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# ProVen VCT plc

Annual Report and Accounts

for the year ended 28 February 2013



Managed by  
Beringea LLP

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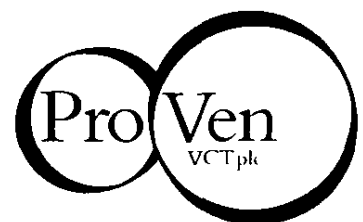
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# ProVen VCT plc

## 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.

## Fund Overview

### Financial summary

	New Ordinary Shares	Ordinary Shares*
As at 28 February	2013 pence	2012 pence
Net asset value per share	103.3	98.8
Dividends paid since launch	–	–
Total return (net asset value plus dividends paid since launch)	103.3	98.8
Year on year change in: Net asset value per share (adjusted for dividends)	4.6%	

\*rebased in respect of the share consolidation that took place on 30 October 2012.

The table above reflects the Company's position after the share conversions and consolidations that took place on 30 October 2012. A full analysis of Shareholder's investment and returns by share class and tax year, has been included in the Shareholder Information section on page 57.

# Chairman's Statement

I am pleased to present the Annual Report for ProVen VCT plc for the year ended 28 February 2013

The Company underwent a reorganisation during the year such that it now has one share class, which significantly simplifies reporting to Shareholders. It is also pleasing to be able to report positive news from the Company's investment portfolio.

## Net asset value

At 28 February 2013, the Company's Ordinary Share net asset value ("NAV") stood at 103.3p per share. This represents an increase of 4.5p or 4.6% since 29 February 2012, against the rebased Ordinary Share value at the previous year end. The effective movement for a Shareholder who started the year holding 'C' Shares was an increase of 8.9% and for 'D' Shares was an increase of 4.3%.

Total return (NAV plus cumulative dividends paid) for Shareholders who invested in the Company's original Ordinary Share offer in 2000 now stands at 165.6p for an investment of £1. This is before taking account of any initial income tax relief and the tax free nature of dividend returns. Investment performance since original investment cost for the various groups of Shareholders that now hold Ordinary Shares is summarised on page 57.

## Portfolio activity and valuation

Following the successful fundraising discussed below, the Company has an adequate level of funds available for investment and has seen a good level of investment activity during the year. A total of £4.7 million was invested in three new companies and seven existing companies. There were also several disposals and redemptions of loan stock which generated proceeds of £1.3 million.

The Board reviewed the valuations of the unquoted investments at the year end and made a number of adjustments to the previous carrying values. Net unrealised gains for the year were £2.1 million.

The most significant news from the portfolio has come since the year end during which time there have been two profitable disposals. Fjordnet was the subject of an acquisition by international consultancy Accenture, giving rise to a realised gain of £3.1 million upon completion and a possible further consideration of up to £0.4 million within the next twelve months. The valuation of the Company's investment in Fjordnet at the year end reflected the value subsequently realised on disposal. The investment in Tossed was sold for a realised gain of £0.3 million and this was also reflected in the Company's net asset value at the year end.

Further details of investment activity and investments held are provided in the Investment Manager's Review and the Review of Investments.

## Results and dividends

The total return on ordinary activities for the year was £2.7 million, comprising a £948,000 revenue return and a £1,799,000 capital return.

In line with the dividend policy that I set out in my report last year, an interim dividend of 5p per share will be paid in respect of the year ended 28 February 2013. Based on the NAV of the Ordinary Shares at 29 February 2012, this equates to a yield of 5.1%. The dividend will be paid as an interim dividend on 2 August 2013 to Shareholders on the register at 5 July 2013.

## 'C' Share tender offer

In accordance with the plans set out in the original 'C' Share prospectus, a tender offer was undertaken in August 2012 under which 1,198,996 'C' Shares (representing approximately 8.6% of 'C' Shares in issue at the time) were purchased at a price of 87.4p per share.

## Share conversions and consolidation

On 30 October 2012, the Company's existing 'C' Shares and 'D' Shares were converted into New Ordinary Shares. At the same time, the Original Ordinary Shares underwent a one-for-two consolidation to create New Ordinary Shares. A summary of the conversion rates is as follows:

Each Original Ordinary Share consolidated into 0.5 New Ordinary Shares.

Each 'C' Share converted into 0.9213 New Ordinary Shares.

Each 'D' Share converted into 0.8720 New Ordinary Shares.

All Shareholders were issued with new share certificates for New Ordinary Shares following the transactions in October 2012. Shareholders should note that any share certificates issued prior to 30 October 2012 are no longer valid, and should be destroyed.

## Fundraising activities

The Company's offer for subscription which launched on 8 December 2011, closed on 30 August 2012. This raised gross proceeds of £12.5 million. In November 2012, the Company launched a further 10% top-up non-prospectus offer. This closed in April 2013, having raised approximately £3.6 million.

## Enhanced Buyback Facility

The Company also offered an Enhanced Buyback Facility during the year. This facility allowed Shareholders, who had held their shares for the required VCT holding period, to sell them back to the Company and reinvest the proceeds in new VCT shares, which were eligible for income tax relief. The Board was pleased with the take up of 4.8 million shares.

## Share buybacks

Share buybacks (excluding the Enhanced Buyback transactions) which took place during the year are summarised below:

	Number	Aggregate nominal value £'000	Average consideration pence per share £'000	Aggregate consideration £'000	% of issued share capital
New Ordinary Shares	381,257	38	91.5p	349	0.85%
Original Ordinary Shares	136,350	7	44.1p	60	0.5%
'C' Shares	1,757,860	439	84.7p	1,489	12.2%
'D' Shares	21,893	–	82.9p	18	0.3%

All the above shares were subsequently cancelled.

On behalf of the Company, 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 New Ordinary Shares at a price equivalent to a 10% discount to the latest published NAV.

A special resolution to allow the Board to continue to purchase shares for cancellation will be proposed at the forthcoming Annual General Meeting ("AGM").

The Company is pleased to announce that it has recently appointed Panmure Gordon to act as its corporate broker. The Board believes that this should bring a significant benefit in reducing the spread on the Company's shares and producing more consistent pricing for Shareholders who wish to sell all or part of their holding or investors who wish to purchase shares in the market. Shareholders who are considering selling their shares may wish to contact Panmure Gordon prior to any sales, who will be able to provide details of the price at which the Company is buying shares. Contact details are on page 59 of this report.

## **Investment policy amendment and performance incentive fee amendment**

In recent years, returns on cash and cash equivalents held by the Company have been very low. The Board believes that the performance of the Company could be improved if the scope of the investment policy in respect of non-qualifying investments was broadened to include investments in debt and debt-related securities in growth companies. These investments offer the prospect of higher interest rates than can be obtained on cash or near-cash investments in exchange for accepting slightly higher risk.

It has also come to the Board's attention that, in certain circumstances, the performance incentive fee arrangements might not operate precisely as the Board has intended. Two minor amendments are therefore being proposed to correct this matter. Shareholders should note that these amendments do not have any significant impact on the fundamental basis of the performance fee arrangements.

The Company has today issued a circular setting out full details of both of the above proposals. A general meeting is scheduled to follow shortly after the AGM to seek Shareholder approval.

## **Annual General Meeting and General Meeting**

The next Annual General Meeting ("AGM") of the Company will be held in The Forest Room at The Hospital Club, 24 Endell Street, Covent Garden, London WC2H 9HQ at 11.00 a.m. on 30 July 2013.

Three items of special business will be proposed at the AGM as follows:

- two resolutions in connection with the authority for the Directors to allot shares, and
- one resolution in respect of share buybacks.

In order to give the Board flexibility in considering fundraising options over the next year without necessarily having to incur the costs of preparing an additional shareholder circular, the Board is seeking authority to issue and allot up to 25 million new shares.

At 11.30 a.m. on 30 July, following the AGM, the Company will hold a general meeting seeking approval for proposals in respect of the amendment to the investment policy and the performance incentive fee.

Notice of the AGM is at the end of this document.

## **Shareholder event**

I would also like to take this opportunity to draw your attention to the Investment Manager's annual Shareholder Event which, this year, will be held at the British Museum in central London on 22 October 2013, starting at 10.30 a.m. The event has been running in its current form for several years and has been well received by Shareholders. It provides attendees with an opportunity to meet Directors and members of the investment management team. There will also be presentations from a number of portfolio companies. I would strongly encourage you to attend. A formal invite is being sent separately.

## Outlook

The Board is pleased with the progress made by the Company over the last year and, with a significant level of new funds available for investment, we expect to see the Company continuing to be an active investor over the coming year, albeit in a volatile and competitive environment. Activity has picked up since the year end with the profitable disposals of Tossed and Fjordnet and further investments made in Monica Vinader and Utility Exchange Online. The Board has encouraged the strategy of investing in more businesses in the media and digital services sectors and remains confident in the Manager's ability to find good companies, then to nurture these investments and eventually exit at a profit. I look forward to updating Shareholders on developments in my statement with the Half Yearly Report to 31 August 2013.

Andrew Davison  
Chairman  
27 June 2013



# Investment Manager's Review

## Introduction

Beringea is a specialist venture capital management company which manages over £300 million in the UK and USA on behalf of a number of clients. In the UK, Beringea has a dedicated investment team managing over £100 million across four VCTs.

ProVen VCT has been managed by Beringea since its inception in 2000 and in that time has invested over £50 million in over 50 small and medium sized companies. At 28 February 2013, the Company had investments in 29 companies, at an average investment cost of approximately £820,000.

## Review of the year

The Company invested £4.7 million during the year (2012: £3.6 million) including three investments in companies new to the portfolio and further funding for seven existing portfolio companies. The Company realised its investments in two companies during the year and there were partial loan repayments from a further four companies. At 28 February 2013, the Company held investments in 27 unquoted companies and 2 quoted companies at a cost of £23.7 million and a valuation of £31.1 million. In addition, the Company held cash of £16.8 million, most of which arose from the recent fundraisings. As a result of the merger of the share classes in October 2012, all shareholders now have an interest in all portfolio investments.

Following the year end, the Company sold its investments in Fjordnet and Tossed generating good returns. Further information is provided below.

## Portfolio activity and valuation

Investment activity is summarised on page 11. There were three new additions to the portfolio: Inskin Media, Cognolink and Skills Matter.

Inskin Media is a UK based company that has developed a range of technologies for the rapidly growing area of online video advertising. The company has established itself as a significant player in the UK market by its ability to provide innovative technology formats which have been proven to drive higher yields for online media owners and strong returns for advertising campaigns.

Cognolink offers a broad range of "expert network" services to private equity firms, hedge funds, asset managers and large consulting businesses. These services assist these clients in their primary research by facilitating consultations with industry experts via one-to-one phone calls, in-person meetings and interactive conference calls.

Skills Matter supports a community of 35,000 software professionals with the learning and sharing of skills, via public/private training courses and conferences. The new funding will be used to provide even more opportunities for its community to collaborate with the world's top technology experts. In addition, the company will, in future, be able to offer work and collaboration space.

Further funding was provided to Fjordnet (partially offset by a loan repayment), Utility Exchange Online, APM Healthcare, Matssoft, Senselogix and Campden Media.

The disposal of Ashford Colour Press and administration/restructuring of Overtis Group (which resulted in the "new" investment in Vigilant Applications) were concluded prior to the publication of last year's accounts and

therefore included in our report of last year. Since that report, Isango<sup>1</sup> was sold to tour operator TUI Travel and there were a number of loan repayments from several portfolio companies.

At 28 February 2013, the venture capital portfolio showed a net unrealised gain across all investments of £2.1 million.

There was encouraging performance from a number of companies in the portfolio and this was complemented by broader positive movements in comparable company multiples. Fjordnet and Tossed saw increases in their valuations which were crystallised on realisation after the year end. There were uplifts in the valuations of Campden Media and Matssoft. Think and Espresso saw decreases in valuation but the longer term prospects for these companies remain positive.

## **Post year end developments**

In May 2013, the Company's investment in Fjordnet was the subject of an acquisition by Accenture Holdings BV, a subsidiary company of Accenture (NYSE: CAN), giving rise to a realised gain of £3.1 million upon completion and a possible further consideration of up to £0.4 million within the next twelve months. This continues a list of notable successes in the digital media sector alongside Mergermarket, ILG Digital, Steak Media and Saffron Media.

Healthy eating chain, Tossed, was sold to management in April 2013, generating a return of 36% on the initial investment in three years. A restructuring of Campden Media was also concluded in May 2013 and saw the wealth management arm of the business demerged and purchased by management with backing from an external investor. The VCT now holds an increased equity interest in Campden's health focused business.

Monica Vinader, the luxury jewellery retailer, continues to progress and a further £1.1 million was invested by the Company in May 2013 and, in June 2013, an additional £210,000 was invested in Utility Exchange Online, both investments are to fund continued development. The Company also received proceeds from the partial disposal of Cross Solar PV in May 2013.

## **Outlook**

We continue to be pleased with the overall performance of the venture capital portfolio and the recent profitable exits from Fjordnet and Tossed provide tangible evidence of this for Shareholders. We are optimistic that both further profitable exits and exciting new investments lie ahead although, as befits a venture capital portfolio, the timing of these is uncertain and subject to wider economic conditions.

**Beringea LLP**  
27 June 2013

Investment activity during the year is summarised as follows

Additions	Cost £'000
Cognolink Limited	949
Fjordnet Limited	639
Speed-Trap Holdings Limited	609
Skills Matter Limited	476
Utility Exchange Online Limited	461
Vigilant Applications Limited* ††	400
Inskin Media Limited	365
APM Healthcare Limited	238
Matssoft Limited**	235
Senselogix Limited	169
Campden Media Limited**	167
<b>Total</b>	<b>4,708</b>

Disposals	Cost £'000	Market value at 01/03/12† £'000	Disposal proceeds £'000	(Loss)/gain against cost £'000	Total realised (loss)/gain during the year £'000
Overtis Group Limited††	1,155	–	–	(1,155)	–
Isango Limited	600	–	21	(579)	21
Ashford Colour Press Limited	500	382	526	26	144
Fjordnet Limited	240	240	240	–	–
Campden Media Limited**	167	167	167	–	–
Cross Solar PV Limited**	75	75	75	–	–
Sports Holdings Limited*	33	33	33	–	–
Saffron Media Limited	–	–	196	196	196
Steak Media Limited	–	–	12	12	12
<b>Total</b>	<b>2,770</b>	<b>897</b>	<b>1,270</b>	<b>(1,500)</b>	<b>373</b>

\* Non qualifying investment

\*\* Partially non qualifying investment

† Adjusted for purchases during the year

†† Administration/restructuring of Overtis Group into Vigilant Applications

Of the investments above, Steak Media Limited and Saffron Media Limited were realised in prior periods but received proceeds in the current period in excess of the amounts previously accrued

# Investment Portfolio

## as at 28 February 2013

The following investments were held at 28 February 2013

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
<b>Top ten venture capital investments (by value)</b>				
Fjordnet Limited**	1,675	4,939	3,264	10.3%
Think Limited**	1,606	3,397	(992)	7.1%
Espresso Group Limited**	1,317	3,239	(328)	6.8%
Donatantonio Limited**	1,467	2,463	(48)	5.1%
SPC International Limited**	2,021	2,409	185	5.0%
Campden Media Limited	1,516	1,902	348	4.0%
Tossed Limited**	1,226	1,545	226	3.2%
Matssoft Limited**	1,010	1,199	189	2.5%
Blis Media Limited**	482	1,119	51	2.3%
Eagle Rock Entertainment Group Limited**	1,225	1,049	(349)	2.2%
	13,545	23,261	2,546	48.5%
<b>Other venture capital investments</b>	10,195	7,842	(411)	16.4%
<b>Total venture capital investments</b>	23,740	31,103	2,135	64.9%
Cash at bank and in hand		16,777		35.1%
<b>Total investments</b>		47,880		100.0%

Other venture capital investments at 28 February 2013 comprise Cognolink Limited, Cross Solar PV Limited, Charterhouse Leisure Limited, Monica Vinader Limited, Utility Exchange Online Limited, Chess Technologies Limited, Skills Matter Limited, Speed-Trap Holdings Limited, APM Healthcare Limited, Inskin Media Limited, Cinergy International Limited, Pilat Media Global plc\*\*, Senselogix Limited, UBC Media Group plc\*\*, Dianomi Limited, Sports Holdings Limited\*, Long Eaton Healthcare Limited, Baby Innovations S A t/a Steribottle\* and Vigilant Applications Limited\*

\* Non qualifying investment

\*\* Partially non qualifying investment

With the exclusion of Pilat Media Global plc and UBC Media Group plc, which are quoted on AIM, all venture capital investments are unquoted

All of the above investments, with the exclusion of Think Limited, were also held by ProVen Growth & Income VCT plc of which Beringea LLP is the investment manager

Long Eaton Healthcare Limited, Campden Media Limited, Fjordnet Limited and Cross Solar Limited were also held by ProVen Planned Exit VCT plc during the year, of which Beringea LLP is the investment manager

Long Eaton Healthcare Limited, APM Healthcare Limited, Skills Matter Limited, Cognolink Limited, Inskin Media Limited and Utility Exchange Online Limited were also held by ProVen Health VCT plc during the year, of which Beringea LLP is the investment manager

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

## as at 28 February 2013

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

### Fjordnet Limited

Fjord is an established digital design agency working across many sectors including telecommunications, media, finance and healthcare. 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, Paris, Madrid, Stockholm, New York, San Francisco and Istanbul. The Company's investment in Fjordnet Limited was realised in full after the year end.

**FJORD**  
www.fjordnet.com

Cost		£1,675,000	Valuation at 28/02/13	£4,939,000
Investment comprises			Valuation at 29/02/12	£1,277,000
Ordinary shares		£500,000	Valuation method	Offer price
'A' ordinary shares		£276,000		
Preference shares		£500,000		
Loan stock		£399,000		
Audited accounts	31/12/11	31/12/10	Dividend income	£-
Turnover	£17.8m	£15.3m	Loan note income	£21,000
(Loss)/profit before tax	(£150,000)	£1.1m	Proportion of equity held	9.4%
Net assets	£3.6m	£3.9m	Diluted equity	9.3%

### Think Limited

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, Sony, the NHS and Blackberry.

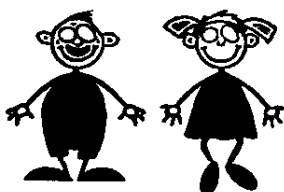
**THINK**  
www.think.eu

Cost		£1,606,000	Valuation at 28/02/13	£3,397,000
Investment comprises			Valuation at 29/02/12	£4,389,000
Ordinary shares		£151,000	Valuation method	Earnings multiple
'A' ordinary shares		£250,000		
Loan stock		£1,205,000		
Audited accounts	31/10/11	31/10/10	Dividend income	£152,000
Turnover	£12.7m	£5.7m	Loan note income	£76,000
Profit before tax	£1.5m	£649,000	Proportion of equity held	29%
Net assets	£1.3m	£1.2m	Diluted equity	29%

## Espresso Group Limited

Espresso Group develops and delivers multimedia education content for schools. Over 9,000 primary schools, equal to approximately 45% 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 expanded into the UK secondary schools market. The company has now embarked on an international expansion strategy. It has an established presence in Sweden and a rapidly growing market penetration in the US.

**espresso**  
for schools



www.espresso.co.uk

Cost	£1,317,000	Valuation at 28/02/13	£3,239,000	
Investment comprises		Valuation at 29/02/12	£3,567,000	
Ordinary shares	£681,000	Valuation method	Earnings multiple	
'A' ordinary shares	£574,000			
'B' ordinary shares	£62,000			
Audited accounts	31/07/12	31/07/11	Dividend income	£-
Turnover	£13.5m	£13.3m	Loan note income	n/a
Loss before tax	(£638,000)	(£669,000)	Proportion of equity held	20.1%
Net assets	£5.0m	£5.8m	Diluted equity	19.4%

## Donatantonio Limited

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 service sectors. Donatantonio's state-of-the-art facilities allow it to provide certification of food quality once the goods reach the UK. This means that the products supplied to food manufacturers are ready for immediate incorporation into finished products and do not require further testing by the manufacturer before production can begin.



www.donatantonio.com

Cost	£1,467,000	Valuation at 28/02/13	£2,463,000	
Investment comprises		Valuation at 29/02/12	£2,511,000	
Ordinary shares	£18,000	Valuation method	Earnings multiple	
'A' ordinary shares	£224,000			
Preference shares	£48,000			
Loan stock	£1,177,000			
Audited accounts	31/01/12	31/01/11	Dividend income	£-
Turnover	£22.4m	£18.7m	Loan note income	£544,000
Profit before tax	£281,000	£87,000	Proportion of equity held	25.9%
Net liabilities	(£12,000)	(£156,000)	Diluted equity	25.9%

## SPC International Limited

SPC specialises in the repair and refurbishment of electronic equipment in the IT, banking and retail sectors. It has operators in the UK, France, Slovakia and India.



www.spcint.com

Cost		£2,021,000	Valuation at 28/02/13	£2,409,000
Investment comprises			Valuation at 29/02/12	£2,224,000
Ordinary shares		£164,000	Valuation method	Earnings multiple
'A' ordinary shares		£222,000		
'B' ordinary shares		£12,000		
Loan stock		£1,623,000		
Audited accounts	30/09/11	30/09/10	Dividend income	£-
Turnover	£16.1m	£15.1m	Loan note income	£123,000
Profit before tax	£393,000	£419,000	Proportion of equity held	24.7%
Net assets	£3.3m	£3.1m	Diluted equity	24.7%

## Campden Media Limited

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



www.campdenmedia.com

Cost		£1,516,000	Valuation at 28/02/13	£1,902,000
Investment comprises			Valuation at 29/02/12	£1,555,000
Ordinary shares		£195,000	Valuation method	Earnings multiple
'A' ordinary shares		£2,000		
Loan stock		£1,319,000		
Audited accounts	31/12/11	31/12/10	Dividend income	£-
Turnover	£10.1m	£6.8m	Loan note income	£69,000
Profit/(loss) before tax	£386,000	(£94,000)	Proportion of equity held	11.0%
Net liabilities	(£924,000)	(£1.3m)	Diluted equity	11.0%

## Tossed Limited

Tossed operates a series of takeaway focused healthy eating establishments. There are currently eight locations in operation, including one franchise location, all based in London. ProVen VCT invested £1 million in April 2010 and a further £230,000 in July 2011 alongside ProVen Growth & Income VCT plc. The Company's investment in Tossed Limited was realised in full after the year end.



**tossed**

www.tosseduk.com

Cost	£1,226,000	Valuation at 28/02/13	£1,545,000	
Investment comprises		Valuation at 29/02/12	£1,319,000	
Ordinary shares	£431,000	Valuation method	Offer price	
Preference shares	£332,000			
Loan stock	£463,000			
Audited accounts	31/03/12	31/03/11	Dividend income	£-
Turnover	Unpublished information		Loan note income	£18,000
Profit before tax	Unpublished information		Proportion of equity held	22.7%
Net assets	£1.1m	£1.0m	Diluted equity	22.7%

## Matssoft Limited

Matssoft is a software company specialising in developing hosted Software as a Service ("SaaS") business process management, workflow and customer and communications solutions, complete with a comprehensive suite of management information and configuration tools. Matssoft has built a strong reputation by providing solutions for enterprise customers that deliver dramatic processing efficiencies whilst keeping customer satisfaction high through proactive communication.



www.matssoft.co.uk

Cost	£1,010,000	Valuation at 28/02/13	£1,199,000	
Investment comprises		Valuation at 29/02/12	£775,000	
Ordinary shares	£470,000	Valuation method	Earnings multiple	
'A' ordinary shares	£282,000			
Loan stock	£258,000			
Audited accounts	31/12/11	31/12/10	Dividend income	£-
Turnover	Unpublished information		Loan note income	£16,000
Profit before tax	Unpublished information		Proportion of equity held	12.0%
Net assets	£1.1m	£219,000	Diluted equity	12.0%

## Blis Media Limited

Blis Media is a leading mobile marketing specialist featuring a roster of blue-chip clients. It was one of the first players in the UK to specialize in location based media, and retains a strong base of proprietary IP. Its cutting edge technology provides its customers with an unprecedented level of audience granularity.



www.blismedia.com

Cost		£482,000	Valuation at 28/02/13	£1,119,000
Investment comprises			Valuation at 29/02/12	£1,068,000
Ordinary shares		£17,000	Valuation method	Revenue multiple
'A' ordinary shares		£17,000		
'C' ordinary shares		£290,000		
Preference shares		£79,000		
Loan stock		£79,000		
Audited accounts	31/12/12	31/12/11	Dividend income	£-
Turnover	£1.64m	£1.9m	Loan note income	£6,000
(Loss)/profit before tax	(£409,000)	£108,000	Proportion of equity held	17.2%
Net assets	£1.0m	£1.4m	Diluted equity	15.9%

## Eagle Rock Entertainment Group Limited

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.



eagle rock entertainment ltd

www.eaglerockent.com

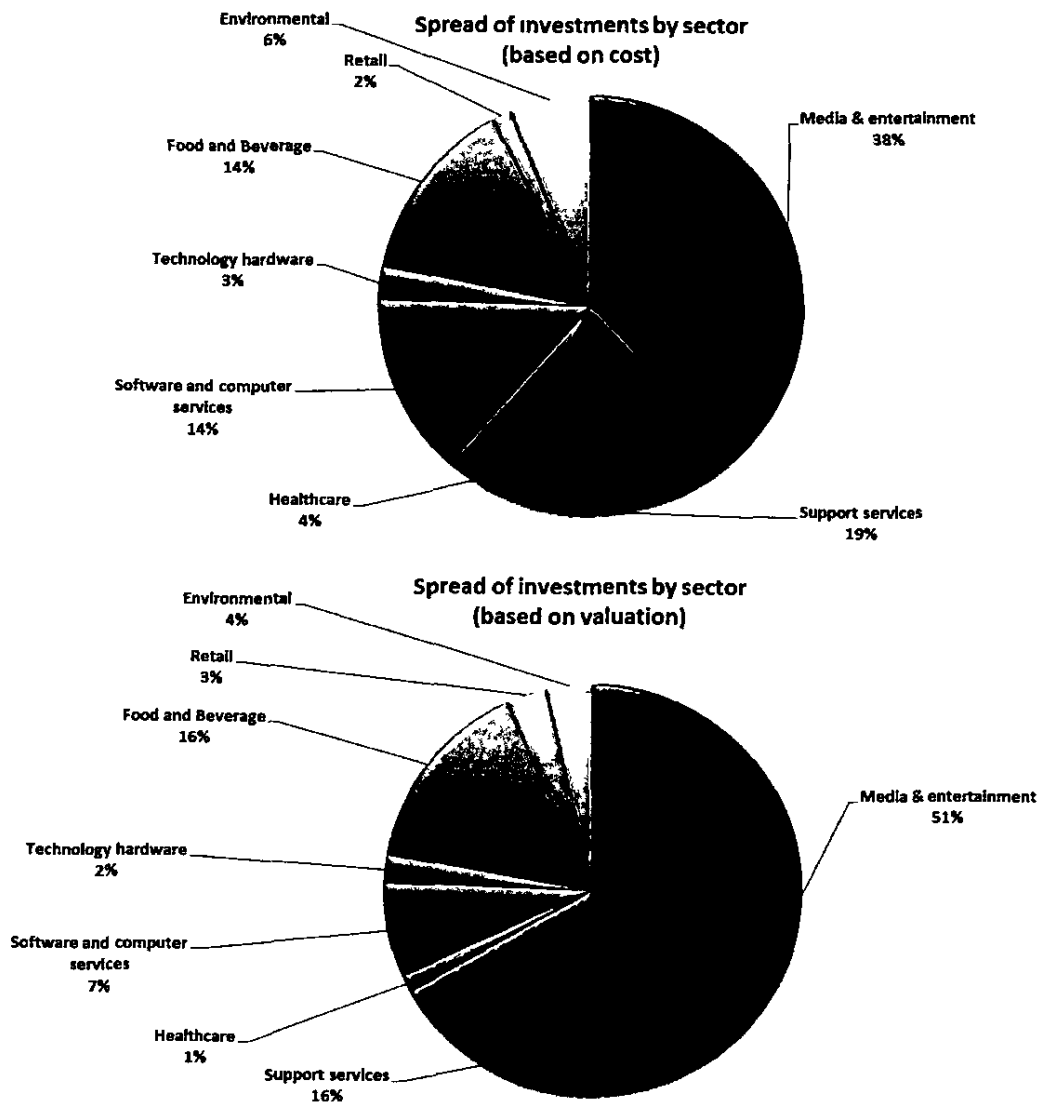
Cost		£1,225,000	Valuation at 28/02/13	£1,049,000
Investment comprises			Valuation at 29/02/12	£1,399,000
Ordinary shares		£123,000	Valuation method	Earnings multiple
Preference shares		£378,000		
Loan stock		£724,000		
Audited accounts	31/12/11	31/12/10	Dividend income	£13,000
Turnover	£27.2m	£27.0m	Loan note income	£58,000
Loss before tax	(£2.0m)	(£578,000)	Proportion of equity held	12.8%
Net assets	£13.8m	£15.6m	Diluted equity	12.8%

Portfolio company financial information is based on publicly available information filed at Companies House in the UK (or equivalent locations in overseas jurisdictions). Certain information may not be required to be filed, dependent, for example, on the company's size, and, in the interests of portfolio company confidentiality, is not disclosed here.

The proportion of equity held in each investment also represents the level of voting rights held by the Company in respect of the investment.

## Analysis of investments by commercial sector

The split of the venture capital investments by commercial sector (by value and cost at 28 February 2013) is summarised as follows



## Analysis of investments by investment type

At 28 February 2013, the assets employed were broadly in line with the targets within the investment policy. These are summarised as follows

Type of investment (by fair value)

VCT qualifying investments	75%
Non-qualifying investments (including cash at bank and liquidity funds)	25%
	100%

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# Board of Directors

## **Andrew Davison FCA, Chairman**

Andrew has over 30 years' experience of the financial services industry. He was formerly Managing Director of NatWest Ventures, which specialised in venture capital investments, and is a former council member of the British Venture Capital Association. He is a Director of Downing Income 3 VCT plc and was formerly the chairman of other companies including City of London Investment Group plc, The Ethical AIM VCT plc and ProVen Growth and Income VCT plc.

## **Barry Dean FCA**

Barry has over 25 years' experience in the venture capital 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, Downing Absolute Income VCT 2 plc and Elderstreet VCT plc. He is also a member of the Investment Committee of Beamreach Capital LLP.

## **Malcolm Moss**

Malcolm is a Senior Managing Director of Beringea LLC and a 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 plc, ProVen Growth & Income VCT plc and ProVen Planned Exit VCT plc, he sits on the investment committees of Beringea's three other venture capital funds 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 independent of the Investment Manager.

# Directors' Report and Business Review

The Directors present the Annual Report and Accounts of the Company for the year ended 28 February 2013

## 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 maintain approval. Approval for the year ended 28 February 2013 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). The same was true of the previous year.

## 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.

Revenue arising from the investments held (including cash at bank and liquidity funds) exceeded the total running costs of the Company by £221,000. The reverse was true in the prior year with running costs exceeding revenue by £730,000. The Ongoing Charges ratio (excluding performance fees and recoverable VAT) in respect of the year ended 28 February 2013, based on net assets at the year end, was 2.8% (2012: 2.7%).

## Results and dividends

	£'000	Pence per share
Return on ordinary activities after tax for the year ended 28 February 2013	2,747	6.2p

During the year ended 28 February 2013, no dividends were paid.

The Board is proposing to pay an interim dividend of 5.0p per Ordinary Share for the year ended 28 February 2013. This dividend will be paid on 2 August 2013 to Shareholders on the register at 5 July 2013.

## Directors

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares, 'C' Shares, and 'D' Shares of the Company, at 29 February 2012 and 28 February 2013 were as follows:

Director		28 Feb 2013	29 Feb 2012
Andrew Davison	New Ordinary Shares	27,563	n/a
	Original Ordinary Shares	n/a	33,331
	'C' Shares	n/a	9,335
	'D' Shares	n/a	2,637
Barry Dean	New Ordinary Shares	19,753	n/a
	'C' Shares	n/a	10,300
Malcolm Moss	New Ordinary Shares	2,760	n/a
	'D' Shares	n/a	3,165

Between 28 February 2013 and the date of this report Barry Dean sold 7,289 New Ordinary Shares as part of the Enhanced Buyback Facility and was issued 7,068 New Ordinary Shares. There were no other movements in respect of the Directors' holdings, since the year end.

In view of developments in corporate governance practice, the Board has decided that all Directors will retire at each Annual General Meeting. Accordingly all the Directors will retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election. The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 20 together with the satisfactory results for the period, in order to support the resolutions to re-appoint all three Directors.

Each of the Directors has an agreed letter of appointment which is terminable by three months' notice on either side. To the extent permitted under the Companies Act 2006, the Company indemnifies each of the Directors against all costs, charges, losses, expenses and liabilities which might arise in the execution of their duties, save for certain exceptions. Each Director is required to devote such time to the affairs of the Company as the Board requires.

## **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 three-four 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.

### **Other investments**

Funds not invested in qualifying investments will be held in cash, liquidity funds, fixed interest securities of A-rating or better or in investments originated in line with the Company's qualifying VCT policy but which do not qualify under the VCT rules for technical reasons.

### **Listing Rules**

In accordance with the Listing Rules:

- (i) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds,
- (ii) the Company must not conduct any trading activity which is significant in the context of the Company, and
- (iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 Income Tax Act 2007.

## **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% (70% in respect of funds raised after 5 April 2011) 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, and
- 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

## **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, which is currently equal to £48 million. There are no plans to utilise this facility at the current time.

## **Proposed amendment to Investment Policy**

Proposals will be put to Shareholders at a general meeting to be held on 30 July 2013 to broaden the "Other investments" section within the Investment Policy. It is proposed to add "debt and debt-related securities in growth companies" to the list of investments included under "Other investments".

## **Environmental and social policy**

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

## **Investment management and administration fees**

Beringea LLP ("Beringea") provides investment management services to the Company for an annual fee of 2.0% of the net assets per annum. Beringea is also entitled to receive performance incentive fees as described further below. The investment management agreement is terminable by either party at any time by one year's prior written notice. The fees relating to this service, together with performance incentive fees due in the year, amounted to £920,000 (2012: £1,286,000) (inclusive of VAT where applicable), of which £237,000 (2012: £440,972) was outstanding at the year end.

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 LLP provided administration services to the Company for a fee of £52,000 (plus VAT if applicable) per annum.

The annual running costs (excluding any performance fees payable) of the Company, are subject to a cap of 3.25% of the Company's net assets. Any running costs in excess of this are borne by Beringea LLP.

## Performance incentive fees

For the financial years starting after 29 February 2012, a performance incentive fee will be payable in relation to the Ordinary Shares if, at the end of a financial year, the New Performance Value exceeds the Hurdle using the definitions below. In this event, the performance incentive fee will be equal to 20% of the amount by which the New Performance Value exceeds the Initial Net Asset Value, multiplied by the average number of Ordinary Shares in issue during the relevant financial year, less the amount of any performance incentive fee already paid in relation to previous financial years starting after 29 February 2013 (which will not include, for the avoidance of doubt, the residual performance incentive fee arrangements in respect of Espresso Group Limited and Think Limited as described below)

**New Performance Value** In respect of the relevant financial year end, the sum of (i) the net asset value per Ordinary Share at that date, (ii) all dividends per Ordinary Share paid in relation to financial years starting after 28 February 2013 up to the relevant financial year, (iii) all performance related incentive fees per Ordinary Share paid by the Company to the Manager in relation to financial years starting after 28 February 2013, (iv) any 'C' Share Adjustment (whether relating to that or any prior financial year), and (v) any Residual PIF Adjustment (whether relating to that or any prior financial year)

**Hurdle** The greater of

- (i) 1.25 times the Initial Net Asset Value, and
- (ii) the Initial Net Asset Value increased, as from 31 August 2011, by the Bank of England base rate plus 1% per annum (compound)

**Residual PIF Adjustment** The performance incentive fee relating to the sale of Espresso Group Limited and Think Limited, as set out below ("Residual PIF"), divided by the number of Ordinary Shares in issue on 31 August 2011, assuming that the number of Ordinary Shares in issue on 31 August 2011 included the New Ordinary Shares subsequently issued under the Ordinary Share offer for subscription launched on 8 December 2012

In consideration of the Manager's performance in managing the Original Ordinary Share Portfolio, a performance incentive fee linked to the profit achieved on the future disposal of two investments from this portfolio, Espresso Group Limited and Think Limited, will be payable, known as the "Residual PIF". This performance incentive fee will be equal to 20% of the aggregate profit realised on the sale of Espresso Group Limited and Think Limited, subject to a maximum fee of £673,000 (being 20% of the aggregate unrealised profit on these investments as at 31 August 2011)

If, after 29 February 2012, the New Performance Value is less than or equal to the Hurdle in any financial year, no performance incentive fee will be payable in respect of that financial year

The new performance incentive fee per Ordinary Share payable in relation to a financial year will be reduced, if necessary, to ensure that (i) the cumulative new performance incentive fee per Ordinary Share payable in relation to financial years starting after 29 February 2012 does not exceed 20% of Cumulative Dividends per Ordinary Share paid in relation to those financial years and (ii) the New Total Return per Ordinary Share is at least equal to the Hurdle

All fees paid under the new performance incentive arrangements will be inclusive of VAT, if applicable. The Manager will receive 91% of all fees paid under the new performance incentive arrangements and Downing LLP will receive 9%

The performance fees payable in respect of Ordinary Shares for the year under review were £nil (2012: £529,000) to Beringea and £nil (2012: £53,000) to Downing LLP. No performance incentive fees were paid in respect of the 'C' Shares or 'D' Shares in the year under review or in the prior year.

Proposals to make a minor adjustments to the performance incentive fee arrangements will be put to Shareholders at a general meeting to be held on 30 July 2013. The proposals make amendments to the calculation and definitions to ensure that fees became payable in line with the Board's intentions in all circumstances.

## VCT status

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 2013 and for the year then ended is summarised as follows:

1	70% of its investments in qualifying companies	81.8%
2	At least 30% of the Company's qualifying investments in "eligible shares" for funds raised before 6 April 2011 and at least 70% in "eligible shares" for funds raised on or after 6 April 2011	50.8%
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, and	94.6%
6	No more than 15% of the income from shares and securities is retained	Complied

## Share capital

The Company has one class of shares: Ordinary Shares of 10p each ("New Ordinary Shares").

At the 2012 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 7,176,873 Original Ordinary Shares. At the current date, authority remains for 3,086,455 Ordinary Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 30 July 2013.

Between 15 March 2012 and 30 August 2012, 25,154,068 Ordinary Shares with an aggregate nominal value of £1,258,000 were issued at 50.74p per share pursuant to the offer for subscription dated 8 December 2011. The aggregate consideration for the shares was £12,764,000 which excluded share issue costs of £702,000.

Following Shareholder approval at the AGM and at Shareholder meetings on 24 October 2012 of proposals to convert the 'C' Shares and 'D' Shares into Ordinary Shares, the share conversions took place on 30 October 2012. Immediately prior to the conversions, the Ordinary Shares were consolidated such that Ordinary Shareholders received one New Ordinary Share for every two original Ordinary Shares. As a result, the net asset value of the New Ordinary Shares is double that of the original Ordinary Shares. Under the share conversions, 'C' Shareholders received approximately 0.9213 New Ordinary Shares for each 'C' Share held previously and 'D' Shareholders received approximately 0.8720 New Ordinary Shares for each 'D' Share held previously.

On 21 December 2012, 1,078,261 New Ordinary Shares with an aggregate nominal value of £107,826 were issued at £1.08 per share pursuant to the top-up offer for subscription dated 19 November 2012. The aggregate consideration for the shares was £1,160,000 which excluded share issue costs of £64,000.

Share buybacks which took place during the year are summarised as follows

	Number	Aggregate nominal value £'000	Average consideration pence per share	Aggregate consideration £'000	% of issued share capital
New Ordinary Shares	381,257	38	91 5p	349	0.85%
Original Ordinary Shares	136,350	7	44 1p	60	0.5%
'C' Shares	1,757,860	439	84 7p	1,489	12.2%
'D' Shares	21,893	-	82 9p	18	0.3%

The minimum price which may be paid for an Ordinary Share is 10p, exclusive of all expenses, and the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations

### 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 (2012: £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 4). 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 4).

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

### Principal risks and uncertainties

The principal financial risks faced by the Company, which include market price risk, interest rate risk, credit risk and liquidity risk (being minimal), are summarised within note 19 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 Listing Rules of the Financial Conduct Authority and the Companies Act 2006, 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.

### Auditor

As a result of PKF (UK) LLP entering into a business combination with BDO LLP on 28 March 2013, PKF (UK) LLP resigned as auditor on 21 June 2013 and BDO LLP was appointed to fill the casual vacancy. A resolution to appoint BDO LLP as the Company's auditor will be proposed at the forthcoming AGM.

### Annual General Meeting

The Annual General Meeting will be held in The Forest Room at The Hospital Club, 24 Endell Street, Covent Garden, London WC2H 9HQ at 11.00 a.m. on 30 July 2013.

Notice of the Annual General Meeting is at the end of this document.

## Substantial interests

As at 28 February 2013, and at the date of this report, the Company was not aware of any beneficial interest exceeding 3% of the issued share capital<sup>1</sup>

## Future developments

The Directors do not foresee any major changes in the activity undertaken by the Company in the coming year. The Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to minimising the risks of investment and providing both capital growth and dividend income to Shareholders over the long term whilst maintaining VCT qualifying status.

## Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and Business Review, 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 Conduct 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.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 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.

## Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Investment Manager and Administration Managers' websites in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities pursuant to the Disclosure and Transparency Rule 4

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

- that the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and

- that the management report included within the Directors' Report and Business Review, Chairman's Statement, Investment Manager's Review and Review of Investments 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

## Corporate governance

The Company's compliance with, and departures from, the Financial Reporting Council's UK Corporate Governance Code ([www.frc.org.uk](http://www.frc.org.uk)) are shown on page 32

The Corporate Governance Statement describes how the principles and supporting principles within the UK Corporate Governance Code, published in June 2010, have been applied by the Company throughout the year ended 28 February 2013, except where disclosed within the Corporate Governance Statement

## Statement as to disclosure of information to the Auditor

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 Auditor is 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 Auditor. 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

27 June 2013

# Statement of Corporate Governance

The Directors support the relevant principles of the UK Corporate Governance Code issued in June 2010, being the principles of good governance and the code of best practice, as set out in the UK Corporate Governance Code

## Application of the Principles of the Code

The Board attaches importance to matters set out in the UK Corporate Governance 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 three non-executive Directors. The Chairman and senior Director is Andrew Davison. Andrew Davison and Barry Dean are considered to be independent Directors by the Board. Biographical details of all Board members (including the significant commitments of the Chairman) are shown on page 20.

In accordance with Company policy all of the Directors will resign at the forthcoming AGM and, being eligible, offer themselves for re-election.

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 2013.

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

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 were 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.

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 reviewed the results of the questionnaire and followed up relevant matters with each Director. The outcome of the 2013 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 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 of Barry Dean, as Chairman and Andrew Davison. This Committee has defined terms of reference and duties.

The Audit Committee is responsible for reviewing the half-year and annual accounts before they are presented to the Board, the terms of appointment of the Auditor, 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 Auditor are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditor), to ensure that Auditor objectivity and independence is safeguarded. In addition, the Auditor confirms their independent status on an annual basis.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they were appropriate. They also considered the need for an internal audit function and concluded that, due to the size of the Company, this would not be an appropriate function.

During the year the Committee discharged its responsibilities by obtaining assurance from their own evaluation of the annual and half yearly reports, the audit feedback documentation and, from correspondence and discussions with the engagement partner of BDO LLP. Based on the assurance obtained, the Committee has recommended, to Shareholders and the Board that BDO LLP, who were appointed as part of a business combination with PKF (UK) LLP detailed on page 26, are appointed as Auditor at the forthcoming AGM.

As the Company has had no staff, other than Directors, there are no procedures in place in respect of C3.4 of the UK Corporate Governance Code, relating to whistleblowing. The Audit Committee understands that the Investment Manager and Administration Manager have whistleblowing procedures in place.

## 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. A shareholder presentation for all ProVen VCTs is also held each year 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 or the Investment 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 UK Corporate Governance 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 the Annual Report and accounts.

The terms of reference of the Audit and Remuneration Committees 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 and Business Review on page 27 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 35.

## Internal control

The Board has adopted an Internal Control Manual ("Manual") for which they are responsible, which has been compiled to comply with the UK Corporate Governance. 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 in place 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 reviews a Risk Register on an annual basis. The main aspects of internal control in relation to financial reporting by the Board were as follows:

- Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals
- Quarterly reviews by the Board of the Company's investments, other assets and liabilities, and revenue and expenditure and detailed review of unquoted investment valuations,
- Quarterly reviews by the Board of compliance with the venture capital trust regulations to retain status, including a review of half yearly reports from PwC,
- A separate review of the Annual Report and Half Yearly report by the Audit Committee prior to Board approval, and
- A review by the Board of all financial information prior to publication.

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:

Investment management	Beringea LLP
Administration	Downing LLP

## Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by Downing LLP at [www.downing.co.uk](http://www.downing.co.uk)

## Share capital

The rights and obligations attaching to the Company's shares, including the power of the Company to buy back shares and details of any significant Shareholders, are set out on page 6 of the Chairman's Statement and page 25 and 27 of the Directors' Report and Business Review

## 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 5, the Investment Manager's Review on page 9 and the Directors' Report and Business Review on page 21. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 39, the Cash Flow Statement on page 40 and the Directors' Report and Business Review on page 23. In addition, notes 14, 19 and 20 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.

## Compliance statement

The Listing Rules require the Board to report on compliance with the fifty-two UK Corporate Governance 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 2013 with the provisions set out in Section 1 of the UK Corporate Governance 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 (B 4.1, B 4.2, E 1.1)
- b The Directors do not have service contracts in place (B 2.3). The Directors have agreed letters of appointment in place with a three month notice period.
- c 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 (B 2.1).
- d As the Company has had no staff, other than Directors, there are no procedures in place relating to whistleblowing (C 3.4).
- e Due to the size of the Company, the Audit Committee have concluded that an internal audit function is not appropriate (C 3.5).

By order of the Board

  
Grant Whitehouse

Secretary

39 Earlham Street  
London WC2H 9LT

27 June 2013

# Directors' Remuneration Report

The Board and Remuneration Committee have 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 30 July 2013.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Independent Auditor's Report on pages 35 and 36.

## Remuneration Committee

The Remuneration Committee comprises all members of the Board and is chaired by Andrew Davison.

## 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 travel, 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 an agreed letter of appointment 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 2013 £'000	Year ended 29 Feb 2012 £'000
Andrew Davison (Chairman)	30	30
Barry Dean	22	22
Malcolm Moss	15	15
	67	67

The remuneration of Malcolm Moss is paid to Beringea LLP. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Director. The remuneration levels for the forthcoming year are expected to be at the following rates:

	Annual Rate £'000
Andrew Davison (Chairman)	30
Barry Dean	22
Malcolm Moss	15
	67

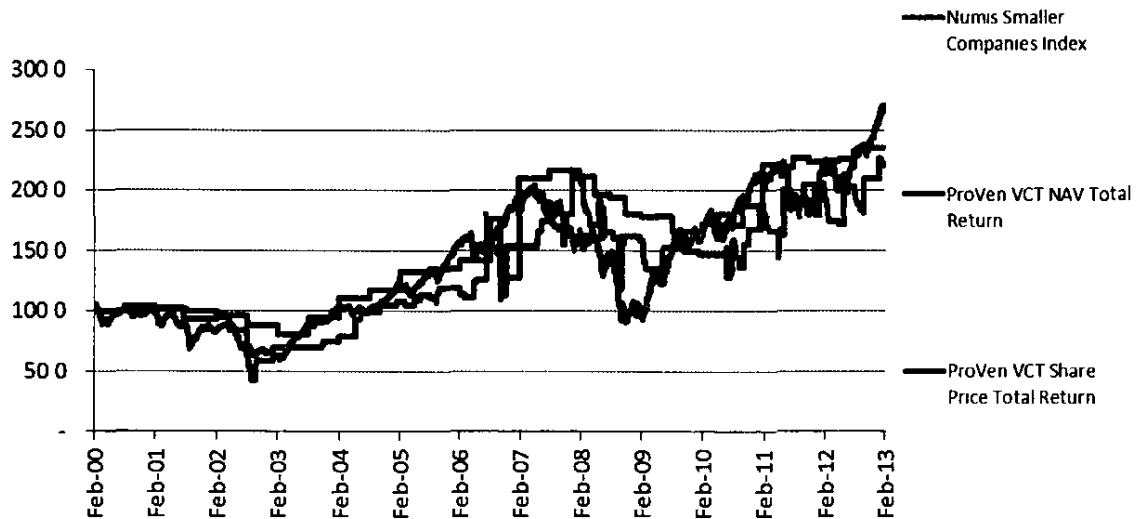
### Insurance cover

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

### Performance graph

The chart below represents the Company's Ordinary Share performance over the reporting periods since launch of the share classes and compares the Net Asset Value Total Return and the Share Price Total Return to the rebased Numis Smaller Companies Index (excluding investment companies) ("Numis"). Net Asset Value Total Return is calculated as Net Asset Value plus dividends and/or capital distributions reinvested in the share class 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. Numis is not considered to be a benchmark for the Company but has been selected as an appropriate publicly available broad equity market index. The series has been rebased to 100 at the Company's launch date.

Ordinary Share performance chart



By order of the Board

*Grant Whitehouse*  
Grant Whitehouse

Secretary

39 Earlham Street  
London WC2H 9LT

27 June 2013

# Independent Auditor's Report to the Members of ProVen VCT plc

We have audited the financial statements of ProVen VCT plc for the year ended 28 February 2013 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements 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 auditor's 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 and express an opinion on 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 Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## 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 2013 and of its profit 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,
- the information given in the Directors' Report and Business Review for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Statement of Corporate Governance on pages 29 to 32 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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 matters

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, or
- a corporate governance statement has not been prepared by the Company

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 32, in relation to going concern,
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration

### **Rhodri Whitlock (Senior statutory auditor)**

for and on behalf of BDO LLP, statutory auditor

London

United Kingdom

27 June 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Income Statement

## for the year ended 28 February 2013

### Company

	Year ended 28 February 2013			Year ended 29 February 2012			
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	1,554	–	1,554	844	–	844
Gains on investments	10	–	2,508	2,508	–	2,245	2,245
		1,554	2,508	4,062	844	2,245	3,089
Investment management fees	3	(230)	(690)	(920)	(177)	(527)	(704)
Performance incentive fees	4	–	–	–	–	(582)	(582)
Other expenses	5	(376)	(19)	(395)	(288)	–	(288)
<b>Return on ordinary activities before tax</b>		948	1,799	2,747	379	1,136	1,515
Tax on ordinary activities	7	–	–	–	–	–	–
<b>Return attributable to equity shareholders</b>		948	1,799	2,747	379	1,136	1,515
Basic and diluted return per share							
<b>Ordinary Share</b>	9	2 1p	4 1p	6 2p	1 1p*	3 3p*	4 4p*

All revenue and capital movements in the year relate to continuing operations. No operations were acquired or discontinued during the year. The total column within the Income Statement represents the profit and loss account of the Company, prepared in accordance with the accounting policies detailed in note 1 to the financial statements. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by The Association of Investment Companies.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement in the current and prior year as shown.

Other than revaluation movements arising on investments held at fair value through the Profit and Loss, there were no differences between the return as stated above and at historical cost.

\*rebased in respect of the share consolidation and conversions that took place on 30 October 2012.

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

# Reconciliation of Movements in Shareholders' Funds

for the year ended 28 February 2013

		Year ended 28 February 2013	Year ended 29 February 2012
	Note	Total £'000	Total £'000
Opening Shareholders' funds		36,434	33,966
Issue of shares		13,924	1,860
Share issue costs		(766)	(101)
Purchase of own shares		(1,923)	(572)
Movement in share capital to be issued		(2,609)	3,206
Total recognised gains for the year		2,747	1,515
Dividends paid	8	–	(3,440)
<b>Closing Shareholders' funds</b>		<b>47,807</b>	<b>36,434</b>

The accompanying notes are an integral part of these financial statements

# Balance Sheet

as at 28 February 2013

		28 February 2013	29 February 2012
	Note	Total £'000	Total £'000
<b>Fixed assets</b>			
Investments	10	31,103	25,556
<b>Current assets</b>			
Debtors	11	283	242
Current investments	12	–	6,200
Cash at bank and in hand		16,777	5,942
		17,060	12,384
<b>Creditors</b> amounts falling due within one year	13	(356)	(1,506)
<b>Net current assets</b>		16,704	10,878
<b>Total assets less current liabilities/Net assets</b>		47,807	36,434
<b>Capital and reserves</b>			
Called up share capital	14	4,572	5,053
Capital redemption reserve	15	2,795	313
Share premium	15	21,570	10,413
Unallotted share capital	15	597	3,206
Special reserve	15	8,127	11,763
Capital reserve – realised	15	1,303	2,442
Revaluation reserve	15	8,405	3,756
Revenue reserve	15	438	(512)
<b>Equity shareholders' funds</b>		47,807	36,434
<b>Basic and diluted net asset value per share</b>	16	103 3p	98 8p*

\*rebased in respect of the share consolidation and conversions that took place on 30 October 2012

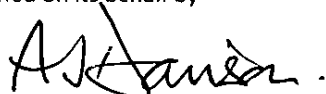
The financial statements on pages 37 to 56 were approved and authorised for issue by the Board of Directors on 27 June 2013 and were signed on its behalf by

**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 2013

		Year ended 28 February 2013	Year ended 29 February 2012
	Note	Total £'000	Total £'000
<b>Net cash outflow from operating activities</b>	17	(43)	(914)
<b>Capital expenditure</b>			
Purchase of investments	10	(4,309)	(3,613)
Sale of investments	10	1,270	1,792
<b>Net cash outflow from capital expenditure</b>		(3,039)	(1,821)
<b>Equity dividends paid</b>	8	–	(3,440)
<b>Management of liquid resources</b>			
Purchase of current investments held as liquidity funds		–	(400)
Withdrawal from liquidity funds		6,200	3,400
<b>Net cash inflow from liquid resources</b>		6,200	3,000
<b>Net cash inflow/(outflow) before financing</b>		3,118	(3,175)
<b>Financing</b>			
Proceeds from share issues	14	10,718	1,861
Share issue costs	14	(766)	(101)
Purchase of own shares	14	(1,923)	(572)
Unallotted share capital		597	3,206
Proceeds received on behalf of a co-investor		(909)	909
<b>Net cash inflow from financing</b>		7,717	5,303
<b>Increase in cash</b>	18	10,835	2,128

The accompanying notes are an integral part of these financial statements

# Notes to the Accounts

## for the year ended 28 February 2013

### 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 Financial Reporting Council 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 32

#### Presentation of Income Statement

In order to better reflect the activities of an investment 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

Venture capital 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 on a fair value basis, 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

Publicly traded investments are measured using bid prices in accordance with the IPEV Guidelines

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

Fixed asset investments are derecognised when the contractual rights to the cash flows from the asset expire or it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity

Where an investee company has gone into receivership or liquidation, or the loss in value below costs is considered to be permanent, 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 and transaction costs on acquisition or disposal of the investment are expensed

In accordance with exemptions under FRS 9, those undertakings in which the company holds more than 20% of the equity as part of an investment portfolio are not accounted for using the equity method

### **Current asset investments**

Current asset investments, which comprise investments in liquidity funds with AAA rating, are held at fair value through profit and loss and are marked-to-market. These assets are purchased and redeemed under a contract and the assets are recognised and derecognised on the trade date. These assets are initially measured at cost and subsequently valued at fair value, being the closing price of the fund as issued by the provider

### **Income**

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex-dividend date, or, where no ex-dividend date is established, when the Company's right to receive payment is established

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 in the foreseeable future. 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, and the performance incentive fee is allocated 100% 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, which is not discounted, 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), other creditors and loan notes are included within the accounts at amortised cost

#### Share issue costs

Expenses in relation to share issues are deducted from the Share Premium Account upon allotment of shares

## 2 Income

	2013 £'000	2012 £'000
<b>Income from investments</b>		
Loan stock interest	1,254	516
Dividend income	168	242
Liquidity funds interest	32	60
	1,454	818
<b>Other income</b>		
Deposit interest	100	25
Other income	–	1
	1,554	844

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

	2013 £'000	2012 £'000
Investment management fees	920	704

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 (excluding performance incentive fees and trail commission) of the Company are subject to a cap of 3.25% of the Company's net assets.

#### 4 Performance incentive fees

	2013 £'000	2012 £'000
Beringea LLP	–	529
Downing LLP	–	53
	–	582

Beringea LLP (“Beringea”) and Downing LLP are entitled to receive performance incentive fees as described in the Directors’ Report and Business Review on page 24. The performance incentive fees are stated inclusive of VAT. Fees are attributed to capital or revenue in accordance with the dividend on which they are based.

#### 5 Other expenses

	2013 £'000	2012 £'000
Administration services	52	61
Directors’ remuneration	67	67
Social security costs and irrecoverable VAT on Directors remuneration	9	9
Trail commission	59	52
Auditor’s remuneration for audit of the Company’s annual accounts	17	17
Auditor’s remuneration for tax compliance services	6	4
Auditor’s remuneration for other services	2	–
Other	183	78
	395	288

Included within other is £19,000 allocated to capital expenses in respect of arrangement fees in relation to an investment. All other expenses are allocated as revenue costs.

#### 6 Directors’ remuneration

Details of remuneration (excluding employers’ NIC and VAT) are given in the Directors’ Remuneration Report on page 33.

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

## 7 Taxation on ordinary activities

	2013 £'000	2012 £'000
<b>(a) Tax charge for the year</b>		
<b>Current year</b>		
UK corporation tax (charged to the revenue account)	–	–
Charged to capital expenses	–	–
<b>Charge for the year</b>	–	–
<b>(b) Factors affecting tax charge for the year</b>		
Return on ordinary activities before taxation	2,747	1,515
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 24% (2012 26%)	659	393
Effects of		
UK dividend (income)	(40)	(63)
Gain on investments	(602)	(584)
Disallowable expenses	23	17
Excess capital investment management fees	(40)	237
	–	–

### (c) Excess management fees

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £4,826,000 (2012 £4,975,000). The deferred tax asset of £1,110,000 (2012 £1,244,000) has not been recognised due to the fact that it is unlikely the excess management fees will be set off in the foreseeable future.

## 8 Dividends

	Year ended 28 February 2013			Year ended 29 February 2012			
	Pence	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Ordinary Share dividends Paid in the year</b>							
2012 Interim	6 25	–	–	–	342	1,369	1,711
2011 Final	6 25	–	–	–	498	1,231	1,729
		–	–	–	840	2,600	3,440
<b>Proposed dividends</b>							
Interim 2013	5 0	731	1,555	2,286	–	–	–

## 9 Basic and diluted return per share

	Year ended 28 February 2013	Year ended 29 February 2012
	Ordinary Shares	Ordinary Shares*
Revenue return per share based on		
Net revenue after taxation (£'000)	948	379
Weighted average number of shares in issue	44,205,557	34,140,909
Pence per share	2 1	1 1
Capital return per share based on		
Net capital gain for the financial year (£'000)	1,799	1,136
Weighted average number of shares in issue	44,205,557	34,140,909
Pence per share	4 1	3 3

\* rebased in respect of the share consolidation and conversions that took place on 30 October 2012

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.

## 10 Investments

### "Fair value through profit or loss" assets

	Investments quoted on AIM £'000	Unquoted investments £'000	Total £'000
Opening cost at 1 March 2012	1,274	20,527	21,801
Unrealised (losses)/(impairments)/gains at 1 March 2012	(915)	4,670	3,755
Opening fair value at 1 March 2012	359	25,197	25,556
<b>Movement in year</b>			
Purchases at cost	–	4,309	4,309
Sales – proceeds	–	(1,270)	(1,270)
– realised gains on sales	–	373	373
Unrealised (losses)/gains in the income statement	(12)	2,147	2,135
Closing fair value at 28 February 2013	347	30,756	31,103
Closing cost at 28 February 2013	1,274	22,466	23,740
Unrealised (losses)/gains at 28 February 2013	(187)	8,592	8,405
Realised losses on investments still held	(740)	(302)	(1,042)
Closing fair value at 28 February 2013	347	30,756	31,103

The combined effect of a change in the basis of valuation is an uplift of £3,718,000 in the valuation relative to the prior year. The only significant movements are in the valuation of Fjordnet Limited (28 February 2013 valuation £4,939,000, uplift of £3,263,000) was changed from an earnings multiple basis to an offer price basis, Tossed Limited (28 February 2013 valuation £1,545,000, uplift of £226,000) was changed from an earnings multiple basis to an offer price basis, and Matssoft Limited (28 February 2013 valuation £1,199,000, uplift of £189,000) was changed from a price of recent investment basis to an earnings multiple basis.

## 11 Debtors

	2013 £'000	2012 £'000
Other debtors	13	172
Prepayments and accrued Income	270	70
	283	242

## 12 Current investments

### "Fair value through profit or loss" assets

	2013 £'000	2012 £'000
BlackRock Liquidity Fund	-	2,000
Insight Liquidity Fund	-	1,000
Standard Life Investments GBP Liquidity Fund	-	2,000
RBS Liquidity Fund	-	1,200
	-	6,200

## 13 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Other social security costs	7	8
Other creditors	-	911
Accruals and deferred income	349	587
	356	1,506

Other creditors in the prior year included monies received from Lazurite Limited on disposal of the investment on behalf of ProVen Growth & Income VCT plc

## 14 Called up share capital

	2013 £'000	2012 £'000
<b>Issued, allotted, called up and fully-paid</b>		
45,718,436 (2011 nil) Ordinary Shares of 10p each ("New Ordinary Shares")	4,572	-
Nil (2011 27,355,996) Ordinary Shares of 5p each ("Original Ordinary Shares")	-	1,367
Nil (2011 14,414,223) 'C' Shares of 25p each	-	3,604
Nil (2011 8,249,401) 'D' Shares of 1p each	-	82
	4,572	5,053

Between 15 March 2012 and 30 August 2012, 25,154,068 Original Ordinary Shares with an aggregate nominal value of £1,258,000 were issued at 50 74p per share pursuant to the top-up offer for subscription dated 8 December 2011. The aggregate consideration for the shares was £12,764,000 which excluded share issue costs of £702,000

Following Shareholder approval at the AGM and at Shareholder meetings on 24 October 2012 of the proposals to convert the 'C' Shares and 'D' Shares into New Ordinary Shares, the share conversions took place on 30 October 2012. Immediately prior to the conversions, the Original Ordinary Shares were consolidated such that Original Ordinary Shareholders received one New Ordinary Share for every two Original Ordinary Shares. As a result, the net asset value of the New Ordinary Shares is double that of the original Ordinary Shares. The pro-forma NAV of the New Ordinary Shares as at 31 August 2012 was therefore 101.6p per share.

Under the share conversions, 'C' Shareholders received approximately 0.9213 New Ordinary Shares for each 'C' Share held previously and 'D' Shareholders received approximately 0.8720 New Ordinary Shares for each 'D' Share held previously.

As part of the process of converting the 'C' Shares into Ordinary Shares, 20 million Deferred Shares were issued. These were subsequently cancelled in accordance with the articles of association.

On 21 December 2012, 1,078,261 New Ordinary Shares with an aggregate nominal value of £107,826 were issued at £1.08 per share pursuant to the top-up offer for subscription dated 19 November 2012. The aggregate consideration for the shares was £1,160,000 which excluded share issue costs of £64,000.

Share buybacks which took place during the year are summarised as follows:

	Number	Aggregate nominal value £'000	Average consideration pence per share	Aggregate consideration (net of costs) £'000	% of issued share capital
New Ordinary Shares	381,257	38	91.5p	349	0.85%
Original Ordinary Shares	136,350	7	44.1p	60	0.5%
'C' Shares	1,757,860	439	84.7p	1,489	12.2%
'D' Shares	21,893	–	82.9p	18	0.3%

All the above shares were subsequently cancelled.

## 15 Reserves

	Capital redemption reserve £'000	Share premium £'000	Unallotted Share capital £'000	Special reserve £'000	Capital reserve- realised £'000	Revaluation reserve £'000	Revenue reserve £'000
At 1 March 2012	313	10,413	3,206	11,763	2,442	3,756	(512)
Issue of new shares (net of costs)	-	11,793	(3,206)	-	-	-	-
Unallotted Share capital	-	-	597	-	-	-	-
Share repurchase	484	-	-	(1,905)	-	-	(18)
Cancellation of deferred shares	1,998	-	-	-	-	-	-
Bonus issue of shares	-	(636)	-	-	-	-	-
Expenses capitalised	-	-	-	-	(709)	-	-
Gains on investments	-	-	-	-	373	2,135	-
Retained revenue	-	-	-	-	-	-	948
Transfer between reserves	-	-	-	(1,731)	(803)	2,514	20
At 28 February 2013	2,795	21,570	597	8,127	1,303	8,405	438

The special reserve is a distributable reserve that allows the Company to make market purchases of its own shares and to pay distributions. The special reserve, capital reserve – realised and revenue reserve are all distributable reserves. The distributable reserves are reduced by losses of £2,495,000 which are included in the revaluation reserve. Reserves available for distribution therefore amount to £7,373,000.

## 16 Basic and diluted net asset value per share

	Shares in Issue		2013 Net asset value		2012 Net asset value	
	2013	2012	per share	£'000	per share	£'000
New Ordinary Shares	45,718,436	n/a	103 3p	47,210	n/a	n/a
Original Ordinary Shares	n/a	27,355,996	n/a	n/a	49 4p	13,505
'C' Shares	n/a	14,414,223	n/a	n/a	87 4p	12,594
'D' Shares	n/a	8,249,401	n/a	n/a	86 4p	7,129
Ordinary share capital to be issued				597		3,206
				47,807		36,434

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.

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

	2013 £'000	2012 £'000
Return on ordinary activities before taxation	2,747	1,515
Gain on investment	(2,508)	(2,245)
(Increase)/decrease in prepayments, accrued income and other debtors	(41)	46
Decrease in accruals and other creditors	(241)	(230)
Net cash outflow from operating activities	(43)	(914)

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

	2013 £'000	2012 £'000
Beginning of year	5,942	3,814
Net cash inflow	10,835	2,128
End of year	16,777	5,942

## 19 Financial instruments

The Company's financial instruments comprise investments held at fair value through the profit and loss, being equity and loan stock investments in quoted companies and unquoted companies and liquidity funds, loans and receivables being cash deposits and short term debtors, and financial liabilities being creditors arising from its operations. The main purpose of these financial instruments is to generate cash flow, revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 10 and below.

The fair value of cash deposits and short term debtors and creditors equates to their carrying value in the Balance Sheet.

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

### Principal risks and management objectives

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- Market risks,
- Credit risk, and
- Liquidity risk

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company is exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year. The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year end are provided below.

## Market risks

As a VCT, the Company is exposed to market risks in the form of potential losses and gains that may arise on the investments it holds. The management of these market risks is a fundamental part of investment activities undertaken by the Investment Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Market risk is also mitigated by holding a portfolio diversified across several business sectors and asset classes.

The key market risks to which the Company is exposed are

- Market price risk, and
- Interest rate risk

### Market price risk

Market price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through market price movements in respect of quoted investments and also changes in the fair value of unquoted investments that it holds.

At 28 February 2013, the AIM-quoted portfolio was valued at £347,000 (2012: £359,000)

The Company's sensitivity to fluctuations in the share prices of its AIM-quoted investments is summarised below. A 25% movement in the share price of all of the AIM-quoted stocks held by the Company would have an effect as follows:

#### 25% movement in AIM-quoted stocks

	Impact on net assets £'000	2013 Impact on NAV per share pence	Impact on net assets £'000	2012 Impact on NAV per share Pence
New Ordinary Share	87	0.2p	n/a	n/a
Original Ordinary Shares	n/a	n/a	90	0.3p

At 28 February 2013, the unquoted portfolio was valued at £30,756,000 (2012: £25,197,000)

As many of the Company's unquoted investments are valued using revenue or earnings multiples of comparable companies or sectors, a fall in share prices generally would impact on the valuation of the unquoted portfolio. A 10% movement in the valuations of all of the unquoted investments held by the Company would have an effect as follows:

#### 10% movement in unquoted investment valuations

	Impact on net assets £'000	2013 Impact on NAV per share pence	Impact on net assets £'000	2012 Impact on NAV per share pence
New Ordinary Share	3,076	6.7p	n/a	n/a
Original Ordinary Shares	n/a	n/a	1,208	4.4p
'C' Shares	n/a	n/a	1,109	7.7p
'D' Shares	n/a	n/a	202	2.4p

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.

### Interest rate risk

The Company is exposed to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers and on liquidity funds at rates based on the underlying investments. 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 financial instruments is shown overleaf.

There are three categories in respect of interest which are attributable to the financial instruments held by the Company 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 and liquidity fund investments and certain loan note investments.
- "No interest rate" assets do not attract interest and comprise equity investments, certain loan note investments, loans and receivables (excluding cash at bank) and other financial liabilities. Interest rate profile of financial assets and liabilities.

	Average interest rate	Average period until maturity	2013 £'000	2012 £'000
Fixed rate	7.4%	965 days	9,836	10,169
Floating rate	0.7%	–	17,960	13,325
No interest rate			20,367	14,446
			48,163	37,940

The Company monitors the level of income received from fixed, floating and non interest rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

Based on the assumption that the yield of all floating rate financial instruments would change by an amount equal to the movement in prevailing interest rates, it is estimated that an increase of 1% in interest rates would have increased total return before taxation for the year by £180,000. As the Bank of England base rate stood at 0.5% per annum throughout the year, it is believed that a reduction from this level is unlikely.

### 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 is exposed to credit risk through its holdings of loan stock in investee companies, investments in liquidity funds, cash deposits and debtors. Credit risk relating to loan stock investee companies is considered to be part of market risk.

The Company's exposure to credit risk is summarised as follows

	2013 £'000	2012 £'000
Investments in liquidity funds	–	6,200
Investments in loan stocks	11,019	11,351
Cash and cash equivalents	16,777	5,942
Interest, dividends and other receivables	270	242
	28,066	23,735

The Manager manages credit risk in respect of loan stock with a similar approach as described under Investment risks above. In addition the credit risk is partially mitigated by registering floating charges over the assets of certain investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. The level of security is a key means of managing credit risk. Similarly, the management of credit risk associated with interest, dividends and other receivables is covered within the investment management procedures.

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

Cash is mainly held by Bank of Scotland plc and Royal Bank of Scotland plc, both of which are A-rated financial institutions and both also ultimately part-owned by the UK Government. Consequently, the Directors consider that the risk profile associated with cash deposits is low.

There have been no changes in fair value during the year that are directly attributable to changes in credit risk.

#### Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company generally maintains a relatively low level of creditors (£356,000 at 28 February 2013) and has no borrowings. Also, the quoted investments held by the Company are considered to be readily realisable.

The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as required. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Investment Manager in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

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

The carrying value of loan stock investments held at 28 February 2013, which is analysed by expected maturity date, is as follows

	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
<b>As at 28 February 2013</b>						
Fully performing loan stock	1,240	906	1,592	2,528	1,135	7,401
Past due loan stock	1,975	173	172	1,298	-	3,618
	3,215	1,079	1,764	3,826	1,135	11,019
<b>As at 29 February 2012</b>						
Fully performing loan stock	368	1,527	1,490	4,193	710	8,288
Past due loan stock	1,798	202	202	574	287	3,063
	2,166	1,729	1,692	4,767	997	11,351

Of the loan stock classified as "past due" above, £1,802,000 relates to the principal of loan notes where the principal has passed its maturity date. As at the balance sheet date, the extent to which the principal is past its maturity date giving rise to the classification of the loan notes as past due falls within the banding of no later than one year.

Of the loan stock classified as "past due" above, £1,816,000 relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is thus in arrears. As at the balance sheet date, the interest giving rise to the classification of the loan notes as past due related to the principal of £173,000 falling within the banding of less than one year, £173,000 falling within the banding of one to two years, £172,000 falling within the banding of two to three years and, £1,298,000 falling within the banding of 3 to 5 years. Notwithstanding the arrears of interest, the Directors do not consider that the loan note itself has been impaired.

## Fair Value of Financial Instruments

### *Fair value measurements recognised in the balance sheet*

Investments are valued at fair value as determined using the measurement policies described in note 1. The carrying value of financial assets and financial liabilities recorded at amortised cost, which includes short term debtors and creditors, is considered by the Directors to be equivalent to their fair value.

The Company has categorised its financial instruments that are measured subsequent to initial recognition at fair value, using the fair value hierarchy as follows:

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

	2013				2012			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
AIM quoted	347	-	-	347	359	-	-	359
Loan notes	-	-	11,019	11,019	-	-	11,351	11,351
Unquoted equity	-	-	17,472	17,472	-	-	12,532	12,532
Preference shares	-	-	2,265	2,265	-	-	1,314	1,314
Liquidity fund	-	-	-	-	6,200	-	-	6,200
	347	-	30,756	31,103	6,559	-	25,197	31,756

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

	Loan Notes £'000	Unquoted Equity £'000	Total £'000
Balance at 29 February 2012	11,351	13,846	25,197
Movements in the Income Statement (Loss)/gain in the Income Statement	(530)	3,050	2,520
	(530)	3,050	2,520
Purchases at cost	1,287	3,022	4,309
Sales proceeds	(1,089)	(181)	(1,270)
Balance at 28 February 2013	11,019	19,737	30,756

There is an element of judgment in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to certain of the VCT's investments

FRS 29 requires disclosure to be made if changing one or more of the assumptions used in valuing investments would result in a significant change in the fair value of the investments. The portfolio has been reviewed and both downside and upside alternative assumptions identified. These result in an overall increase of £535,000 to the value of the unquoted investments for an upside scenario and an overall decrease of £288,000 to the value of the unquoted investments for a downside scenario.

Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown on page 51.

An analysis of venture capital investments between equity and non-equity elements is set out above and on page 46.

## 20 Capital management

The Company's capital is managed in accordance with its investment policy as shown in the Directors' Report and Business Review on page 22, in pursuit of its principal investment objectives as stated on page 4. There has been no significant change in the objectives, policies or processes for managing capital from the previous year.

By its nature the Company has an amount of capital which must be invested, and retained, in the relatively high risk asset class of small UK companies broadly within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in 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,

purchases of its own shares, issues of 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.

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. The Company has the authority to buy back shares as described in the Directors' Report and Business Review.

## 21 Post balance sheet events

Between 4 April 2013 and the date of this report, the Company issued 2,303,786 Ordinary Shares for an aggregate consideration of £2.5 million. Share issue costs thereon amounted to £124,000.

On 22 May 2013 Fjordnet Limited was the subject of an acquisition by Accenture, giving rise to a realised gain of £3.1 million upon completion and a possible total realised gain of up to £3.5 million within the next twelve months. On 18 April 2013, the investment in Tossed Limited was sold for a realised gain of £313,000.

## 22 Contingencies, guarantees and financial commitments

The Company has no contingent liabilities, guarantees and financial commitments at the year end.

## 23 Controlling party and related party transactions

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

# Shareholder Information

## Shareholder investment and returns analysis

The table below shows the investment returns per £1 invested for each fundraising. No account has been taken of the possible benefit of any capital gains tax deferral (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

Original share class	Tax year	Allotment date(s)	Income tax relief	Net cost with initial income tax relief	Dividends received	Current valuation	Total return
Ordinary	1999/00	All dates	20%	80 0p	114 0p	51 7p	165 6p
Ordinary	2000/01	All dates	20%	80 0p	114 0p	51 7p	165 6p
Ordinary	2003/04	All dates	20%	80 0p	110 4p	54 4p	164 8p
Ordinary	2004/05	All dates	40%	60 0p	90 8p	47 8p	138 6p
Ordinary	2005/06	To 12/05/05	40%	60 0p	90 8p	47 8p	138 6p
Ordinary	2005/06	From 13/05/05	40%	60 0p	87 0p	45 7p	132 8p
Ordinary	2007/08	All dates	30%	70 0p	39 8p	57 1p	96 9p
Ordinary	2008/09	All dates	30%	70 0p	39 8p	57 1p	96 9p
Ordinary	2009/10	All dates	30%	70 0p	36 5p	92 1p	128 6p
Ordinary	2010/11	To 28/05/10	30%	70 0p	36 5p	92 1p	128 6p
Ordinary	2010/11	From 29/05/10	30%	70 0p	20 5p	84 7p	105 2p
Ordinary	2011/12	To 06/05/11	30%	70 0p	20 5p	84 7p	105 2p
Ordinary	2011/12	From 07/05/11	30%	70 0p	0 0p	102 3p	102 3p
Ordinary	2012/13	To 29/08/12	30%	70 0p	0 0p	102 3p	102 3p
Ordinary	2012/13	30/08/12	30%	70 0p	0 0p	98 9p	98 9p
Ordinary	2012/13	21/12/12	30%	70 0p	0 0p	95 0p	95 0p
C	All	All	30%	70 0p	4 8p	95 2p	100 0p
D	All	All	30%	70 0p	0 0p	90 1p	90 1p

## 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). 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 and employees"

## 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 (forms 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 0324 (calls cost 10p per minute plus network extras), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

## Share prices

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

	New Ordinary Shares
TIDM/EPIC code	"PVN"
Latest share price (25 June 2013)	94.0p 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 2008/2009 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. If you are considering selling your or trading in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure").

Panmure is able to provide details of the price at which they will buy shares. Panmure can be contacted as follows:

Chris Lloyd  
0207 886 2716 [chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)

Paul Nolan  
0207 886 2717 [paul.nolan@panmure.com](mailto:paul.nolan@panmure.com)

## Financial calendar

30 July 2013      Annual General Meeting  
October 2013      Announcement of half year results

## Unsolicited communication with Shareholders

We are aware of cases of shareholders in VCTs having received unsolicited telephone 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 telephone call or correspondence about which you have concerns, please contact Grant Whitehouse, the Company Secretary, on 020 7416 7780.

## 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.

# Company Information

## Directors

**Andrew Davison (Chairman)**

**Barry Dean**

**Malcolm Moss**

all of

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)

## Registrars

**Capita Registrars**

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Tel 0871 664 0324

(calls cost 10p per minute plus network extras)

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

## Auditor

**BDO LLP**

Farringdon Place

20 Farringdon Road

London EC1M 3AP

## Corporate broker

**Panmure Gordon (UK) Limited**

One New Change

London EC4M 9AF

## Company number

3911323

## Secretary

**Grant Whitehouse**

39 Earlham Street

London WC2H 9LT

## Registered office

39 Earlham Street

London WC2H 9LT

Tel 020 7845 7820

## Administration manager

**Downing LLP**

10 Lower Grosvenor Place

London SW1W 0EN

Tel 020 7416 7780

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

## VCT status adviser

**PricewaterhouseCoopers LLP**

1 Embankment Place

London WC2N 6RH

## Bankers

**Bank of Scotland**

33 Old Broad Street

London SW1E 6RA

**Royal Bank of Scotland**

London Victoria Branch

119/121 Victoria Street

London SW1E 6RA

# 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 in The Forest Room at The Hospital Club, 24 Endell Street, Covent Garden, London WC2H 9HQ at 11 00 a m on 30 July 2013 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 2013 together with the report of the auditors thereon
- 2 To approve the Directors' Remuneration Report
- 3 To appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and to authorise the Directors to determine their remuneration
- 4 To re-elect as Director, Andrew Davison, who retires in accordance with company policy and, being eligible, offers himself for re-election
- 5 To re-elect as Director, Barry Dean, who retires in accordance with company policy and, being eligible, offers himself for re-election
- 6 To re-elect as Director, Malcolm Moss, who retires in accordance with company policy and, being eligible, offers himself for re-election

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

## **Ordinary Resolution**

- 7 THAT, in addition to existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("CA 2006") to exercise all the powers of the Company to allot and issue shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,500,000 (representing approximately 55% of the Ordinary Share capital in issue at today's date, provided that the authority conferred by this resolution shall expire on the conclusion of the next annual general meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry

## **Special Resolutions**

- 8 THAT, the directors of the Company be and hereby are empowered pursuant to Sections 570(1) of the CA 2006 to allot or make offers to or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the CA 2006) for cash pursuant to the authority given pursuant to resolution above, as if Section 561(1) of the CA 2006 (pre-emption rights) did not apply to such allotment, provided that the power provided by this resolution shall expire on the conclusion of the next annual general meeting of the Company held after the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require equity securities to be allotted after such expiry

9 THAT, the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (as defined in section 693(4) of the Act) of Ordinary Shares provided that

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 7,176,873 representing approximately 14.9% of the present issued Ordinary Share capital of the Company,
- (b) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 10p the nominal amount thereof,
- (c) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be an amount equal to 5 per cent above the average of the middle market quotations for such class of the Company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days immediately preceding the day on which the purchase was made,
- (d) the Company may make a contract to purchase its own Ordinary Shares under this authority prior to the expiry of this authority, and such contract will or may be executed wholly or partly after the expiry of this authority, and the Company may make a purchase of its own Ordinary Shares in pursuance of any such contract,

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or, if earlier, on the expiry of 15 months from the passing of this resolution

By order of the Board



Grant Whitehouse

Secretary

Registered Office

39 Earlham Street

London WC2H 9LT

27 June 2013

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)

**Note: Please see the notes set out on page 62 and 63 which contain important information about the Annual General Meeting**

# Notes for the Notice of Annual General Meeting

- a Any member of the Company entitled to attend and vote at the meetings 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 Beringea LLP, 39 Earlham Street, London WC2H 9LT or electronically at [proxy@beringea.co.uk](mailto:proxy@beringea.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 Beringea LLP, 39 Earlham Street, London WC2H 9LT. 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, or
  - by sending an e-mail to [proxy@beringea.co.uk](mailto:proxy@beringea.co.uk)

In either case, the revocation notice must be received by Beringea LLP 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 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 11 00 a.m. on 26 July 2013 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 11 00 a.m. on 26 July 2013 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 00 a.m. on 27 June 2013, the Company's issued share capital comprised 47,756,789 Ordinary Shares. The total number of voting rights in the Company were 47,756,789. 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, and
  - 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 power 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.