment opportunities, focusing our attention on companies with exceptional management and strong competitive positions. Against this background, the volume of new investments made by the Company was much lower than in previous years, reflecting the trend across the venture capital industry. Following the UK's return to economic growth, the flow of new investment opportunities has increased significantly and we expect that the rate of new investment will increase during the year ending 28 February 2011. The competition for good deals remains fierce, however, we will be vigilant about not overpaying for investments.

## Ordinary Share pool - portfolio activity & valuation

One new investment of £470,000 and two follow on investments totalling £733,000 were made from the Ordinary Share pool during the year. The new investment, made alongside the 'C' Share pool, was in Think, a Newcastle based digital agency. The investment will enable Think to enhance its strategic capabilities and develop its creative team. Beringea has significant experience in the digital media sector including a number of successful exits and Think, with its impressive client list and strong management team is, we believe, well positioned for continued growth.



Follow on investments were made in Overtis to support continued development of their software security solutions and in Eagle Rock Entertainment Group to support a further acquisition. Eagle Rock continues to perform well despite the recent economic difficulties and is further strengthening its proposition by identifying new ways to leverage its impressive rights catalogue. The recent purchase of Edel Music further adds to the company's attractiveness as a potential acquisition target.

Since the year end, the Ordinary Share pool has made an investment of £468,000 in healthy eating chain Tossed, further details of which are provided below.



At 28 February 2010, the Company's Ordinary Share pool comprised 16 investments with a total cost of £10.6 million and a valuation of £9.5 million. In addition, the Ordinary Share pool held cash and liquidity funds of £4.4 million. Espresso Group and Eagle Rock together account for 35% of the Ordinary Share investments. Espresso is entering the next phase of its development having secured a significant share of the primary school market. The company continues to increase its share of the UK secondary school market and is exploring a number of international expansion opportunities. Espresso's launch in Sweden has already demonstrated its international potential and, since the year end, the Espresso primary school service has also been launched in the United States. Espresso made a

further scheduled repayment of loan notes during the year, as did Ashford Colour Press.

## Investment Manager's Review (continued)

The investment in GB Industries, which had previously been fully provided against, was finally disposed of and disappointingly Optima Data Intelligence Solutions (ODIS) was placed into administration. ODIS suffered from the impact of the economic downturn on its clients in the magazine publishing industry. The company was unable to achieve a trade sale and an orderly administration was the only viable alternative. ID Data Group also went into administration but has had no current year impact as it had been fully written down in previous years.

### 'C' Share pool - portfolio activity & valuation

The initial investment phase for the 'C' Share pool, raised primarily in the tax year 2006/2007, was completed at the end of the year and the necessary VCT qualifying totals were reached. Two new investments of £1,470,000 were made in Think (£470,000), alongside the Ordinary Share pool, and Lazurite (£1 million), an acquisition vehicle, originally funded by ProVen Growth and Income VCT. A number of interesting opportunities for Lazurite have been investigated but as yet no investment has been made. Follow on investments were made in Overtis (£114,000) and Eagle Rock (£215,000).

At 28 February 2010, the Company's 'C' Share pool comprised 16 investments with a total cost of £9.3 million and a valuation of £7.1 million. In addition, the 'C' Share pool held cash and liquidity funds of £4.0 million. Three investments, Fjordnet, Lazurite and Charterhouse Leisure, accounted for 27% of the 'C' Share investments, with Fjordnet being the largest contributor at 10%. Since the Company's investment in Fjordnet, the digital media agency has opened two new offices and now has operations in London, Helsinki, Berlin, Madrid and New York. The new international offices have enabled Fjordnet to respond to the needs of global clients. The company has experienced impressive growth, is well managed and has a strong balance sheet with significant cash. Charterhouse Leisure is a small restaurant chain operating under the brand name "Coal Grill & Bar". The CEO is an experienced restaurateur who ran the Ma Potters restaurant chain in which the Company invested and made a strong return. Both Fjordnet and Charterhouse have performed well in challenging trading environments and show an unrealised uplift against the original investment cost. Dianomi made a scheduled repayment of loan notes.

Since the year end, the 'C' Share pool has made an investment of £345,000 in Tossed, and a follow on investment of £171,000 in Steak Group. The trading subsidiary of The Vending Corporation, which had been previously fully provided against, went into administration in March 2010.

### 'D' Share pool - portfolio activity & valuation

At 28 February 2010, the 'D' Share portfolio comprised net assets of £5.1 million. This comprised net cash, after operating expenses, from the original 'D' Share offer which closed in October 2009 and funds from unallotted subscriptions from the subsequent offer launched in November 2009. No investments were made during the period.



In April 2010, £183,000 was invested from the 'D' Share pool in Tossed as part of a total £1.5 million investment from ProVen VCT and ProVen Growth and Income VCT. Tossed is a chain of healthy eating outlets offering ethically sourced food. The company currently has six outlets in central London and the ProVen VCTs' investment will provide funds for further development. The CEO, Vincent McKeivitt, has been recognised as one of the leading young entrepreneurs in the country.

### Proposed change in investment policy

During the year we have been presented with several opportunities to make further investments in portfolio companies which are performing well but where the additional investment would not be VCT qualifying for technical reasons. We therefore support the Board's proposal that the Company's investment policy is changed to allow a portion of the non-qualifying part of the Company's assets to include investments originated in line with the Company's qualifying VCT policy but which do not qualify under the VCT rules for technical reasons. We believe that this will allow us to achieve a higher total investment return.

## Outlook

The UK economy appears to be growing again, although at a relatively slow rate. Historically, this phase of the economic cycle has been the best for making venture capital investments, as entry prices are at a cyclical low point. As the economy recovers over the next few years, well managed small companies have the potential to grow much more quickly than larger businesses, resulting in rapid increases in valuation and ultimately profitable disposals. We are already seeing a significant increase in the flow of opportunities which could result in a healthy crop of new investments, although we remain highly selective about the businesses in which the Company invests.

We continue to spend a substantial amount of time working with the Company's existing portfolio companies to ensure that they are well positioned to take advantage of the economic upturn. The benefits of this supportive approach to the portfolio are already being seen in the companies' performance and we are cautiously optimistic that this trend will strengthen throughout the current financial year.

**Beringea LLP**

30 June 2010

## Investment Manager's Review (continued)

Investment activity during the year is summarised as follows:

### Additions

	Cost £'000
<b>Ordinary Share pool</b>	
Eagle Rock Entertainment Group Limited*	590
Think Limited **	470
Overtis Group Limited	143
<b>Total Ordinary Share pool</b>	<b>1,203</b>
<b>'C' Share pool</b>	
Lazurite Limited	1,000
Think Limited **	470
Eagle Rock Entertainment Group Limited*	215
Overtis Group Limited	114
<b>Total 'C' Share pool</b>	<b>1,799</b>
<b>Total</b>	<b>3,002</b>

### Disposals

	Cost £'000	Market value at 01/03/09 £000	Disposal proceeds £'000	(Loss) / gain against cost £'000	Total realised (loss)/ gain during the year £'000
<b>Ordinary Share pool</b>					
Optima Data Intelligence Services Limited	1,169	456	-	(1,169)	(456)
GB Industries Limited **	1,134	-	-	(1,134)	-
Espresso Group Limited	382	382	382	-	-
ID Data Group plc	263	-	-	(263)	-
Ashford Colour Press Limited	125	58	125	-	-
Sports Holdings Limited	-	-	40	40	40
	<b>3,073</b>	<b>896</b>	<b>547</b>	<b>(2,526)</b>	<b>(416)</b>
<b>'C' Share pool</b>					
Dianomi Limited	21	21	21	-	-
	<b>21</b>	<b>21</b>	<b>21</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,094</b>	<b>917</b>	<b>568</b>	<b>(2,526)</b>	<b>(416)</b>

\* Non qualifying investment

\*\* Partially non-qualifying investment

## Investment Portfolio - Ordinary Share Pool as at 28 February 2010

### Ordinary Share portfolio of investments

The following investments were held at 28 February 2010:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
<b>Top ten venture capital investments (by value)</b>				
Espresso Group Limited**	1,257	3,059	(721)	22.0%
Eagle Rock Entertainment Group Limited**	1,010	1,734	602	12.5%
SPC International Limited**	1,618	705	(562)	5.1%
Saffron Media Group Limited**	480	637	157	4.6%
Overtis Group Limited**	643	632	(11)	4.5%
Ashford Colour Press Limited**	625	492	331	3.5%
Think Limited	470	470	-	3.4%
Campden Media Limited**	975	463	49	3.3%
Donatantonio Limited**	582	379	102	2.7%
Pilat Media Global plc* **	173	307	220	2.2%
	<b>7,833</b>	<b>8,878</b>	<b>167</b>	<b>63.8%</b>
<b>Other venture capital investments</b>	<b>2,752</b>	<b>665</b>	<b>901</b>	<b>4.8%</b>
<b>Total venture capital investments</b>	<b>10,585</b>	<b>9,543</b>	<b>1,068</b>	<b>68.6%</b>
Liquidity funds		3,190		22.9%
Cash at bank and in hand		1,172		8.5%
<b>Total Ordinary Share investments</b>		<b>13,905</b>		<b>100%</b>

All venture capital investments are unquoted unless otherwise stated.

Other venture capital investments at 28 February 2010 comprise Fjordnet Limited\*\*, UBC Media Group plc\* \*\*, Sports Holdings Limited\*\*, Coolabi plc\* \*\*, Baby Innovations S.A. t/a Steribottle\*\* and Isango! Limited\*\*

\* Quoted on AIM

\*\* Investments also held by ProVen Growth and Income VCT

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

as at 28 February 2010

Further details of the ten largest investments (by value) are set out below:

## Espresso Group Limited



www.espresso.co.uk

Cost:	£1,257,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£3,059,000	
Ordinary shares:	£681,000	Valuation at 28/02/09:	£4,162,000	
'A' ordinary shares:	£574,000			
'B' ordinary shares:	£2,000			
Audited accounts:	31/07/09	31/07/08	Dividend income:	-
Turnover:	£15m	£14m	Loan note income:	£12,833
Profit / (loss)				
before tax:	£192,000	(£2m)	Proportion of equity held:	19.0%
Net assets:	£7m	£7m	Diluted equity:	19.6%

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 the Company has recently launched a service in the United States.

## Eagle Rock Entertainment Group Limited



www.eaglerockent.com

Cost:	£1,010,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£1,734,000	
Ordinary shares:	£101,000	Valuation at 28/02/09:	£542,000	
Preference shares:	£378,000			
Loan stock:	£531,000			
Audited accounts:	31/12/09	31/12/08	Dividend income:	£13,266
Turnover:	£27m	£25m	Loan note income:	£3,142
Loss before tax:	(£1m)	(£3m)	Proportion of equity held:	10.5%
Net assets:	£17m	£17m	Diluted equity:	10.5%

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.

## SPC International Limited



www.spcint.com

Cost:	£1,618,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£705,000	
Ordinary shares:	£195,000	Valuation at 28/02/09:	£1,267,000	
'A' ordinary shares:	£190,000			
'B' ordinary shares:	£7,000			
Loan stock:	£1,226,000			
Audited accounts:	30/09/08	30/09/07	Dividend income:	-
Turnover:	£9m	£10m	Loan note income:	-
Profit before tax:	£178,000	£61,000	Proportion of equity held:	22.6%
Net assets:	£3m	£3m	Diluted equity:	22.6%

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 £875,000 was invested in March 2008 in the form of a loan secured on the company's property assets.

### Saffron Media Group Limited



www.saffrondigital.com

Cost:	£480,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£637,000	
Ordinary shares:	£417,000	Valuation at 28/02/09:	£480,000	
'A' ordinary shares:	£63,000			
Audited accounts:	31/12/08	31/10/07	Dividend income:	-
Turnover:	Unpublished information		Loan note income:	-
Profit before tax:	Unpublished information		Proportion of equity held:	12.1%
Net assets:	£2m	£2m	Diluted equity:	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.

### Overtis Group Limited



www.overtis.com

Cost:	£643,000	Valuation method:	Revenue multiple	
Investment comprises:		Valuation at 28/02/10:	£632,000	
Ordinary shares:	£71,000	Valuation at 28/02/09:	£500,000	
'A' ordinary shares:	£286,000			
Loan stock:	£286,000			
Audited accounts:	31/10/09	31/10/08	Dividend income:	-
Turnover:	Unpublished information		Loan note income:	£5,491
Profit before tax:	Unpublished information		Proportion of equity held:	6.0%
Net assets:	£1m	£3m	Diluted equity:	6.0%

Overtis Group Limited is an integrated security solutions business specialising in the protection of high value physical, human and information assets on a global basis. Overtis Group utilises the proven resources and experience of its divisions Overtis Systems and Overtis Solutions to discreetly architect, deliver and support integrated security solutions to high risk government departments, public sector bodies and the enterprise community.

### Ashford Colour Press Limited



www.ashford-colour-press.co.uk

Cost:	£625,000	Valuation method:	Net assets	
Investment comprises:		Valuation at 28/02/10:	£492,000	
'A' Ordinary shares:	£133,000	Valuation at 28/02/09:	£286,000	
Loan stock:	£492,000			
Audited accounts:	31/03/09	31/03/08	Dividend income:	-
Turnover:	£13m	£12m	Loan note income:	£62,145
Profit before tax:	£44,000	£236,000	Proportion of equity held:	27.1%
Net assets:	£2m	£2m	Diluted equity:	23.5%

Ashford Colour Press Limited is a medium sized printing business, based in Hampshire, 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.

## Review of Investments - Ordinary Share Pool (continued)

### Think Limited



www.think.eu

Cost:	£470,000	Valuation method:	Price of recent investment	
Investment comprises:		Valuation at 28/02/10:	£470,000	
Ordinary shares:	£75,000	Valuation at 28/02/09:	£n/a	
'A' ordinary shares:	£125,000			
Loan stock:	£270,000			
Audited accounts:	31/10/08	31/10/07	Dividend income:	-
Turnover:	Unpublished information		Loan note income:	£3,551
Profit before tax:	Unpublished information		Proportion of equity held:	14.5%
Net assets:	£776,000	£501,000	Diluted equity:	14.5%

Think Limited is an award winning digital media agency with operations in Newcastle and London. The company has developed a reputation for delivering digital solutions that combine excellent creativity, cutting edge technology and an impressive understanding of the user experience. Its clients include the BBC, Sage, Lloyds and Blackberry.

### Campden Media Limited



www.campdenmedia.com

Cost:	£975,000	Valuation method:	Gross profit multiple	
Investment comprises:		Valuation at 28/02/10:	£463,000	
Ordinary shares:	£195,000	Valuation at 28/02/09:	£414,000	
'A' ordinary shares:	£2,000			
Loan stock:	£778,000			
Audited accounts:	31/12/09	31/12/08	Dividend income:	-
Turnover:	£6m	£7m	Loan note income:	-
Loss before tax:	(£1m)	(£1m)	Proportion of equity held:	11.0%
Net assets:	(£1m)	£1m	Diluted equity:	11.0%

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.

### Donatantonio Limited



www.donatantonio.com

Cost:	£582,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£379,000	
Ordinary shares:	£7,000	Valuation at 28/02/09:	£277,000	
'A' ordinary shares:	£89,000			
'Preference Shares:	£19,000			
Loan stock:	£467,000			
Audited accounts:	31/01/09	31/01/08	Dividend income:	-
Turnover:	£18m	£14m	Loan note income:	-
(Loss) / profit before tax:	(£1m)	£1m	Proportion of equity held:	10.3%
Net assets:	£16,000	£2m	Diluted equity:	10.3%

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.

Pilat Media Global plc



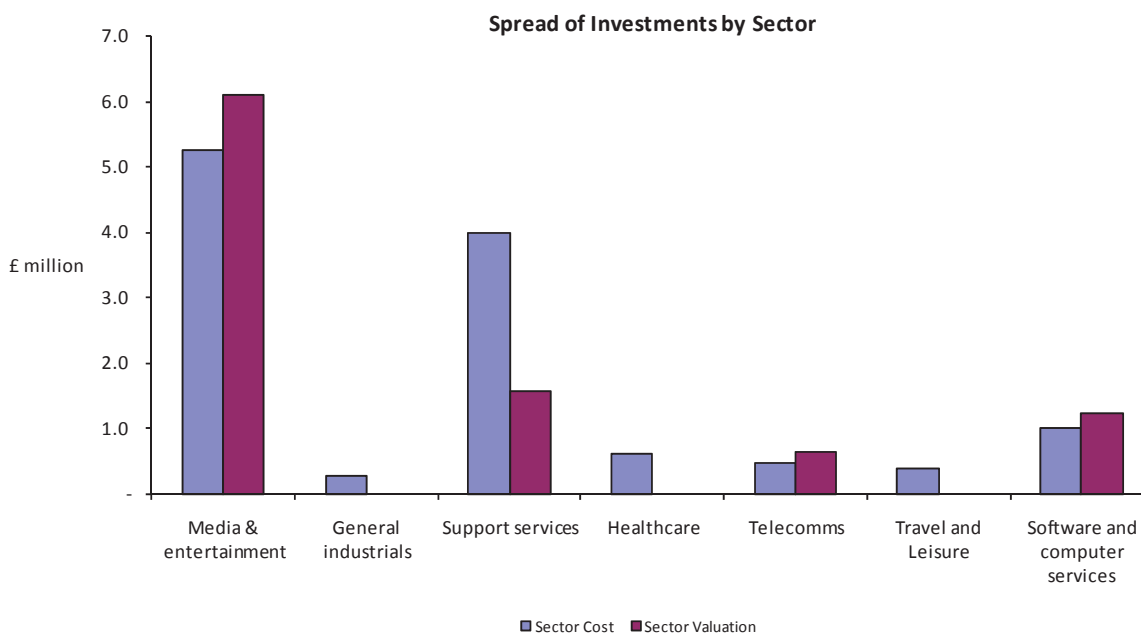
www.pilatmedia.com

Cost:	£173,000	Valuation method:	Bid price	
Investment comprises:		Valuation at 28/02/10:	£307,000	
Ordinary shares:	£173,000	Valuation at 28/02/09:	£86,000	
Audited accounts:	31/12/09	31/12/08	Dividend income:	-
Turnover:	£19m	£18m	Loan note income:	-
Profit / (loss) before tax:	£1m	(£2m)	Proportion of equity held:	1.5%
Net assets:	£17m	£16m	Diluted equity:	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 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.

The split of the Ordinary Share pool venture capital investments by commercial sector (by value and cost at 28 February 2010) is summarised as follows:



## Investment Portfolio - 'C' Share Pool as at 28 February 2010

### 'C' Share portfolio of investments

The following investments were held at 28 February 2010:

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
<b>Top ten venture capital investments (by value)</b>				
Fjordnet Limited**	800	1,153	353	10.4%
Lazurite Limited**	1,000	1,000	-	9.0%
Charterhouse Leisure Limited**	700	865	304	7.8%
Chess Technologies Limited**	600	659	59	5.9%
Donatantonio Limited**	885	577	155	5.2%
Overtis Group Limited**	514	505	(9)	4.5%
Path Group Limited**	1,000	496	(504)	4.5%
Think Limited	470	470	-	4.3%
SPC International Limited**	403	397	(2)	3.6%
Eagle Rock Entertainment Group Limited**	215	365	151	3.3%
	6,587	6,487	507	58.5%
<b>Other venture capital investments</b>	2,667	627	110	5.7%
<b>Total venture capital investments</b>	9,254	7,114	617	64.2%
Liquidity funds		3,460		31.2%
Cash at bank and in hand		519		4.6%
<b>Total 'C' Share investments</b>		11,093		100%

All venture capital investments are unquoted unless otherwise stated.

Other venture capital investments at 28 February 2010 comprise Heritage Partners Limited\*\*, Steak Media Limited\*\*, Dianomi Limited\*\*, Breeze Tech Limited\*\*, Isango! Limited\*\* and The Vending Corporation Limited\*\*.

\*\* Investments also held by ProVen Growth & Income VCT.

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

## Review of Investments - 'C' Share Pool

### Fjordnet Limited

# FJORD™

Cost:	£800,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£1,153,000	
Ordinary shares:	£400,000	Valuation at 28/02/09:	£800,000	
'A' ordinary shares:	£400,000			
Audited accounts:	31/12/08	31/12/07	Dividend income:	-
Turnover:	Unpublished information		Loan note income:	-
Profit before tax:	Unpublished information		Proportion of equity held:	8.6%
Net assets:	£300,000	£20,000	Diluted equity:	6.5%

Fjord is an established digital design agency in the telecommunications and media sectors. It has worked on market leading flagship projects - including projects for the BBC, Nokia, Orange, Swisscom and Yahoo! It was instrumental in bringing the hugely successful award winning BBC iPlayer to mobile. The company has offices in London, Helsinki, Berlin, New York and Madrid.

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

### Lazurite Limited



Cost:	£1,000,000	Valuation method:	Price of recent investment	
Investment comprises:		Valuation at 28/02/10:	£1,000,000	
Ordinary shares:	£100,000	Valuation at 28/02/09:	n/a	
Loan stock:	£900,000			
Audited accounts:	No Accounts filed		Dividend income:	-
			Loan note income:	-
			Proportion of equity held:	24.5%
			Diluted equity:	24.5%

Lazurite Limited is a newly formed company established to exploit VCT qualifying opportunities in companies that own and create intellectual property, an area in which the VCT has enjoyed considerable success. Intellectual property ownership is a key driver for companies looking to expand and the Investment Manager believes that the current economic climate will provide a number of interesting acquisition targets.

### Charterhouse Leisure Limited



Cost:	£700,000	Valuation method:	Price of recent investment	
Investment comprises:		Valuation at 28/02/10:	£865,000	
Ordinary shares:	£140,000	Valuation at 28/02/09:	£561,000	
Loan stock:	£560,000			
Audited accounts:	28/2/09	28/2/08	Dividend income:	-
Turnover:	Unpublished information		Loan note income:	£49,384
Profit before tax:	Unpublished information		Proportion of equity held:	19.4%
Net assets:	£500,000	£700,000	Diluted equity:	14.7%

Charterhouse Leisure trades under the name "Coal Grill & Bar", a growing restaurant chain providing informal dining and drinking in a comfortable and modern atmosphere. The company has four branches and has plans to roll-out the chain nationwide. 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](http://www.coalgrillandbar.co.uk)

## Review of Investments - 'C' Share Pool (continued)

### Chess Technologies Limited



www.chess-dynamics.com

Cost:	£600,000	Valuation method:	Revenue multiple
Investment comprises:		Valuation at 28/02/10:	£659,000
'Ordinary shares:	£300,000	Valuation at 28/02/09:	£600,000
Loan stock:	£300,000		
Audited accounts:	30/4/2009	Dividend income:	-
Turnover:	Unpublished information	Loan note income:	£9,995
Profit before tax:	Unpublished information	Proportion of equity held:	12.0%
Net assets:	£2.4m	Diluted equity:	11.0%

Chess designs and manufactures electro-optical systems for use in defence applications worldwide. Chess's leading edge engineering skills and in-house development of innovative technologies enable it to produce an extensive range of standard and customised solutions for land, sea and air applications.

### Donatantonio Limited



www.donatantonio.com

Cost:	£885,000	Valuation method:	Earnings multiple
Investment comprises:		Valuation at 28/02/10:	£577,000
Ordinary shares:	£11,000	Valuation at 28/02/09:	£422,000
'A' ordinary shares:	£135,000		
'Preference Shares:	£29,000		
Loan stock:	£710,000		
Audited accounts:	31/01/09	31/01/08	Dividend income:
Turnover:	£18m	£14m	Loan note income:
(Loss) / profit before tax:	(£1m)	£1m	Proportion of equity held:
Net assets:	£16,000	£2m	Diluted equity:

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.

### Overtis Group Limited



www.overtis.com

Cost:	£514,000	Valuation method:	Revenue multiple
Investment comprises:		Valuation at 28/02/10:	£505,000
Ordinary shares:	£57,000	Valuation at 28/02/09:	£400,000
'A' ordinary shares:	£229,000		
Loan stock:	£228,000		
Audited accounts:	31/10/09	31/10/08	Dividend income:
Turnover:	Unpublished information		Loan note income:
Profit before tax:	Unpublished information		Proportion of equity held:
Net assets:	£1m	£3m	Diluted equity:

The Overtis Group Limited is an integrated security solutions business specialising in the protection of high value physical, human and information assets on a global basis. Overtis Group utilises the proven resources and experience of its divisions Overtis Systems and Overtis Solutions to discreetly architect, deliver and support integrated security solutions to high risk government departments, public sector bodies and the enterprise community.

Path Group Limited



www.path.co.uk

Cost:	£1,000,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£496,000	
Ordinary shares:	£105,000	Valuation at 28/02/09:	£1,000,000	
Loan stock:	£895,000			
Audited accounts:	31/12/08	31/12/07	Dividend income:	-
Turnover:	£9m	£11.9m	Loan note income:	-
(Loss) / profit before tax:	(£200,000)	£300,000	Proportion of equity held:	21.0%
Net assets:	£1m	£3m	Diluted equity:	21.0%

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.

Think Ltd



www.think.eu

Cost:	£470,000	Valuation method:	Price of recent investment	
Investment comprises:		Valuation at 28/02/10:	£470,000	
Ordinary shares:	£75,000	Valuation at 28/02/09:	£n/a	
'A' ordinary shares:	£125,000			
Loan stock:	£270,000			
Audited accounts:	31/10/08	31/10/07	Dividend income:	-
Turnover:	Unpublished information		Loan note income:	£3,551
Profit before tax:	Unpublished information		Proportion of equity held:	14.5%
Net assets:	£776,000	£501,000	Diluted equity:	14.5%

Think Limited is an award winning digital media agency with operations in Newcastle and London. The Company has developed a reputation for delivering digital solutions that combine excellent creativity, cutting edge technology and an impressive understanding of the user experience. Its clients include the BBC, Sage, Lloyds and Blackberry.

SPC International Limited



www.spcint.com

Cost:	£403,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£397,000	
'B' ordinary shares:	£6,000	Valuation at 28/02/09:	£399,000	
Loan stock:	£397,000			
Audited accounts:	30/09/08	30/09/07	Dividend income:	-
Turnover:	£9m	£10m	Loan note income:	-
Profit before tax:	£178,000	£61,000	Proportion of equity held:	1.0%
Net assets:	£3m	£3m	Diluted equity:	1.0%

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 £875,000 was invested in March 2008 in the form of a loan secured on the company's property assets.

## Review of Investments - 'C' Share Pool (continued)

### Eagle Rock Entertainment Group Limited



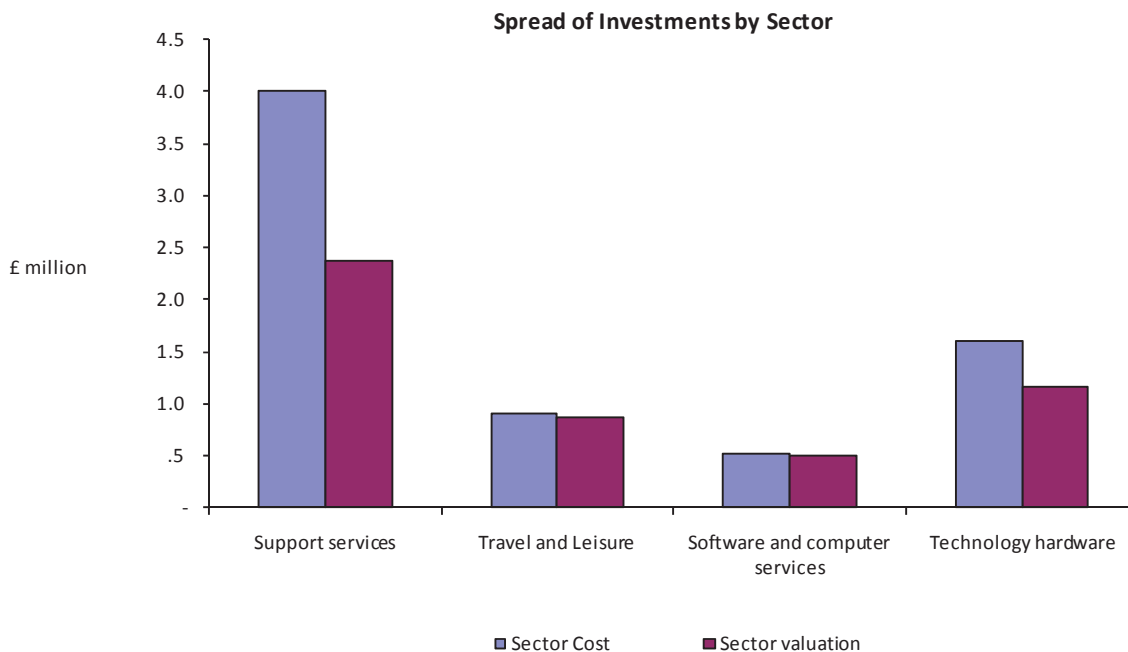
www.eaglerockent.com

Cost:	£215,000	Valuation method:	Earnings multiple	
Investment comprises:		Valuation at 28/02/10:	£365,000	
Ordinary shares:	£22,000	Valuation at 28/02/09:	£n/a	
Loan stock:	£193,000			
Audited accounts:	31/12/09	31/12/08	Dividend income:	-
Turnover:	£27m	£25m	Loan note income:	£1,289
Loss before tax:	(£1m)	(£3m)	Proportion of equity held:	2.2%
Net assets:	£17m	£17m	Diluted equity:	2.2%

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.

References to the latest 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.

The split of the 'C' Share pool venture capital investments by commercial sector (by value and cost at 28 February 2010) is summarised as follows:



### 'D' Share portfolio of investments

The 'D' Share pool did not hold any venture capital investments as at 28 February 2010.

## Board of Directors

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

**Barry Dean** 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 Henderson Private Equity Investment Trust plc (a quoted investment trust investing in private equity) and a non-executive director of Downing Absolute Income VCT 2 plc and Elderstreet VCT plc. Barry is also an advisory committee member for Parallel Private Equity LLP, an adviser to an Italian private equity fund management business and serves on the investment committee of Beamreach Capital LLP which invests in private equity.

**Nicholas Lewis** 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 VCTs. He was formerly with NatWest Ventures Limited and, before that, with Apax Partners and Co. Limited. Nicholas Lewis will step down as a director at the forthcoming AGM.

**Malcolm Moss** is a senior managing director and founder of Beringea LLP. 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 Fund 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 by the Board to be independent of the Investment Manager as the Board considers that each of them has suitable experience to be able to exercise proper judgement.

# Directors' Report and Business Review

The Directors present the Annual Report and Accounts of the Company for the year ended 28 February 2010.

## Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by HM Revenue and Customs ("HMRC") as a venture capital trust in accordance with Part 6 of the Income Tax Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 28 February 2010 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

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 Income and Corporation Taxes Act 1988.

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 Review.

The Company's environmental policy is detailed on page 24.

## Results and dividends

	£'000	Pence per share
Return on ordinary activities after tax for the year ended 28 February 2010 split as:		
Ordinary Shares	(475)	(2.0)
'C' Shares	117	0.8
'D' Shares	(125)	(2.5)
	<u>(483)</u>	

During the year ended 28 February 2010, the Company paid a final dividend of 1p per Ordinary Share (2009: 18.25p) and 1p per 'C' Share (2009: 2.75p) in respect of the year ended 28 February 2009.

A final dividend of 8p per Ordinary Share has been declared which, subject to Shareholder approval at the AGM, will be paid on 27 August 2010 to Shareholders on the register at 23 July 2010. No dividends have been declared in respect of the 'C' Shares or 'D' Shares.

## Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares of 5p, 'C' Shares of 25p, and 'D' Shares of 1p of the Company, at 28 February 2009, 28 February 2010 and the date of this report were as follows:

Director		At the date of this report	28 Feb 2010	28 Feb 2009
Andrew Davison	Ords	11,908	8,948	8,948
	'C' Shares	9,335	9,335	9,335
	'D' Shares	2,637	2,637	-
Barry Dean	'C' Shares	10,300	10,300	10,300
Nicholas Lewis	Ords	21,356	21,356	21,356
Malcolm Moss	'D' Shares	3,165	3,165	-

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 both directors 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 20, and the Board therefore recommends that Shareholders support the resolutions to re-elect both directors at the AGM.

In September 2010, a UK Listing Rule in relation to Directors independence becomes effective for all VCTs. Under the rule, Directors who also serve on the Board of other funds managed by the same investment manager are deemed not to be independent of the investment manager. In view of this Nicholas Lewis has agreed to step down from the Board of ProVen VCT plc at the forthcoming AGM. He will continue to be a director of ProVen Growth and Income VCT plc, also managed by Beringea LLP.

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 7 July 2009, Directors were granted the authority to make market purchases of up to 14.9% of the issued share capital of the Company, to disapply pre-emption rights and allot up to a maximum nominal amount of £119,738 Ordinary Shares and £365,319 'C' Shares. The authority to make market purchases was used as described in the Statement of Corporate Governance on page 30.

### Performance incentive fees

#### Ordinary Shares

Beringea LLP ("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 relation to financial years starting on or after 1 March 2006 in excess of 6 pence per Ordinary Share per annum, less the cumulative amount of any performance fee previously paid.

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 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 £44,000 (2009: £752,000) to Beringea and £9,000 (2009: £74,000) to Downing Corporate Finance Limited.

#### '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 2012 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 if applicable) 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 or in the prior year.

## Directors' Report and Business Review (continued)

### Performance incentive fees (continued)

#### 'D' Shares

Beringea is entitled to receive performance incentive fees in respect of the 'D' Shares. These are first calculated in relation to the financial year starting on 1 March 2012 and provided that:

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

An annual performance incentive fee (inclusive of VAT if applicable) 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 2012 over and above 3 pence per 'D' Share per annum but less than 6 pence per 'D' 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 2012 in excess of 6 pence per 'D' 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 'D' Shares in the year under review or in the prior year.

### 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 with a proven track record of achievement;
- a defensible market position;
- good growth potential;
- an attractive entry price for the Company;
- the ability to structure the investment with a proportion of secured loan notes in order to reduce risk; and
- a clearly identified route for a profitable realisation within a 3-4 year period.

The Company invests in companies at various stages of development, including those requiring capital for expansion and in management buy-outs, but not in start-ups. Investments are spread across a range of different sectors.

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.

In respect of the 'D' Share pool only, it is intended that by 29 February 2012, 75% of the funds raised under the first 'D' Share Linked offer will be invested in Qualifying investments and that by 28 February 2013 75% of the funds raised under the second 'D' Share Linked offer will also be invested in Qualifying investments.

### 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.

### 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:

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 amount effectively equal to the sum of its share capital and reserves currently equal to £29 million. There are no plans to utilise this facility at the current time.

### Proposed amendment to the investment policy

It is proposed to make a minor adjustment to the Company's Investment Policy in respect of "Other investments" to allow the Company to consider making further investments in existing portfolio companies which might not be VCT-qualifying investments because of technical reasons. The proposed revised wording in respect of "Other investments" is as follows:

#### "Other investments

Funds not invested in Qualifying investments will be held in one or more of the following:

- cash;
- liquidity funds;
- fixed interest securities of A-rating or better; and
- investments originated in line with the Company's qualifying VCT policy but which do not qualify under the VCT rules for technical reasons. "

Resolution 8 at the forthcoming AGM seeks shareholder approval for this amendment.

### Environmental and social policy

The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters where appropriate.

## Directors' Report and Business Review (continued)

### Investment management and administration fees

Beringea LLP provides investment management services to the Company for an annual fee of 2.0% of the Ordinary Share net assets, 'C' Share net assets and the 'D' 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 by one year's prior written notice. As a result of a reorganisation by the Investment Manager, the investment management agreement was the subject of a novation agreement with effect from 24 April 2009 whereby Beringea LLP took over all the previous duties and obligations of Beringea Limited. The agreement has no impact on the services received by the Company, the investment executives providing those services or the fees the Company pays.

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 LLP 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 £43,000 (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 £nil (2009: £ nil).

### 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 1). 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 1).

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 28 February 2010 and for the year then ended is summarised as follows:

- |   |          |
|---|----------|
| 1. 70% of its investments in qualifying companies                                     | 72.9%    |
| 2. At least 30% of the Company's qualifying investments in "eligible shares"          | 40.7%    |
| 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                      | 93.3%    |
| 6. No more than 15% of the income from shares and securities is retained              | 0.0%     |
| 7. A maximum unit size of £1 million in each VCT qualifying investment (per tax year) | Complied |

### 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 21 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, the 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 year.

### Updated Articles of Association

The Directors are proposing that the Company updates its Articles of Association to reflect the latest changes brought about by the implementation of the Companies Act 2006. The changes include removal of the requirement for the Company to have an authorised share capital and other minor changes. Resolution 11 will be put to Shareholders at the forthcoming AGM seeking approval to adopt the amended Articles of Association.

### Annual General Meeting

The Annual General Meeting will be held at 39 Earlam Street, London WC2H 9LT at 12:45 p.m. on 24 August 2010. 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 LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

### Substantial interests

As at 28 February 2010 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.

### Review of business and future changes

The Directors do not foresee any major changes in the activity undertaken by the Company in the current year. The Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and reliable dividend income to shareholders over the long term.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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.

## Directors' Report and Business Review (continued)

### Statement of Directors' responsibilities (continued)

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements, and the Directors' Remuneration Report, comply with the requirements of the Companies Act 2006. 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 the maintenance and integrity of the corporate and financial information relating to the Company included on the Managers' websites. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

### Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names are listed on page 20, confirms that to the best of each person's knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and result of the Company; and
- the Management report contained in the Chairman's Statement, Investment Manager's Review and Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

### Electronic publication

The financial statements are published on [www.provenvcts.co.uk](http://www.provenvcts.co.uk) (maintained by the Investment Manager) and also on [www.downing.co.uk](http://www.downing.co.uk).

### Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's Combined Code on Corporate Governance June 2008 ([www.frc.org.uk](http://www.frc.org.uk)) is shown on pages 28 to 31.

The Corporate Governance Statement describes how the principles and supporting principles within the Combined Code, published in June 2008, have been applied by the Company throughout the year ended 28 February 2010, except where disclosed within the Corporate Governance Statement.

### 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 has 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 section 418 of the Companies Act 2006.

By Order of the Board

#### Grant Whitehouse

Secretary  
39 Earlham Street  
London WC2H 9LT  
30 June 2010

# Statement of Corporate Governance

The Directors support the relevant principles of the new Combined Code issued in June 2008, being the principles of good governance and the code of best practice, as set out in the Combined Code.

## Application of the Principles of the Code

The board attaches importance to matters set out in the Combined Code and its principles. However, as a venture capital trust company, most of the Company's day to day responsibilities are delegated to third parties and the Directors are all non-executive.

## 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 20.

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 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.

The following table sets out the Directors' attendance at full Board and Committee meetings held during the year ended 28 February 2010.

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	held	attended	held	attended	held	attended
Andrew Davison	4	4	2	2	0	0
Barry Dean	4	4	2	2	0	0
Nicholas Lewis	4	4	2	2	0	0
Malcolm Moss	4	4	2	2	0	0

The remuneration committee has met since the year end to discuss the impact of Board changes proposed with effect from the date of the AGM.

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.

## Board performance evaluation

An evaluation of the performance of the Board, each of its Committees and of the non-executive directors was conducted using a series of questionnaires. A broad range of standard topics was covered including the programme of regular Board or Committee business, Board behaviours and strategy. Different questions are used for assessing the skills and contributions of each of the Chairman and non-executive directors. The survey will be updated each year including the approach to risk, board training and Directors' ability to provide effective challenge.

## Statement of Corporate Governance (continued)

The Board considered whether to introduce an external facilitator to manage the evaluation. However, it concluded that the Company Secretary was well placed to devise updated questions that are relevant and appropriate to the Company and that, having attended Board and Committee meetings throughout the year, he and the Chairman would also understand and ensure a full and frank discussion around any concerns raised.

The Chairman has conducted confidential interviews with each of the Directors. The outcome of the 2009 Board review has confirmed that the Directors consider the Board to have a good balance of skills and to be working well.

### 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 20.

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 concluded that they were still appropriate to the Company. 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. The Investment Manager also holds an annual investor day for the VCTs it manages and Shareholders are invited to attend.

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

Separate resolutions are proposed at the AGM on each substantially separate issue. The 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 Directors' Report on page 26, and a statement by the Auditors about their reporting responsibilities is set out in the Independent Auditors' Report on page 35.

## 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:

Venture Capital Investment Management  
Administration

Beringea LLP  
Downing Management Services Limited

## Share capital

The Company has three classes of shares: Ordinary Shares of 5p each, ‘C’ Shares of 25p each and ‘D’ shares of 1p 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, ‘C’ Shares and ‘D’ Shares rank pari passu with each other in terms of voting and other rights. As at 28 February 2010 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.

At the 2009 AGM, Shareholders authorised the Company to make market purchases of its own shares of up to 14.9% of the share capital in issue at that date and to waive pre-emption rights and issue up to 2,394,760 Ordinary Shares and 1,461,276 ‘C’ Shares. At the General Meeting held on 17 December 2009 Shareholders authorised the Company to waive pre-emption rights and issue up to 14,474,499 ‘D’ Shares.

Between 26 March 2009 and 30 October 2009, the Company issued 5,525,501 ‘D’ Shares for 100p per share under the terms of the prospectus dated 20 November 2008. Between 23 March 2010 and 4 April 2010 the Company issued 2.5million ‘D’ Shares for 100p per share under the terms of the prospectus dated 19 November 2009.

In accordance with the Company’s policy as discussed in the Chairman’s Statement, during the year, the Company repurchased 369,000 Ordinary Shares for a consideration of £179,000, at an average price of 49p per share. 41,000 ‘C’ Shares were also repurchased for a consideration of £28,000, at an average price of 67p per share. In May 2010, the Company repurchased 55,698 ‘D’ Shares for a consideration of £51,000, at an average price of 92p per share.

## Going concern

The Company’s business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman’s Statement on page 3, the Investment Manager’s Review on page 6 and the Directors’ Report on page 21. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 41 and the Directors’ Report on page 21. In addition, notes 20 to 22 to the financial statements include the Company’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources both at the year end and at the date of this report, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Statement of Corporate Governance (continued)

### 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 28 February 2010 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) The Company does not have a majority of independent directors as defined by the Combined Code issued in June 2008 as a result of other directorships of companies with the same investment manager (This will be rectified by the Board changes proposed at the forthcoming AGM). 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.)
- d) 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)

By Order of the Board

**Grant Whitehouse**

Secretary  
39 Earlham Street  
London WC2H 9LT  
30 June 2010

# Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of the Companies Act 2006. A resolution to approve this report will be put to the members at the Annual General Meeting to be held on 24 August 2010.

Under the requirements of Section 497, 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 35.

## 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.

## 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 28 Feb 2010 £	Year ended 28 Feb 2009 £
Andrew Davison (Chairman)	20,000	20,000
Barry Dean	20,000	20,000
Nicholas Lewis	15,000	15,000
Malcolm Moss	15,000	15,000
	<u>70,000</u>	<u>70,000</u>

Nicholas Lewis has agreed to step down as a director of the Company at the forthcoming AGM. As a result, the remuneration committee has agreed revised remuneration levels, which will be come into effect from the date of the AGM, as follows:

	Annual Rate £
Andrew Davison (Chairman)	30,000
Barry Dean	22,500
Malcolm Moss	15,000
	<u>67,500</u>

## Directors' Remuneration Report (continued)

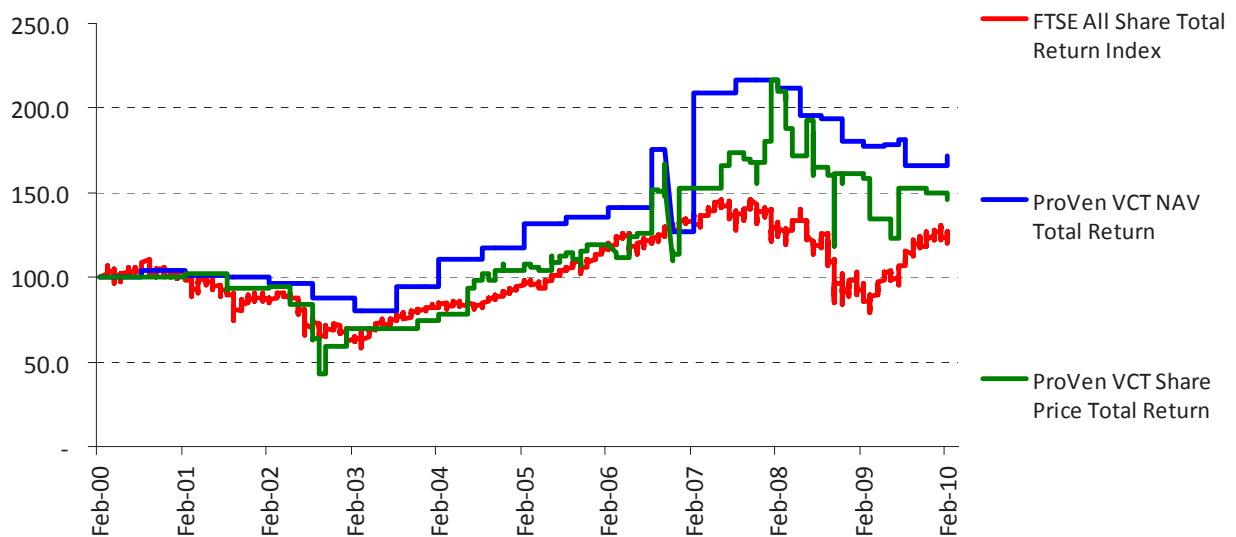
### Insurance cover

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

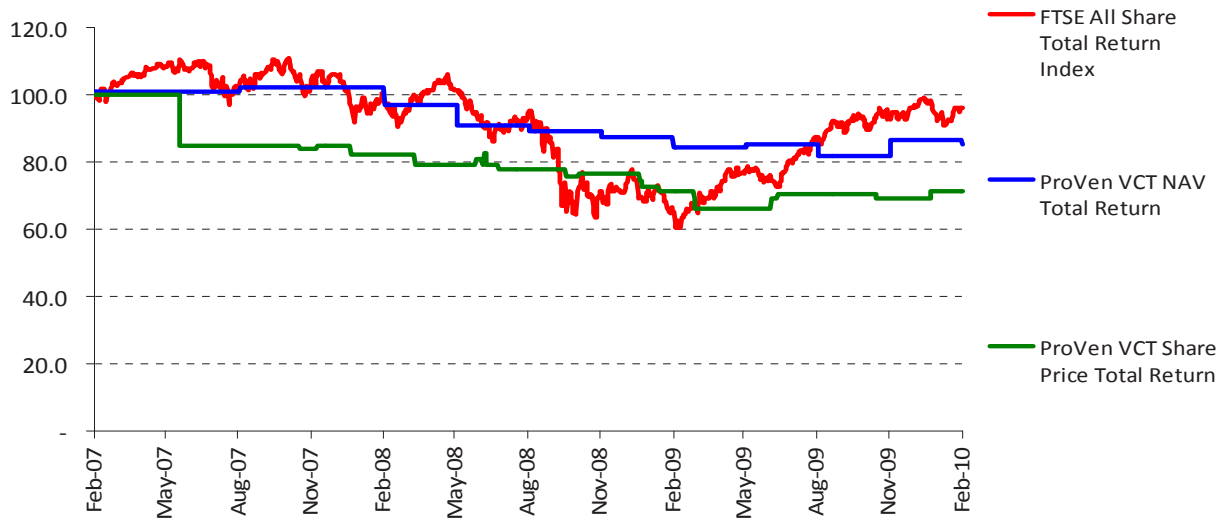
### Performance graph

The charts below represent the Company's Ordinary Share, 'C' Share, and 'D' 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 Total Return Index is not considered to be a benchmark for the Company but has been selected as it is considered to be the most relevant publicly available index. All series have been rebased to 100 at the relevant launch dates.

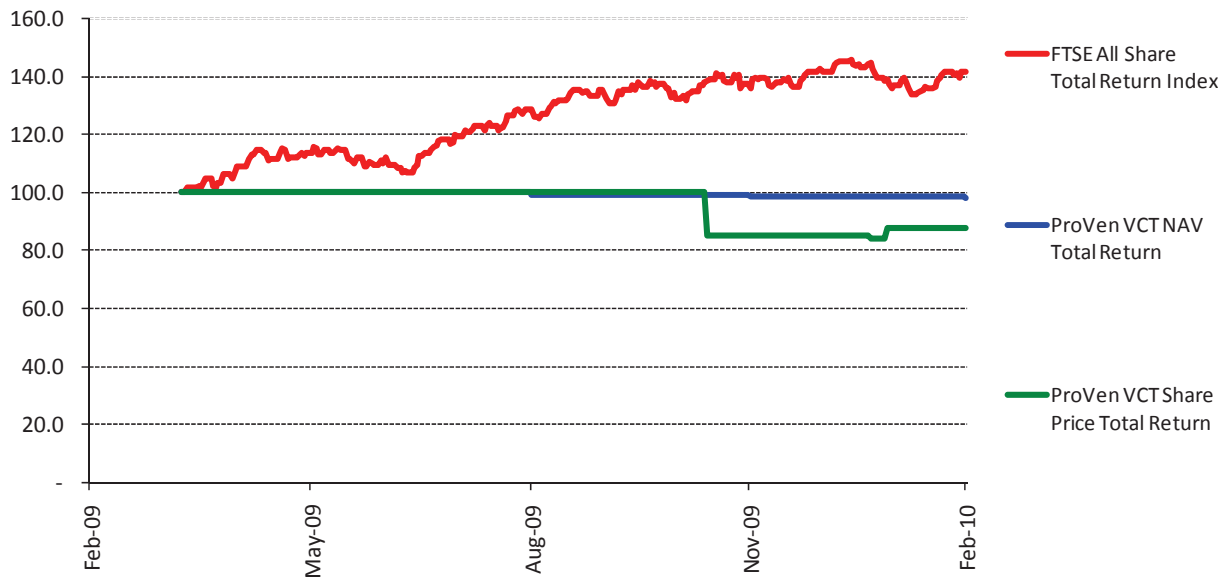
**Ordinary Share performance chart**



### 'C' Share performance chart



### 'D' Share performance chart



By order of the Board

**Grant Whitehouse**  
 Secretary  
 39 Earlham Street  
 London WC2H 9LT  
 30 June 2010

# Independent Auditors' Report to the Members of ProVen VCT plc

We have audited the financial statements of ProVen VCT plc for the year ended 28 February 2010 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 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Statement of Corporate Governance in relation to going concern; and
- the part of the Statement of Corporate Governance relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

### **Stuart McLaren (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

30 June 2010

# Income Statement

for the year ended 28 February 2010

## Company Position

	Notes	Year ended 28 February 2010			Year ended 28 February 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	266	-	266	1,442	-	1,442
Gains / (losses) on investments	11	-	591	591	-	(4,865)	(4,865)
		266	591	857	1,442	(4,865)	(3,423)
Investment management fees	3	(144)	(431)	(575)	(143)	(429)	(572)
Performance incentive fees	4	-	(53)	(53)	(109)	(717)	(826)
Recoverable VAT	5	-	1	1	107	320	427
Other expenses	6	(713)	-	(713)	(256)	(15)	(271)
<b>Return on ordinary activities before tax</b>		(591)	108	(483)	1,041	(5,706)	(4,665)
Tax on ordinary activities	8	-	-	-	(287)	287	-
<b>Return attributable to equity shareholders</b>		(591)	108	(483)	754	(5,419)	(4,665)
<b>Return per Ordinary Share</b>	10	(0.8p)	(1.2p)	(2.0p)	2.0p	(14.5p)	(12.5p)
<b>Return per 'C' Share</b>	10	(2.3p)	3.1p	0.8p	1.9p	(13.2p)	(11.3p)
<b>Return per 'D' Share</b>	10	(1.1p)	(1.4p)	(2.5p)	n/a	n/a	n/a

All revenue and capital movements in the year for the Ordinary Shares, 'C' Shares, and 'D' 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 in the current and prior year as shown on pages 38 and 39 and above.

Other than revaluation movements arising on investments held at fair value through the Income Statement, there were no differences between return/loss as stated on pages 38 and 39 and above at historical cost.

There are no 'D' Share comparative figures; the first allotment of 'D' Shares was in March 2009.

# Income Statement

for the year ended 28 February 2010

Split as:  
Ordinary Shares

	Year ended 28 February 2010			Year ended 28 February 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	170	-	170	847	-	847
(Losses) / gains on investments	-	(26)	(26)	-	(3,014)	(3,014)
	170	(26)	144	847	(3,014)	(2,167)
Investment management fees	(66)	(197)	(263)	(71)	(212)	(283)
Performance incentive fees	-	(53)	(53)	(109)	(717)	(826)
Recoverable VAT	-	1	1	95	285	380
Other expenses	(304)	-	(304)	(118)	(10)	(128)
<b>Return on ordinary activities before tax</b>	(200)	(275)	(475)	644	(3,668)	(3,024)
Tax on ordinary activities	-	-	-	(172)	172	-
<b>Return attributable to equity shareholders</b>	(200)	(275)	(475)	472	(3,496)	(3,024)

## 'C' Shares

	Year ended 28 February 2010			Year ended 28 February 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	75	-	75	595	-	595
Gains / (losses) on investments	-	617	617	-	(1,851)	(1,851)
	75	617	692	595	(1,851)	(1,256)
Investment management fees	(55)	(165)	(220)	(72)	(217)	(289)
Performance incentive fees	-	-	-	-	-	-
Recoverable VAT	-	-	-	12	35	47
Other expenses	(355)	-	(355)	(138)	(5)	(143)
<b>Return on ordinary activities before tax</b>	(335)	452	117	397	(2,038)	(1,641)
Tax on ordinary activities	-	-	-	(116)	116	-
<b>Return attributable to equity shareholders</b>	(335)	452	117	281	(1,922)	(1,641)

# Income Statement

for the year ended 28 February 2010

## 'D' Shares

	Year ended 28 February 2010			Year ended 28 February 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	21	-	21	-	-	-
(Losses) / gains on investments	-	-	-	-	-	-
	21	-	21	-	-	-
Investment management fees	(23)	(69)	(92)	-	-	-
Performance incentive fees	-	-	-	-	-	-
Recoverable VAT	-	-	-	-	-	-
Other expenses	(54)	-	(54)	-	-	-
<b>Return on ordinary activities before tax</b>	(56)	(69)	(125)	-	-	-
Tax on ordinary activities	-	-	-	-	-	-
<b>Return attributable to equity shareholders</b>	(56)	(69)	(125)	-	-	-

# Reconciliation of Movements in Shareholders' Funds

for the year ended 28 February 2010

	Note	Year ended 28 February 2010				Year ended 28 February 2009			
		Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000
Opening shareholders' funds		13,824	11,053	-	24,877	20,469	13,100	-	33,569
Issue of shares		-	-	5,526	5,526	1,211	-	-	1,211
Share issue costs		-	-	(304)	(304)	(67)	-	-	(67)
Purchase of own shares		(180)	(28)	-	(208)	(380)	(4)	-	(384)
Total recognised (losses) / gains for the year		(475)	117	(125)	(483)	(3,024)	(1,641)	-	(4,665)
Distributions	9	(240)	(146)	-	(386)	(4,385)	(402)	-	(4,787)
Closing shareholders' funds		12,929	10,996	5,097	29,022	13,824	11,053	-	24,877

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

# Balance Sheet

as at 28 February 2010

	Note	28 February 2010				28 February 2009			
		Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000
<b>Fixed assets</b>									
Investments	11	9,543	7,114	-	16,657	8,913	4,719	-	13,632
<b>Current assets</b>									
Debtors	12	31	9	1	41	615	308	-	923
Current investments	13	3,190	3,460	3,550	10,200	4,190	6,010	-	10,200
Cash at bank and in hand		1,172	519	2,633	4,324	2,711	119	-	2,830
		4,393	3,988	6,184	14,565	7,516	6,437	-	13,953
<b>Creditors: amounts falling due within one year</b>	14	(1,007)	(106)	(1,087)	(2,200)	(2,605)	(103)	-	(2,708)
<b>Net current assets</b>		3,386	3,882	5,097	12,365	4,911	6,334	-	11,245
<b>Total assets less current liabilities/ Net assets</b>		12,929	10,996	5,097	29,022	13,824	11,053	-	24,877
<b>Capital and reserves</b>									
Called up share capital	15	1,179	3,643	55	4,877	1,197	3,653	-	4,850
Capital redemption reserve	16	185	12	-	197	167	2	-	169
Share premium	16	-	-	5,167	5,167	4,836	10,159	-	14,995
Special reserve	16	8,961	9,676	-	18,637	7,081	-	-	7,081
Capital reserve – realised	16	3,553	-	(69)	3,484	3,793	(144)	-	3,649
Capital reserve – unrealised	16	(1,041)	(2,139)	-	(3,180)	(3,542)	(2,756)	-	(6,298)
Revenue reserve	16	92	(196)	(56)	(160)	292	139	-	431
<b>Equity shareholders funds</b>		12,929	10,996	5,097	29,022	13,824	11,053	-	24,877
<b>Net asset value per share</b>	17	54.8p	75.5p	92.2p		57.7p	75.6p	n/a	

The financial statements on pages 37 to 56 were approved and authorised for issue by the Board of Directors on 30 June 2010 and were signed on its behalf by

**Andrew Davison**  
**Chairman**  
 ProVen VCT plc  
 Company number: 3911323

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

# Cash Flow Statement

for the year ended 28 February 2010

	Note	Year ended 28 February 2010				Year ended 28 February 2009			
		Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000
Net cash (outflow) / inflow from operating activities	18	(1,463)	(198)	961	(700)	69	(88)	-	(19)
<b>Capital expenditure</b>									
Purchase of investments	11	(1,203)	(1,799)	-	(3,002)	(1,957)	(2,751)	-	(4,708)
Sale of investments	11	547	21	-	568	5,465	-	-	5,465
Net cash (outflow) / inflow from capital expenditure		(656)	(1,778)	-	(2,434)	3,508	(2,751)	-	757
<b>Equity dividends paid</b>	9	(240)	(146)	-	(386)	(4,385)	(402)	-	(4,787)
<b>Management of liquid resources</b>									
Purchase of current investments held as liquidity funds		-	-	(3,550)	(3,550)	(4,190)	(6,010)	-	(10,200)
Withdrawal from liquidity funds		1,000	2,550	-	3,550	4,400	7,950	-	12,350
Net cash inflow / (outflow) from liquid resources		1,000	2,550	(3,550)	-	210	1,940	-	2,150
Net cash (outflow) / inflow before financing		(1,359)	428	(2,589)	(3,520)	(598)	(1,301)	-	(1,899)
<b>Financing</b>									
Proceeds from share issues		-	-	5,526	5,526	2,857	-	-	2,857
Share issue costs	15	-	-	(304)	(304)	(67)	-	-	(67)
Purchase of own shares	15	(180)	(28)	-	(208)	(426)	(6)	-	(432)
Net cash (outflow) / inflow from financing		(180)	(28)	5,222	5,014	2,364	(6)	-	2,358
Increase / (decrease) in cash	19	(1,539)	400	2,633	1,494	1,766	(1,307)	-	459

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

# Notes to the Accounts

## for the year ended 28 February 2010

### 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 and Venture Capital Trusts” revised January 2009 (“SORP”).

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

The Company implements new Financial Reporting Standards (“FRS”) issued by the Accounting Practices Board when required.

#### Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Statement of Corporate Governance on page 28.

#### 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

Investments are designated as “fair value through profit or loss” assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company’s documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV Guidelines”) together with FRS26 - Financial Instruments: Recognition and Measurements.

New IPEV Guidelines were issued in September 2009 and have been used for the valuation as at 28 February 2010. The Directors and the Investment Manager consider that the valuations prepared under the new IPEV Guidelines do not differ materially from the valuations that would have been proposed under the previous version of the IPEV Guidelines.

Publicly traded investments are measured using bid prices.

The valuation methodologies used by the Directors for assessing the fair value of unquoted investments are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

# Notes to the Accounts (continued)

## for the year ended 28 February 2010

### 1 Accounting policies (continued)

Where an investee company has gone into receivership or liquidation, or there is little likelihood of a recovery from a company in administration, the loss on the investment, although not physically disposed of, is treated as being realised.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item.

It is not the Company's policy to exercise significant influence over investee companies. Therefore, the results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP that does not require portfolio investments to be accounted for using the equity method of accounting.

#### Current assets investments

Current assets investments comprise investments in liquidity funds with AAA rating and are redeemable on call. These investments are fair value through profit or loss assets and 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 time basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investments.

#### Expenses

All expenses are accounted for on an 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 has 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.

#### 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.

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

### Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost, equivalent to the fair value of the expected balance receivable/payable by the Company.

### Share issue costs

Expenses in relation to share issues are deducted from the Share Premium Account.

## 2 Income

	2010 £'000	2009 £'000
<b>Income from investments</b>		
Loan stock interest	144	677
Dividend income	32	48
Liquidity funds interest	68	517
	<u>244</u>	<u>1,242</u>
<b>Other income</b>		
Deposit interest	22	199
Other income	-	1
	<u>266</u>	<u>1,442</u>

The Directors consider that the Company has one class of business and that all its activities arise in the United Kingdom.

## 3 Investment management fees

	2010 £'000	2009 £'000
Investment management fees	<u>575</u>	<u>572</u>

The Company has an agreement with Beringea LLP 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% of net assets. The annual running costs of the Company are subject to a cap at 3.25% of the Company's net assets.

## 4 Performance incentive fees

	2010 £'000	2009 £'000
Beringea LLP	44	752
Downing Corporate Finance Limited	9	74
	<u>53</u>	<u>826</u>

Beringea LLP ("Beringea") and Downing Corporate Finance Limited ("DCF") are entitled to receive performance incentive fees as described in the Directors' Report on page 21. The performance incentive fees above relate solely to the Ordinary Shares and are stated inclusive of VAT.

Fees are attributed to capital or revenue in accordance with the dividend on which they are based.

No performance incentive fees were due during the year in respect of the 'C' Share pool or the 'D' Share pool.

## Notes to the Accounts (continued)

for the year ended 28 February 2010

### 5 Recoverable VAT

	2010 £'000	2009 £'000
VAT recoverable on investment management fees	1	427

VAT is no longer payable on investment management fees following the announcement by HMRC that the provision of management services to investment trusts is exempt from VAT. Beringea LLP made a claim for the historic VAT that the Company had suffered on management fees. The Board agreed a basis on which the proceeds of the claim, along with interest paid by HMRC, were allocated between the Company and Beringea LLP, resulting in a sum of £428,000 being retained by the Company. This basis reflected the recalculation of prior years' investment management and performance incentive fees without VAT being charged. The figures shown above have been allocated 25% to revenue and 75% to capital in line with the treatment of the investment management fees.

### 6 Other expenses

	2010 £'000	2009 £'000
Administration services	53	48
Directors' remuneration	72	73
Social security costs	5	5
Auditors' remuneration for audit of the Company's annual accounts	16	17
Provision for loan stock interest	411	-
Other	156	128
	<u>713</u>	<u>271</u>

### 7 Directors' remuneration

Details of remuneration (excluding employers' NIC and VAT) are given in the Directors' Remuneration Report on page 32.

The Company had no employees (other than Directors) during the year (2009: none). Costs in respect of Directors are disclosed in note 6.

### 8 Tax on ordinary activities

	2010 £'000	2009* £'000
<b>(a) Tax charge for year</b>		
<b>Current year</b>		
UK corporation tax (charged to the revenue account)	-	287
Charged to capital expenses	-	(287)
<b>Charge for year</b>	<u>-</u>	<u>-</u>
<b>(b) Factors affecting tax charge for the year</b>		
Return on ordinary activities before taxation	(483)	(4,665)
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 28% (2009: 28%)	(135)	(1,306)
Effects of:		
UK dividend income	(9)	(14)
(Gain) / loss on investments	(165)	1,362
Disallowable expenses / (income)	13	15
Excess capital investment management fees	296	(57)
	<u>-</u>	<u>-</u>

## 8 Tax on ordinary activities (continued)

(c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £3,650,000 (2009: £2,593,000). 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.

\* The 2009 figures have been restated in order to allow comparison to the current year figures, which have been disclosed in line with the SORP 2009. This has no effect on the prior year tax charge.

## 9 Dividends

	Pence	Year ended 28 February 2010			Year ended 28 February 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Ordinary Share dividends</b>							
<b>Paid in year</b>							
2009 Final	1.00	-	240	240	-	-	-
2009 First interim	14.50	-	-	-	242	3,262	3,504
2008 Final	1.25	-	-	-	302	-	302
2008 Second interim	2.50	-	-	-	-	579	579
		-	240	240	544	3,841	4,385
<b>'C' Share dividends</b>							
<b>Paid in year</b>							
2009 Final	1.00	-	146	146	-	-	-
2009 Interim	1.00	-	-	-	146	-	146
2008 Final	1.75	-	-	-	256	-	256
		-	146	146	402	-	402

## 10 Basic and diluted return per share

	Ordinary Shares	'C' Shares	'D' Shares
Revenue return per share based on:			
Net revenue after taxation (£'000)	(200)	(335)	(56)
Weighted average number of shares in issue			
	23,857,331	14,610,800	5,077,961
Pence per share			
	(0.8p)	(2.3p)	(1.1p)
Capital return / (loss) per share based on:			
Net capital (loss) / gain for the financial year (£'000)	(275)	452	(69)
Weighted average number of shares in issue			
	23,857,331	14,610,800	5,077,961
Pence per share			
	(1.2p)	3.1p	(1.4p)

As the Company has not issued any convertible securities or Share options, there is no dilutive effect on return per share. The return per share disclosed therefore represents both basic and diluted return per share.

## Notes to the Accounts (continued) for the year ended 28 February 2010

### 11 Investments

“Fair value through profit or loss” assets

	Investments quoted on AIM £'000	Unlisted investments £'000	Total £'000
Opening cost at 1 March 2009	1,836	18,096	19,932
Losses at 1 March 2009	(1,507)	(4,793)	(6,300)
Opening fair value at 1 March 2009	329	13,303	13,632
<b>Movement in year</b>			
Purchases at cost	-	3,002	3,002
Sales - proceeds		(568)	(568)
- realised gains / (losses) on sales		(416)	(416)
Unrealised gains / (losses) in the income statement	208	799	1,007
Closing fair value at 28 February 2010	537	16,120	16,657
Closing cost at 28 February 2010	1,573	18,264	19,837
(Losses)/gains at 28 February 2010	(1,036)	(2,144)	(3,180)
Closing fair value at 28 February 2010	537	16,120	16,657

The basis of valuation was changed for a number of investments held throughout the year. The combined effect of these changes was an uplift of £856,000 in the valuation of the Ordinary Share pool and £780,000 in the 'C' Share pool, relative to the prior year. In the Ordinary Share pool, the valuation of Saffron Media Group (28 February 2010 valuation £637,000, uplift £157,000) was changed from a revenue multiple basis to an earnings multiple basis and the valuation of Ashford Colour Press (28 February 2010 valuation £492,000, uplift £206,000) was changed from an earnings multiple basis to a net assets basis. In the 'C' Share pool, the valuation of Fjordnet (28 February 2010 valuation £1,153,000, uplift £353,000) was changed from a price of recent investment basis to an earnings multiple basis and the valuation of Charterhouse Leisure (28 February 2010 valuation £865,000, uplift £304,000) was changed from a revenue multiple basis to a price of recent investment basis. The Directors consider these changes were necessary to enable a better assessment of the fair value of the relevant investments.

### 12 Debtors

	2010 £'000	2009 £'000
Other debtors	-	428
Prepayments and accrued income	41	495
	41	923

### 13 Current investments

“Fair value through profit or loss” assets

	2010 £'000	2009 £'000
BGI Sterling Liquidity First Fund	3,000	3,000
Insight Liquidity Fund	3,000	3,000
Standard Life Investments GBP Liquidity Fund	3,000	3,000
RBS Liquidity Fund	1,200	1,200
	10,200	10,200

#### 14 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Unallotted share capital	948	923
Other social security costs	7	7
Other creditors	986	929
Accruals and deferred income	259	849
	<u>2,200</u>	<u>2,708</u>

Other creditors are investor subscriptions for 'D' Shares and Ordinary Shares owed to ProVen Growth and Income VCT plc and ProVen Health VCT plc.

#### 15 Called up share capital

	2010 £'000	2009 £'000
<b>Authorised:</b>		
35,000,000 Ordinary shares of 5p each	1,750	1,750
25,000,000 'C' shares of 25p each	6,250	6,250
20,000,000 'D' shares of 1p each	1,000	1,000
	<u>9,000</u>	<u>9,000</u>
<b>Issued, allotted, called up and fully-paid:</b>		
23,578,646 (2009: 23,947,501) Ordinary shares of 5p each	1,179	1,197
14,571,317 (2009: 14,612,777) 'C' shares of 25p each	3,643	3,653
5,525,501 (2009: £nil) 'D' shares of 1p each	55	-
	<u>4,877</u>	<u>4,850</u>

Between 26 March 2009 and 30 October 2009, 5,525,501 D shares of 1p each ("D' Shares") were issued at £1 per share pursuant to the offer for subscription and a prospectus dated 20 November 2008. The aggregate consideration for the shares was £5,222,000 which excluded share issue costs of £304,000.

During the year the Company repurchased 368,855 Ordinary Shares for an average consideration of 48.5p per share for an aggregate consideration of £180,000, and representing 1.5% of the issued Ordinary Share capital. These shares were subsequently cancelled.

During the year the Company repurchased 41,460 C shares of 25p each ("C' Shares") for an average consideration of 66.0p per share for an aggregate consideration of £28,000, and representing 0.28% of the issued 'C' Share capital. These shares were subsequently cancelled.

Notes to the Accounts (continued)  
for the year ended 28 February 2010

16 Reserves

	Capital redemption reserve £'000	Special reserve £'000	Share premium £'000	Capital reserve - realised £'000	Unrealised holding losses £'000	Revenue reserve £'000	Total £'000
At 1 March 2009	169	7,081	14,995	3,649	(6,298)	431	20,027
Issue of new shares	-	-	5,167	-	-	-	5,167
Purchase of own shares	28	(208)	-	-	-	-	(180)
Expenses capitalised	-	-	-	(483)	-	-	(483)
Gains/(losses) on investments	-	-	-	(416)	1,007	-	591
Retained revenue	-	-	-	-	-	(591)	(591)
Transfer between reserves	-	11,764	(14,995)	1,120	2,111	-	-
Distributions paid	-	-	-	(386)	-	-	(386)
At 28 February 2010	197	18,637	5,167	3,484	(3,180)	(160)	24,145

Split between:

Ordinary Shares

At 1 March 2009	167	7,081	4,836	3,793	(3,542)	292	12,627
Purchase of own shares	18	(180)	-	-	-	-	(162)
Expenses capitalised	-	-	-	(249)	-	-	(249)
Tax relief on capital expenses	-	-	-	-	-	-	-
Gains/(losses) on investments	-	-	-	(416)	390	-	(26)
Retained revenue	-	-	-	-	-	(200)	(200)
Transfer between reserves	-	2,060	(4,836)	665	2,111	-	-
Distributions paid	-	-	-	(240)	-	-	(240)
At 28 February 2010	185	8,961	-	3,553	(1,041)	92	11,750

'C' Shares

At 1 March 2009	2	-	10,159	(144)	(2,756)	139	7,400
Purchase of own shares	10	(28)	-	-	-	-	(18)
Expenses capitalised	-	-	-	(165)	-	-	(165)
Tax relief on capital expenses	-	-	-	-	-	-	-
Gains/(losses) on investments	-	-	-	-	617	-	617
Retained revenue	-	-	-	-	-	(335)	(335)
Transfer between reserves	-	9,704	(10,159)	455	-	-	-
Distributions paid	-	-	-	(146)	-	-	(146)
At 28 February 2010	12	9,676	-	-	(2,139)	(196)	7,353

'D' Shares

At 1 March 2009	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
Issue of new shares	-	-	5,167	-	-	-	5,167
Expenses capitalised	-	-	-	(69)	-	-	(69)
Tax relief on capital expenses	-	-	-	-	-	-	-
Gains/(losses) on investments	-	-	-	-	-	-	-
Retained revenue	-	-	-	-	-	(56)	(56)
Distributions paid	-	-	-	-	-	-	-
At 28 February 2010	-	-	5,167	(69)	-	(56)	5,042

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.

## 17 Basic and diluted net asset value per share

	Shares in Issue		2010		2009	
	2010	2009	Net asset value per share	£'000	Net asset value per share	£'000
Ordinary Shares	23,578,646	23,947,501	54.8p	12,929	57.7p	13,824
'C' Shares	14,571,317	14,612,777	75.5p	10,996	75.6p	11,053
'D' Shares	5,525,501	-	92.2p	5,097	-	-
				29,022		24,877

As the Company has not issued any convertible securities or share options, there is no dilutive effect on net asset per share. The net asset value per share disclosed therefore represents both basic and diluted return per share.

## 18 Reconciliation of return on ordinary activities before tax to net cash flow from operating activities

	2010				2009*			
	Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000	Ordinary Shares £'000	'C' Shares £'000	'D' Shares £'000	Total £'000
(Loss) / return on ordinary activities before taxation	(475)	117	(125)	(483)	(3,024)	(1,641)	-	(4,665)
Loss / (gain) on investment	26	(617)	-	(591)	3,014	1,851	-	4,865
Decrease / (increase) in prepayments, accrued income and other debtors	584	299	(1)	882	(240)	(308)	-	(548)
Increase in accruals and other creditors	(1,598)	3	1,087	(508)	319	10	-	329
Net cash (outflow) / inflow from operating activities	(1,463)	(198)	961	(700)	69	(88)	-	(19)

\* The 2009 figures have been reclassified in line with the SORP requirements.

## 19 Reconciliation of net cash flow to movement in net funds

	2010 £'000	2009 £'000
Beginning of year	2,830	2,371
Net cash inflow	1,494	459
End of year	4,324	2,830

## Notes to the Accounts (continued) for the year ended 28 February 2010

### 20 Financial instruments and derivatives

The Company's financial instruments comprise investments in quoted companies, unquoted companies, liquidity funds and receivables (including cash at bank and debtors) and other financial liabilities. Investments are designated as "fair value through profit or loss" assets. The main purpose of these investments is to generate revenue and capital appreciation for the Company's operations. The fair value of investments is determined using the accounting policies as shown in note 1.

Loans and receivables and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

The Company has not entered into any derivative transactions.

The Company has categorised its financial instruments using the fair value hierarchy as follows:

- Level 1 Reflects financial instruments quoted in an active market (liquidity fund investments, investments quoted on the Main Market and investments quoted on AIM);
- Level 2 Reflects financial instruments that have inputs that are observable either directly or indirectly (no such investments currently held);
- Level 3 Reflects financial instruments that have inputs that are not based on observable market data (unquoted equity investments and loan note investments).

	2010				2009			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
AIM quoted	537	-	-	537	329	-	-	329
Loan notes	-	-	7,572	7,572	-	-	7,161	7,161
Unquoted	-	-	8,548	8,548	-	-	6,142	6,142
Liquidity fund	10,200	-	-	10,200	10,200	-	-	10,200
	<u>10,737</u>	<u>-</u>	<u>16,120</u>	<u>26,857</u>	<u>10,529</u>	<u>-</u>	<u>13,303</u>	<u>23,832</u>

Reconciliation of fair value for Level 3 financial instruments held at the year end:

	£'000
Balance at 28 February 2009	13,303
<i>Movements in the income statement:</i>	
Unrealised gains in the income statement	799
Realised losses in the income statement	(416)
	<u>13,686</u>
Purchases at cost	3,002
Sales proceeds	(568)
Balance at 28 February 2010	<u>16,120</u>

FRS 29 requires disclosure to be made if changing one or more of the inputs to reasonably possible alternative assumptions would result in a significant change in the fair value of the Level 3 investments. There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that different assumptions could have been made and that these assumptions could have resulted in different valuations for some investments. The Directors and Investment Manager believe, however, that the valuations as at 28 February 2010, calculated in accordance with IPEV Guidelines, reflect the most appropriate assumptions at that date and that it is not possible to undertake any meaningful sensitivity analysis which would be useful to Shareholders.

## 20 Financial instruments and derivatives (continued)

### Borrowing facilities

The Company has no committed borrowing facilities as at 28 February 2010.

## 21 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 the relevant VCT regulations 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 these financial instruments.

The management of these risks starts with 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 Manager reports regularly to the Board on performance.

Further information about the VCT's investment policy is set out in the Directors' Report on page 23.

In assessing the risk profile of its investment portfolio, the Board has identified two principal classes of financial instrument which are analysed within note 11. Instruments deemed to be "fair value through profit or loss account" assets are recognised as such on initial recognition.

In addition to its investment portfolio, the VCT maintains a portfolio of liquidity funds and a cash balance with one of the main UK banks. 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.

### Financial liabilities

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

### Currency exposure

As at 28 February 2010, the Company had one investment incorporated in Madeira which trades in Euros and was valued at £Nil (2009: £Nil) and represented 0% of Net Assets (2009: 0%).

### Market risks

The key market risks to which the Company is exposed are interest rate risk and market price risk. The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

## Notes to the Accounts (continued) for the year ended 28 February 2010

### 21 Principal financial risks (continued)

#### 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 attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown in note below.

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

There are three levels of interest which are attributable to the financial instruments as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise certain loan note investments and Preference Shares.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate or LIBOR and comprise cash at bank, Liquidity Fund investments and certain loan note investments.
- "No interest rate" assets do not attract interest and comprise equity, certain loan note investments, loans and receivables (excluding cash at bank) and other financial liabilities.

	Average interest rate	Average period until maturity	2010 £'000	2009 £'000
Fixed rate	7.6%	1,232 days	5,412	6,142
Floating rate	0.5%		14,524	11,245
No interest rate			9,086	7,490
			<u>29,022</u>	<u>24,877</u>

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, variable floating, floating and non interest rate assets to ensure that the regulations are not breached. Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered that an increase or decrease of 25 basis points in the interest rates as at the reporting date would not have had a significant effect on the Company's net assets or total return for the year.

#### 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 28 February 2010, the unrealised loss on AIM-quoted investments was £1,036,000 (2009: unrealised loss £1,507,000).

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.

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	(54)	(0.2p)
'C' Shares	-	-
'D' Shares	-	-

## 21 Principal financial risks (continued)

As many of the Company's unquoted investments are valued using revenue or earnings multiple of comparable companies or sectors, 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:

10% fall in unquoted investment valuations	Impact on net assets £'000	Impact on NAV per share pence
Ordinary Shares	(901)	(3.8p)
'C' Shares	(711)	(4.9p)
'D' Shares	-	-

The sensitivity analysis for unquoted valuations above assumes that each of the sub categories of financial instruments (Ordinary Shares, Preference Shares and loan stocks) held by the Company produces an overall movement of 10%. Shareholders should note that equal correlation between these sub categories is unlikely to be the case in reality, particularly in the case of loan stock instruments. Where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

### 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:

	2010 £'000	2009 £'000
Investments in liquidity funds	10,200	10,200
Investments in loan stocks	7,572	6,142
Cash and cash equivalents	4,324	2,830
Interest, dividends and other receivables	38	577
	22,134	19,749

Credit risk in respect of investments in liquidity funds is minimised by, where possible, 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 part owned by the UK Government 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. There have been no changes in fair value that are directly attributable to changes in credit risk.

## Notes to the Accounts (continued) for the year ended 28 February 2010

### 21 Principal financial risks (continued)

#### 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.

Although the Company's investments are not held to meet the Company's liquidity requirements, the table below shows an analysis of the assets, highlighting the length of time that it could take the Company to realise its assets if it was required to do so.

As at 28 February 2010	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
<i>Financial assets readily realisable:</i>					
Liquidity investments	10,200	-	-	-	10,200
Cash and cash equivalents	4,324	-	-	-	4,324
<i>Other financial assets</i>					
AIM quoted investments	-	537	-	-	537
Loan note investments	-	492	606	6,474	7,572
Unquoted investments	-	-	-	8,548	8,548
Interest, dividends and other receivables	-	4	34	-	38
	14,524	1,033	640	15,022	31,219
<i>As at 28 February 2009</i>					
	Not later than 1 month £'000	Between 1 and 3 months £'000	Between 3 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
<i>Financial assets readily realisable:</i>					
Liquidity investments	10,200	-	-	-	10,200
Cash and cash equivalents	2,830	-	-	-	2,830
<i>Other financial assets</i>					
AIM quoted investments	-	329	-	-	329
Loan note investments	-	-	-	7,162	7,162
Unquoted investments	-	-	-	6,142	6,142
Interest, dividends and other receivables	-	14	476	-	490
	13,030	343	476	13,304	27,153

### 22 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.

By its nature, the Company has an amount of capital, at least 70% (as measured under tax legislation) of which must be invested, and retained, in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon the changing capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase its own shares, issue new shares or sell assets if so required to maintain a level of liquidity to remain a going concern. Although the Company is permitted to borrow to give a degree of flexibility, there are no current plans to do so.

## 22 Management of capital (continued)

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.

## 23 Post balance sheet event

Between 23 March 2010 and the date of this report, the Company issued 2.6 million 'D' Shares for consideration of approximately £1.00 per share. Share issue costs thereon amounted to £145,000.

Between 1 April 2010 and 28 May 2010, the Company issued 2.1 million Ordinary Shares for consideration of approximately 56.1 pence per share. Share issue costs thereon amounted to £66,000.

## 24 Contingencies, guarantees and financial commitments

The Company has guaranteed bank borrowings on one of its investments, Donatantonio Limited, amounting to £225,000. A third party has provided a guarantee to the Company amounting to £112,500 in respect of the above guarantee such that the Company's net exposure is £112,500.

Apart from the above, the Company has no Contingent liabilities, guarantees and financial commitments at the year end.

## 25 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 (and subsequently Beringea LLP of which Malcolm Moss is a partner), acted as promoter for the Linked 'D' Share Offer for Subscription dated November 2008 and agreed to underwrite the costs of the Offer in return for a fee of 5.5% of the monies raised. The fees amounted to £304,000 in the year. No issue costs were due or outstanding at the year end.

Beringea LLP also acted as promoter to the further Linked 'D' Share Offer and the Ordinary Share Top up Offer both launched in November 2009. Beringea LLP receives 5.5% of the gross proceeds of the offers, out of which it must pay the costs of the offers including initial commissions.

Beringea LLP 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 £624,000 (2009: £1,325,000) (inclusive of VAT where applicable), of which £149,000 (2009: £660,000) 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 £43,000 (plus VAT & RPI adjustment) per annum. The total fee relating to this service amounted to £53,000 (2009: £48,000), of which £12,000 (2009: £12,000) 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 £4,000 (2009: £74,000) (inclusive of VAT), of which £4,000 (2009: £64,000) was outstanding at the year end.

ProVen Growth and Income VCT plc is a company of which Nicholas Lewis, Andrew Davison and Malcolm Moss are directors. At the year end ProVen Growth and Income VCT Plc was owed £910,000 in respect of subscription monies for 'D' Shares. This amount is included in other creditors.

ProVen Health VCT plc is a company which is managed by Beringea LLP. At the end ProVen Health VCT plc was owed £76,000 in subscriptions monies for Ordinary Shares. This amount is included in other creditors.

# 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 Investment Managers' website:

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

Dividend history, links to Company announcements and other financial information can be found on Downing's website at [www.downing.co.uk](http://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](http://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](http://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 58.

## Share prices

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

	Ordinary Shares	'C' Shares	'D' Shares
TIDM/EPIC code	"PVN"	"PVNC"	"PVND"
Latest share price (29 June 2010):	48.0p per share	67.0p per share	89.0p 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 Company in the 2006/2007 tax year and subsequent tax years 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 58 of this document.

## Financial calendar

24 August 2010	Annual General Meeting
27 August 2010	Payment of final Ordinary Share dividend
October 2010	Announcement of half-year 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.

## Unsolicited calls to Shareholders

We are aware of cases of Shareholders in other VCTs having received unsolicited phone calls, e-mails or correspondence concerning investment matters. Please note that it is very unlikely that either the Company, Beringea or the Company Registrar, Capita Registrars, would make unsolicited telephone calls, or send e-mails, to Shareholders. Shareholders can, however, expect official documentation in connection with the Company and may receive details of investment activity and new VCT offers from the Investment Manager. Furthermore, please be assured that the Company limits access to the Company's Share register by third parties to the maximum extent permissible under the Companies Act 2006. If you receive either an unexpected phone call or correspondence about which you have concerns, please contact Grant Whitehouse, the Company Secretary, on 020 7416 7780.

# Company Information

## Directors

Andrew Davison (Chairman)  
Barry Dean  
Nicholas Lewis  
Malcolm Moss  
all of  
39 Earlham Street  
London WC2H 9LT

## Secretary

Grant Whitehouse  
39 Earlham Street  
London WC2H 9LT

## Investment manager

Beringea LLP  
39 Earlham Street  
London WC2H 9LT  
Tel: 020 7845 7820  
[www.provenvcts.com](http://www.provenvcts.com)

## Registered office

39 Earlham Street  
London WC2H 9LT  
Tel: 020 7845 7820

## 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](http://www.capitaregistrars.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](http://www.downing.co.uk)

## Auditors

Deloitte LLP  
London

## VCT status adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

## 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

## Company number

3911323

# Notice of the 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 Earlam Street, London WC2H 9LT at 12:45 pm on 24 August 2010 for the transaction of the following business:

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

1. To receive and adopt the Report of the Directors and Accounts of the Company for the year ended 28 February 2010 together with the report of the auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To approve the payment of the final dividend of 8p per Ordinary Share
4. To re-appoint Deloitte 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, Andrew Davison, who retires by rotation and, being eligible, offers himself for re-election.
6. To re-elect as Director, Malcolm Moss, 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 Resolutions**

7. THAT the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to allot:
  - (i) Ordinary Shares, or to grant rights to subscribe for or to convert any securities into Ordinary Shares, up to a maximum nominal amount of £3,000,000 (representing approximately 234% of the Ordinary Share capital in issue at today's date);
  - (ii) 'C' Shares, or to grant rights to subscribe for or to convert any securities into 'C' Shares, up to a maximum nominal amount of £364,283 (representing approximately 10% of the 'C' Share capital in issue at today's date); and
  - (iii) 'D' Shares, or to grant rights to subscribe for or to convert any securities into 'D' Shares, up to a maximum nominal amount of £8,099 (representing approximately 10% of the 'D' Share capital in issue at today's date);

this authority to expire at the earlier 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 shares to be allotted, or rights to subscribe for or to convert any securities into shares to be granted, after the expiry of such authority.

8. THAT the proposed amendments to the investment policy of the Company set out on page 24 of the Directors' Report and Accounts of the Company for the year ended 28 February 2010 be and hereby are approved.

### **Special Resolutions**

9. To empower the Directors pursuant to Section 570(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority referred to in resolution 7 as if Section 561(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 560(2) of the 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.

10. THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of its own Ordinary shares of 5p each ("Ordinary Shares"), 'C' shares of 25p each ("C' Shares") and 'D' Shares of 1p each ("D' Shares") in the capital of the Company provided that:
- (i) the maximum number of Ordinary Shares, 'C' Shares and 'D' Shares 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, for a 'C' Share is 25p and for a 'D' Share is 1p, exclusive of all expenses;
  - (iii) the maximum price which may be paid for an Ordinary Share, a 'C' Share or a 'D' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares, 'C' Shares or 'D' 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, 'C' Shares or 'D' 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, 'C' Shares or 'D' 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.

11. 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.

By order of the Board

**Grant Whitehouse**  
Secretary  
Registered Office  
39 Earlham Street  
London WC2H 9LT  
30 June 2010

Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006, is available from [www.downing.co.uk](http://www.downing.co.uk).

## Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing Management Services Limited, Kings Scholars House, 230 Vauxhall Bridge Road, London SW1V 1AU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
  - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing Management Services Limited before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Ordinary Shares 'C' Shares and 'D' Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 12.45 p.m. on 20 August 2010 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 12:45 p.m. on 20 August 2010 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 9 a.m. on 30 June 2010, the Company's issued share capital comprised 25,689,386 Ordinary Shares, 14,571,317 'C' Shares and 8,098,619 'D' Shares and the total number of voting rights in the Company were 48,359,322. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
  - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out above.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

# Form of Proxy - ProVen VCT Plc

For use at the Annual General Meeting of the above-named Company to be held on 24 August 2010 at 39 Earlham Street, London WC2H 9LT at 12:45 pm.

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

of .....

being the holder(s)\* of ordinary shares of 5p/ 'C' shares of 25p/'D' shares of 1p\* each in the above-named Company, hereby appoint the Chairman of the meeting (see note .)

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 24 August 2010 or at any adjournment thereof.

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

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

## ORDINARY BUSINESS

1. To receive and adopt the Directors' report and accounts.
2. To approve the Directors' Remuneration Report.
3. To approve payment of the final dividends of 8.0p per Ordinary Share
4. To re-appoint the auditors and authorise the Directors to determine their remuneration.
5. To re-elect Andrew Davison as a Director.
6. To re-elect Malcolm Moss as a Director.

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

## SPECIAL BUSINESS

7. To authorise the directors to allot shares
8. To approve amendments to the Company's investment policy
9. To dis-apply pre-emption rights
10. To authorise the Directors to make market purchases of its shares.
11. To adopt new articles of association.

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

Dated this ..... day of ..... 2010

Signature(s)\* ...../.....

### Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
3. Any alterations to the Form of Proxy should be initialled.
4. To be valid, this Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing Management Services Limited, Kings Scholar House, 230 Vauxhall Bridge Road, London SW1V 1AU not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Meeting or adjourned meeting at which the person named in this Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, and be delivered at the meeting at which the demand is made.
5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.
6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



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

Second Fold

First fold



