



## PROVEN VCT PLC

### ANNUAL REPORT AND ACCOUNTS

For the year ended 28 February 2017



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## FUND OVERVIEW

### FINANCIAL SUMMARY

Ordinary Shares as at:	28 February 2017	29 February 2016
	Pence	Pence
Net asset value per share	106.3	100.7
Dividends paid since launch	26.5	20.0
Total return (net asset value plus dividends paid since launch)	132.8	120.7
Year on year change in:		
Net asset value per share (adjusted for dividends paid in the year)	12.0%	

A full analysis of Shareholder returns by share class and tax year, can be found at [www.provenvcts.co.uk](http://www.provenvcts.co.uk).





# CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report for ProVen VCT plc (the "Company") for the year ended 28 February 2017. The Company has continued to experience strong deal flow, investing a total of £10.4 million in the year, and has achieved a number of significant realisations, notably Big Data Partnership, MyOptique and SPC International.

## RESULTS FOR THE YEAR

The Company's net asset value ("NAV") per share increased by 12.1p over the year (after adding back the dividends of 6.5p paid in the year), an increase of 12% on the opening NAV. At 28 February 2017 the NAV per share stood at 106.3p.

The total return on ordinary activities for the year was £12.2 million, or 12.7p per share (2016: £3.2 million, 5.0p per share), comprising a revenue return of £25,000 (2016: £364,000, 0.6p per share) and a capital return of £12.2 million, or 12.7p per share (2016: £2.8 million, 4.4p per share).

## DIVIDENDS

The Company made dividend payments during the year of 6.5p per share. This comprised two dividends: a final dividend of 4.0p for the year ended 29 February 2016 paid on 15 July 2016, and an interim dividend of 2.5p for the year ended 28 February 2017 paid on 16 December 2016.

Your Board is proposing a final dividend for the year ended 28 February 2017 of 2.5p per share to be paid on 14 July 2017 to shareholders on the register at 16 June 2017. With total dividends of 5.0p per share for the year ended 28 February 2017, your Board is pleased to report that the Company has been able to maintain its dividend yield of at least 5% per annum, while maintaining a broadly stable net asset value per share over the period since the current dividend policy was introduced in 2012.

## PORTFOLIO ACTIVITY AND VALUATION

The Company invested £8.6 million in seven new portfolio companies and £1.8 million in seven existing portfolio companies during the year.

The Company made several successful disposals during the year. In February 2017, TVS Rico, a UK logistics company, agreed to acquire the Company's investment in SPC International. At 28 February 2017, proceeds of £2.8 million had been received for 85% of the Company's investment in SPC. The remaining 15% will be acquired by TVS Rico within the next three years. Other significant disposals included MyOptique, which generated aggregate proceeds of £4.4 million and a gain of £2.0 million, and Big Data Partnership, which was sold at a multiple of 1.5x cost.

The Company's debt investments have been very successful in delivering attractive income returns. Out of the four holdings at the start of the year, Linkdex, Peerius and SE Pharma were acquired in the year and repaid their loans in full. Unfortunately, the recent changes to the VCT rules mean that further activity in this area is unlikely.

Overall, the investment portfolio increased in value by £9.4 million, or 9.8p per share, over the year. Continued strong performance of Third Bridge and Watchfinder contributed significantly to this uplift but there were also notable valuation uplifts for Chess Technologies, Perfect Channel and Think. There were reductions in value for some other investments, including Charterhouse Leisure, Cogora Group and InContext Solutions.

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

## FUNDRAISING ACTIVITIES

As reported in last year's Annual Report, the Company launched a full offer on 3 December 2015, which closed above its initial target of £30 million, raising gross proceeds of £33.8 million, all of which was allotted during the first half of the year ended 28 February 2017.

## SHARE BUYBACKS

The Company has a policy of buying back shares that become available in the market at a discount of approximately 5% to the latest published net asset value, subject to the Company having sufficient liquidity. The Company retains Panmure Gordon to act as its corporate broker. Shareholders who are considering selling their shares may wish to contact Panmure Gordon, who will be able to provide details of the price at which the Company is buying shares. Contact details are on page 61 of this report.

During the year, the Company purchased 664,369 Ordinary Shares at an average price of 94.5p per share and for an aggregate consideration (net of costs) of £628,008. This represented 1.0% of the Company's issued share capital at the start of the year. All shares were subsequently cancelled.

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

## PERFORMANCE INCENTIVE ARRANGEMENTS

In 2012, the Company put in place performance incentive arrangements which reward the Investment Manager for delivering investment performance above agreed targets. During the year, it became apparent that the arrangements in place do not fully reflect the original intentions of your Board and the Investment Manager. The sizeable fund raisings which occurred after these arrangements were introduced, the scale of which were not anticipated at the time, has had a material impact on the calculation of the performance fee payable. Your Board has therefore agreed with the Investment Manager that the previous arrangements will be varied. From the year ended 28 February 2017, the performance targets and restrictions approved by Shareholders in 2012 will be applied to each major fund raising, rather than to the Company as a whole. The cumulative fee payable under the revised arrangements will never exceed the cumulative fee payable under the previous arrangements and so further shareholder approval is not required.

The revised arrangements have been used to assess the cumulative fees due up to 28 February 2017. Based on the cumulative performance incentive fees payable at 28 February 2017, less the previous payment for the year ended 29 February 2016, an additional accrual of £0.4 million for the current year has been included within the accounts.

Further details on the performance incentive arrangements can be found in the Strategic Report on pages 21 to 25.

## PROPOSED CHANGES TO THE INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The changes to the VCT rules in November 2015 and September 2016 mean that the Company's investment objective and investment policy make reference to certain investments which are no longer permitted. While, under the current investment policy, it is still possible to identify appropriate qualifying and non-qualifying investments that comply with the new VCT rules, your Board believes that an alignment of the investment objective and investment policy with the new rules would improve clarity for Shareholders.

Your Board does not intend to vary the overall objective of investing predominately in small and medium sized unquoted companies with excellent growth prospects, however the revision of the investment policy permits investment into new types of non-qualifying securities for liquidity management purposes, which include, for example, listed investment trusts. Your Board has agreed with the Investment Manager that such investments will only be made to the extent that the Investment Manager has knowledge and experience of investing in these investments or can outsource the management to an experienced third party manager.

An ordinary resolution to change the Company's investment objective and investment policy will be proposed at the forthcoming AGM and

your Board is recommending that Shareholders approve this resolution.

## ANNUAL GENERAL MEETING

The next AGM of the Company will be held in the Gennaro Room at the Groucho Club, 45 Dean Street, London, W1D 4QB at 1:30 p.m. on Tuesday 4 July 2017.

Four items of special business will be proposed at the AGM. There are two resolutions giving the Directors authority to allot shares, to enable the Company to raise additional funds, if required, one resolution to amend the Company's investment policy and one resolution to allow the Company to continue to make share buy-backs as outlined above.

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

## SHAREHOLDER EVENT

The Company's annual shareholder event continues to be well received, providing Shareholders with an opportunity to meet with the Directors and members of the Investment Manager's team, as well as other Shareholders and portfolio companies. For your Board and Investment Manager it is an important opportunity to understand and discuss the views of the Company's Shareholders directly.

This year's event will take place on Wednesday 1 November 2017 at 10.30 a.m. at The Institute of Engineering and Technology, 2 Savoy Place, London, WC2R 0BL.

A formal invitation will be sent in due course and I would very much encourage Shareholders to attend.

## OUTLOOK

The UK's strong entrepreneurial culture, combined with a relatively benign economic environment, is generating an increasing number of companies, with ambitious management teams, seeking to raise capital to accelerate their growth. Following the recent fund raising, the Company now has capital available to meet the forecast investment requirements for the next two years. It also has an Investment Manager with a strong investment track record, which, over the last two years, has supplemented its long-standing senior management team with some exceptional new additions.

The Company has a widely diversified portfolio of young companies, many of whom are the leaders in their field. Some companies which have been in the portfolio for several years are approaching an exit, and some newer additions could be the prospective stars of the future. Your Board believes that this portfolio has the potential to contribute positively to the Company's performance over the next few years.

As well as its internal resources, the prospects for the Company depend on external factors. In particular, there is still considerable uncertainty about the implications of the decision to leave the EU. The portfolio has generally not been affected since the outcome of the

# CHAIRMAN'S STATEMENT

## CONTINUED

Referendum was announced but the full impact will only become apparent over the coming years. The largest negative impact on portfolio companies is likely to be if it becomes much harder to recruit skilled staff from overseas.

The Government is currently undertaking a review of the availability of "Patient Capital", with the objective of ensuring that high growth businesses can access the long-term capital that they need to fund productivity enhancing investment. Among other things, this review will evaluate the existing tax reliefs aimed at encouraging investment and entrepreneurship to make sure that they are effective, well targeted and provide value for money. This will include a review of the VCT scheme. Your Board believes that VCTs are ideally placed to meet the requirement of Patient Capital, given that, unlike some other types of venture capital fund, they do not have any limitations on the period of investment.

Although the Company will continue to operate in a dynamic environment, I believe it is well placed to deal with the challenges and opportunities that it will face over the coming year, and I therefore look forward to the future with cautious optimism.

**Andrew Davison**

Chairman

7 June 2017

# INVESTMENT MANAGER'S REVIEW

## INTRODUCTION

We have pleasure in presenting our annual review for the year ended 28 February 2017. During the year, a total of £8.6 million was invested in seven new portfolio companies and £1.8 million in seven existing portfolio companies.

The year also saw a number of disposals resulting in aggregate realisation proceeds of £13.7 million and realised gains against initial cost of £5.2 million.

At 28 February 2017, the Company's venture capital portfolio comprised 45 investments at a cost of £56.9 million and a valuation of £72.2 million, an overall uplift of 26.9% on cost.

The net cash outflow for the year before fund raising was £6.7 million. The Company's cash balances were, however, replenished by net funds allotted of £32.7 million.

## INVESTMENT ACTIVITY

### *New investments*

We continued to identify a number of attractive investment opportunities, with £8.6 million being invested in seven new portfolio companies.

The Company's investment in Thread (£880,000), a menswear e-commerce site which recommends styles and items based on an individual's tastes, was completed shortly after the previous year end and was discussed in last year's annual report. A further amount of £597,000 was invested in Thread in February 2017 as the company continued to expand its operations.

In December 2016, an investment of £2.2 million was made in Infinity Reliance, which trades under the brand name of My 1st Years. My 1st Years is an e-commerce site for personalised items for babies and children, with products from their Royal Range having been worn by Prince George. The investment is being used to expand the company's UK operations before launching operations in the US.

We are increasingly seeing opportunities to make VCT qualifying investments in strong international companies with a UK presence. The Company's investment in Whistle Sports, a global sports media company (£2.1 million), is a good example of this. Our US base in Michigan provides a strong competitive advantage in this area and four portfolio companies, Blis Media, D3O Holdings, Disposable Cubicle Curtains and InContext Solutions have all benefited from financing from our US colleagues.

Other new investments were made in Poq Studio, a platform provider for mobile e-commerce apps used by major fashion retailers (£1.1 million), Firefly Learning, a learning platform software provider (£758,000), Honeycomb.TV, a TV and video advertising management platform (£495,000) and ContactEngine, a software provider that automates its clients' customer communications (£450,000).

### *Follow-on investments*

The Company has been active in supporting the development of existing portfolio companies, making follow-on investments in six companies during the year, as well as supporting the de-merger of one of the Company's existing portfolio companies, Simplestream.

The largest of the follow-on investments was in InContext Solutions (£400,000), with the investment being used to enable the company to continue to develop their technology.

In January 2017, following the de-merger of Simplestream's consumer facing business, TVPlayer, the Company invested £77,000 directly in TVPlayer as part of a larger fundraising led by major US media company, A+E Networks. The investment will be used to accelerate the growth of TVPlayer as it seeks to increase its subscriber base.

Further follow-on investments, primarily to support continued expansion and growth opportunities, were made in Perfect Channel, (£376,000), Network Locum (£358,000), Disposable Cubicle Curtains (£339,000), Big Data Partnership (£186,000) and D3O Holdings (£80,000).

### *Investment disposals*

SPC International was first funded by the Company in 2002 and in February 2017 the Company committed to sell its remaining equity investment, with proceeds of £2.8 million received for 85% of the Company's holding before the year end. The disposal of the Company's equity investment follows on from the full repayment of the Company's loan note investments in previous years and takes the annual rate of return on the Company's overall investment in SPC International, over its 15 year life, to over 12%.

MyOptique showed impressive year on year growth following the Company's initial investment in May 2014 and was included in the British Government's 'Future Fifty' and Deloitte's Technology Fast 500 lists during the Company's holding period. In September 2016, MyOptique was acquired by leading international eyewear brand Essilor International, generating proceeds for the Company of £4.4 million. This represents a realised gain of £2.0 million in just over two years.

Big Data Partnership also showed impressive growth over a relatively short investment holding period, with revenues and head count more than doubling after the Company's initial investment in April 2014. The company was sold to US listed technology company Teradata in July 2016 generating proceeds of £2.5 million for the Company's investment, equivalent to a multiple of 1.5x cost.

The disposal of both Big Data Partnership and MyOptique represent successful realisations over a relatively short holding period, with both investments achieving an annual rate of return of more than 30% for the Company.

# INVESTMENT MANAGER'S REVIEW

## CONTINUED

During the year, loan note repayments of £4.0 million were received, predominately from the full repayment of three debt finance investments, SE Pharma (£2.1 million), Linkdex (£1.2 million) and Peerius (£277,000), following the sale of these companies. Over the holding period, these investments have provided an attractive revenue stream in a low interest rate environment. All scheduled repayments were also received from the Company's remaining debt finance investment, Celoxica, as well as smaller loan repayments from Donatantonio Group and Conversy.

### *Key developments at existing portfolio companies*

Watchfinder.co.uk continues to perform well and has recently opened a new retail outlet in Canary Wharf. Revenues grew by over 55% during 2016, which follows on from average revenue growth of over 50% per annum between 2013 and 2015. The valuation of the Company's investment increased by £2.9 million over the course of the year.

Third Bridge has sustained strong year-on-year revenue growth since the Company's investment in November 2012. The company continues to have a strong international presence with offices in London, New York, Shanghai, Hong Kong and Mumbai. During the year, the company's impressive growth was recognised by its inclusion in the 2016 Sunday Times Virgin Fast Track 100 list. The valuation of the investment increased by a further £1.7 million during the year and at the year-end represents an unrealised uplift on cost of 4.0x.

Chess Technologies also had a strong year, with the company's anti-drone technology receiving the highest technical readiness level awarded by the US Department of Defense. Having recently opened its first US office in February, the company is looking to continue its growth during 2017. During the year, the valuation of the Company's investment increased by £1.2 million and it is now valued at c. 2.0x cost.

Charterhouse Leisure faced a number of headwinds during the year including increases to the national living wage, rent and business rates. Together with increased competition, performance has been below expectations and, as a result, the valuation of the Company's investment fell by £717,000.

Overall, the investment portfolio showed an increase in value of £9.4 million, or 9.8p per share. Further detail on the investments is provided in the Investment Portfolio on pages 11 and 12 and Review of Investments on pages 13 to 17.

### **POST YEAR-END DEVELOPMENTS**

Between 28 February 2017 and the date of this report, the Company made three follow on investments totalling £1.6 million, comprising Poq Studio (£1.1 million), HoneyComb.TV (£405,000) and ContactEngine (£112,000).

### **OUTLOOK**

The UK continues to be an attractive place to start and build a company, with a strong entrepreneurial culture and a vibrant ecosystem for rapidly growing SMEs. The Government is increasingly focused on the potential economic benefits of supporting "scale-up" businesses, defined as an enterprise with average growth exceeding 20% p.a. over a three-year period, with more than 10 employees at the start of this period. These are precisely the businesses targeted for investment by the Company.

With this background, and a relatively benign economic environment, we expect that we will continue to see a strong flow of new investment opportunities. At the same time, competition is increasing which may lead to inflated valuation expectations. We will continue to be disciplined in maintaining the quality standards, including pricing, that we apply to new investments, which may mean that we reject a higher proportion of deals than we have in the past. We have recently expanded our investment team to address this challenge and believe that we are now well placed to continue, and possibly increase, the rate of investment we achieved in the year to 28 February 2017.

Within the existing portfolio, several of the companies are making strong progress. There may therefore be further realisations during the year ending 28 February 2018, following on from the successful sales of SPC, MyOptique and Big Data Partnership. Many of the more recent investments are also showing early promise and we will continue to nurture and support these with further rounds of funding if appropriate.

Overall, therefore, we remain cautiously optimistic about the future.

### **Beringea LLP**

7 June 2017



# INVESTMENT ACTIVITY

Investment activity during the year is summarised as follows:

<b>Additions</b>	<b>Cost £'000</b>
Infinity Reliance Limited (t/a My 1st Years)	2,155
Whistle Sports, Inc.	2,090
Thread Inc.	1,477
Poq Studio Limited	1,125
Firefly Learning Limited	758
Honeycomb.TV Limited	495
ContactEngine Limited	450
InContext Solutions, Inc.	400
Perfect Channel Limited	376
Network Locum Limited	358
Disposable Cubicle Curtains Limited	339
Big Data Partnership Limited	186
D3O Holdings Ltd	80
TVPlayer Limited	77
Other investments	2
<b>Total</b>	<b>10,368</b>

# INVESTMENT ACTIVITY

## CONTINUED

Disposals	Cost £'000	Market value at 01/03/16† £'000	Disposal proceeds £'000	Realised gain against cost £'000	Realised gain during the year £'000
MyOptique Group Limited	2,420	2,420	4,380	1,960	1,960
SPC International Limited**	328	1,017	2,753	2,425	1,736
Big Data Partnership Limited	1,692	1,692	2,471	779	779
Speciality European Pharma Limited*	2,052	2,052	2,052	—	—
Linkdex Limited*	1,244	1,244	1,244	—	—
Peerius Limited*	277	277	277	—	—
Celoxica Limited*	269	269	269	—	—
Donatantonio Group Limited*	100	100	129	29	29
Conversity Limited*	85	—	102	17	102
Other investments	1	1	1	—	—
<b>Total</b>	<b>8,468</b>	<b>9,072</b>	<b>13,678</b>	<b>5,210</b>	<b>4,606</b>

† Adjusted for purchases during the year

\* Loan repayments during the year

\*\* Partial disposal

# INVESTMENT PORTFOLIO

AS AT 28 FEBRUARY 2017

The following investments were held at 28 February 2017:

Venture capital investments (by value)	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Watchfinder.co.uk Limited	2,629	8,375	2,857	7.9%
Perfect Channel Limited	3,010	4,660	1,553	4.4%
Rapid Charge Grid Limited (formerly Pulpitum Limited)*	4,200	3,847	(86)	3.6%
Monmouth Holdings Limited*†	4,000	3,809	(191)	3.6%
Third Bridge Group Limited	949	3,767	1,689	3.6%
Think Limited**	2,757	3,739	1,124	3.5%
Monica Vinader Limited**	534	3,679	211	3.5%
Blis Media Limited**	841	3,543	1,336	3.4%
Litchfield Media Limited	3,580	3,389	(191)	3.2%
Chargemaster plc**	2,421	3,145	723	3.0%
Cogora Group Limited**	2,643	2,972	(686)	2.8%
Disposable Cubicle Curtains Limited**	2,032	2,624	348	2.5%
MEL Topco Limited (t/a Maplin Electronics)*	2,217	2,253	(212)	2.1%
Infinity Reliance Limited (t/a My 1st Years)	2,155	2,155	–	2.1%
Whistle Sports, Inc.	2,090	2,090	–	2.0%
Chess Technologies Limited	1,045	2,039	1,210	1.9%
Donatantonio Group Limited	1,078	1,927	(344)	1.8%
InContext Solutions, Inc**	1,976	1,539	(573)	1.5%
Thread Inc.	1,477	1,477	–	1.4%
MatsSoft Limited**	1,010	1,474	613	1.4%
Poq Studio Limited	1,125	1,125	–	1.1%
Response Tap Limited	1,060	1,060	(60)	1.0%
APM Healthcare Limited	500	986	128	1.0%

# INVESTMENT PORTFOLIO

## CONTINUED

Venture capital investments (by value)	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Sealskinz Holdings Limited**	834	854	20	0.8%
D30 Holdings Ltd**	956	762	78	0.7%
Firefly Learning Limited	758	758	–	0.7%
Network Locum Limited	698	698	–	0.7%
Honeycomb.TV Limited	495	495	–	0.5%
SPC International Limited**	58	491	311	0.5%
ContactEngine Limited	450	450	–	0.4%
Inskin Media Limited	365	365	(187)	0.3%
Skills Matter Limited*	984	302	302	0.3%
TVPlayer Limited	230	298	68	0.3%
Simplestream Limited**	191	271	54	0.3%
Charterhouse Leisure Limited**	875	235	(717)	0.2%
	<b>52,223</b>	<b>71,653</b>	<b>9,378</b>	68.0%
<b>Other venture capital investments</b>	4,713	563	42	0.5%
<b>Total venture capital investments</b>	<b>56,936</b>	<b>72,216</b>	<b>9,420</b>	68.5%
Cash at bank and in hand		33,210		31.5%
<b>Total investments</b>		<b>105,426</b>		

Other venture capital investments at 28 February 2017 comprise:

7Digital Group plc\*\*, Buckingham Gate Financial Services Limited, Celoxica Limited\*, Conversity Limited, Dianomi Limited, Macklin Holdings Limited, Senselogix Limited, Steribottle Global Limited\*, Utility Exchange Online Limited (t/a SwitchmyBusiness.com) and Vigilant Applications Limited\*.

\* Non qualifying investment

\*\* Partially non qualifying investment

† Investee company 100% owned by the Company but not consolidated as held exclusively for resale as part of an investment portfolio.

With the exception of 7digital Group plc which is quoted on AIM, all venture capital investments are unquoted.

All of the above investments, with the exception of Mackling Holdings Limited, Monmouth Holdings Limited, SPC International Limited and Think Limited were also held by ProVen Growth & Income VCT plc, of which Beringea LLP is the Investment Manager.

Blis Media Limited is also held by ProVen Planned Exit VCT plc, of which Beringea LLP was the Investment Manager until 31 March 2016 when ProVen Planned Exit VCT plc was placed into Members Voluntary Liquidation. The liquidator has agreed that Beringea LLP will continue to manage the investment in Blis Media Limited on behalf of ProVen Planned Exit VCT plc until it is sold.

All venture capital investments are registered in England and Wales except for InContext Solutions, Inc., Whistle Sports, Inc. and Thread, Inc., which are Delaware registered corporations in the United States of America.



# REVIEW OF INVESTMENTS

AS AT 28 FEBRUARY 2017

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

## WATCHFINDER.CO.UK LIMITED www.watchfinder.co.uk

Watchfinder is the UK's premier reseller of preowned luxury watches. Watchfinder has a full-service, manufacturer specification service centre in Maidstone, Kent. The company buys preowned watches from the public, services them to near-new specification, and resells them via its website and its retail shops at London's Royal Exchange, Canary Wharf, Bluewater Shopping Mall and Leeds Victoria Quarter.



<b>Cost:</b>	<b>£2,629,000</b>		<b>Valuation method:</b>	<b>Discounted earnings multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/17:	£8,375,000
Ordinary shares:	£2,629,000		Valuation at 29/02/16:	£5,518,000
<b>Audited accounts:</b>	<b>31/03/16</b>	<b>31/03/15</b>	Dividend income:	£–
Turnover:	£60.8m	£38.7m	Loan note income:	n/a
Profit before tax:	£3.1m	£1.8m	Proportion of equity held:	12.4%
Net assets:	£8.0m	£5.6m	Diluted equity:	12.4%

## PERFECT CHANNEL LIMITED www.perfectchannel.com

Perfect Channel provides an analytics driven auction platform that brings buyers and sellers together to optimise price and value.



<b>Cost:</b>	<b>£3,010,000</b>		<b>Valuation method:</b>	<b>Price of recent investment</b>
<i>Investment comprises:</i>			Valuation at 28/02/17:	£4,660,000
Ordinary shares:	£3,010,000		Valuation at 29/02/16:	£2,732,000
<b>Unaudited abbreviated accounts:</b>	<b>31/12/15</b>	<b>31/12/14</b>	Dividend income:	£–
Turnover:	Not available	Not available	Loan note income:	n/a
Profit before tax:	Not available	Not available	Proportion of equity held:	30.9%
Net assets:	£1.9m	£1.7m	Diluted equity:	24.8%

## RAPID CHARGE GRID LIMITED (formerly Pulpitum Limited)

Rapid Charge Grid Limited is an owner of electric vehicle charging points.



<b>Cost:</b>	<b>£4,200,000</b>		<b>Valuation method:</b>	<b>Net asset value</b>
<i>Investment comprises:</i>			Valuation at 28/02/17:	£3,847,000
Ordinary shares:	£1,050,000		Valuation at 29/02/16:	£3,933,000
Loan stock:	£3,150,000		Dividend income:	£–
<b>Unaudited accounts:</b>	<b>30/11/16</b>		Loan note income:	£107,000
Turnover:	Not available		Proportion of equity held:	20.6%
Profit before tax:	Not available		Diluted equity:	20.6%
Net assets:	£9.0m			

# REVIEW OF INVESTMENTS

## CONTINUED

### MONMOUTH HOLDINGS LIMITED

Monmouth Holdings is a company which has been established to take advantage of growth capital opportunities across a range of SMEs.

## Monmouth Holdings

<b>Cost:</b>	<b>£4,000,000</b>	<b>Valuation method:</b>	<b>Net asset value</b>
<i>Investment comprises:</i>		Valuation at 28/02/17:	£3,809,000
Ordinary shares:	£400,000	Valuation at 29/02/16:	£4,000,000
Loan stock:	£3,600,000		
<b>Unaudited accounts:</b>	<b>30/11/16</b>	Dividend income:	£–
Turnover:	Not available	Loan note income:	£144,000
Profit before tax:	Not available	Proportion of equity held:	100.0%
Net assets:	£3.8m	Diluted equity:	100.0%

### Third Bridge Group Limited

Third Bridge Group offers primary research services to private equity firms, hedge funds, asset managers and large consulting businesses.

## Third Bridge

<b>Cost:</b>	<b>£949,000</b>	<b>Valuation method:</b>	<b>Discounted earnings multiple</b>
<i>Investment comprises:</i>		Valuation at 28/02/17:	£3,767,000
Ordinary shares:	£474,500	Valuation at 29/02/16:	£2,078,000
Preference shares:	£474,500		
<b>Audited accounts:</b>	<b>31/12/15</b>	Dividend income:	£–
Turnover:	\$49.3m	Loan note income:	n/a
Profit before tax:	\$1.6m	Proportion of equity held:	5.7%
Net assets:	\$5.7m	Diluted equity:	4.0%

### THINK LIMITED www.think.eu

Think is an award-winning digital agency that works with world-leading brands such as Bupa, Toyota and Warner Bros.

## TH\_NK

<b>Cost:</b>	<b>£2,757,000</b>	<b>Valuation method:</b>	<b>Discounted earnings multiple</b>
<i>Investment comprises:</i>		Valuation at 28/02/17:	£3,739,000
Ordinary shares:	£1,452,000	Valuation at 29/02/16:	£2,616,000
Loan Stock:	£1,305,000		
<b>Audited accounts:</b>	<b>31/10/15</b>	Dividend income:	£–
Turnover:	Not available	Loan note income:	£77,000
Loss before tax:	Not available	Proportion of equity held:	44.2%
Net assets:	£0.8m	Diluted equity:	44.2%

## MONICA VINADER LIMITED

www.monicavinader.com

Monica Vinader is an award-winning high-end fashion jewellery brand. The elegant vibrant collections, which have been showcased across the U.K., Europe, Japan and U.S., focus predominately on gold, silver and semi-precious stones and have demonstrated broad appeal amongst customers, celebrity clients and the fashion press. In 2009, the brand was awarded "UK Jewellery Brand of the Year" and Monica Vinader is now regularly featured in glossy magazines such as Vogue, Harpers and Grazia.



<b>Cost:</b>	<b>£534,000</b>		<b>Valuation method:</b>	<b>Price of recent investment</b>
<i>Investment comprises:</i>			Valuation at 28/02/17:	£3,679,000
Ordinary Shares:	£534,000		Valuation at 29/02/16:	£3,468,000
<b>Unaudited accounts:</b>	<b>31/07/16</b>	<b>31/07/15</b>	Dividend income:	£–
Turnover:	£26.4m	£19.8m	Loan note income:	n/a
Profit/(loss) before tax:	£0.2m	(£0.3m)	Proportion of equity held:	6.5%
Net assets:	£8.9m	£3.4m	Diluted equity:	6.2%

## BLIS MEDIA LIMITED

www.blismedia.com

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.



<b>Cost:</b>	<b>£841,000</b>		<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/17:	£3,543,000
Ordinary shares:	£404,000		Valuation at 29/02/16:	£2,207,000
Loan stock:	£437,000		Dividend income:	£–
<b>Audited accounts:</b>	<b>31/12/15</b>	<b>31/12/14</b>	Loan note income:	£3,000
Turnover:	£15.1m	£8.0m	Proportion of equity held:	11.7%
Loss before tax:	(£2.0m)	(£0.1m)	Diluted equity:	8.7%
Net assets:	£0.2m	£2.1m		

# REVIEW OF INVESTMENTS

## CONTINUED

### LITCHFIELD MEDIA LIMITED

Litchfield Media is a company which has been established to take advantage of investment opportunities in the media and marketing services markets.

## Litchfield Media

<b>Cost:</b>	<b>£3,580,000</b>	<b>Valuation method:</b>	<b>Net asset value</b>
<i>Investment comprises:</i>		Valuation at 28/02/17:	£3,389,000
Ordinary shares:	£358,000	Valuation at 29/02/16:	£3,580,000
Loan stock:	£3,222,000		
<b>Unaudited accounts:</b>	<b>30/11/16</b>	Dividend income:	£–
Turnover:	Not available	Loan note income:	£129,000
Profit before tax:	Not available	Proportion of equity held:	35.1%
Net assets:	£4.8m	Diluted equity:	35.1%

### CHARGEMASTER PLC www.chargemasterplc.com

Chargemaster's principal activities are the design, manufacturing, sale, maintenance and operation of electric vehicle charging equipment.

## chargemaster

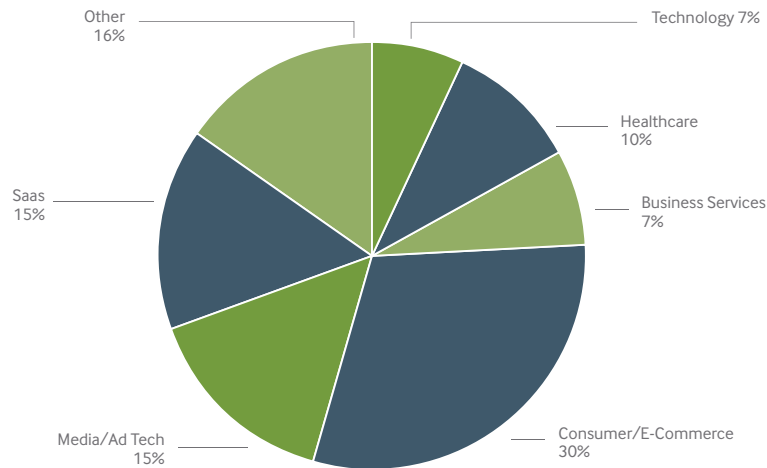
<b>Cost:</b>	<b>£2,421,000</b>	<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>		Valuation at 28/02/17:	£3,145,000
Ordinary shares:	£2,421,000	Valuation at 29/02/16:	£2,422,000
<b>Audited accounts:</b>	<b>31/12/15</b>	<b>31/12/14</b>	Dividend income:
Turnover:	£13.2m	£12.8m	£–
Profit before tax:	£0.3m	£1.2m	n/a
Net assets:	£16.0m	£15.4m	Proportion of equity held:
			7.0%
			Diluted equity:
			7.0%



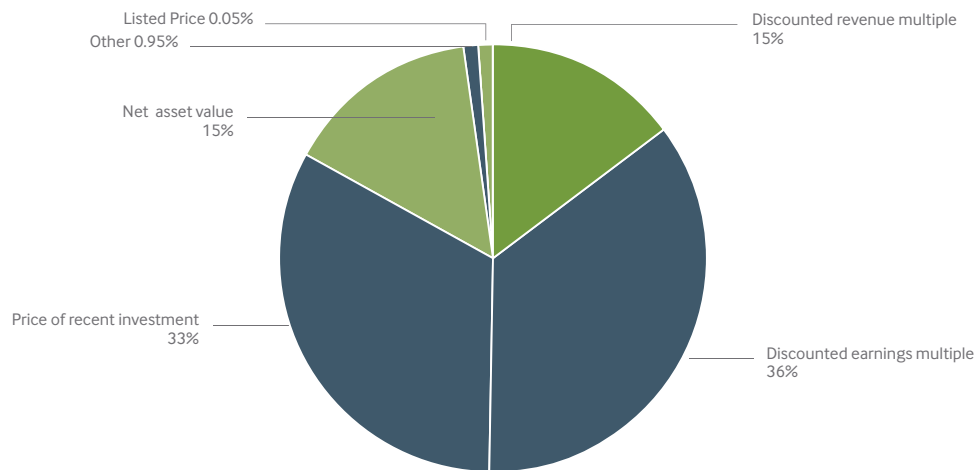
ANALYSIS OF INVESTMENTS BY COMMERCIAL SECTOR

The analysis of the portfolio by sector and valuation technique (based on valuation) is set out below:

Portfolio by sector



Portfolio by valuation technique



# INVESTMENT LIFECYCLE



## INVESTMENT SOURCING

### DEAL FLOW AND INVESTMENT PROCESS

Beringea has used the experience gained over its 25-plus year history to develop a rigorous investment process designed to ensure the highest standard of investment decision making.

The first stage of this is to select a small proportion of the large number of investment opportunities received by Beringea for further investigation. Sources of these investment opportunities include direct contact from companies seeking growth capital, corporate financial advisers and lawyers and through attendance at growth capital events. These opportunities are then subjected to a thorough due diligence investigation comprising a review of the company's management, the market in which the company operates, its competitive position within the market and opportunities and risks facing the business.

Following the satisfactory outcome to the due diligence process, a formal proposal will be submitted to Beringea's investment committee for consideration. The investment committee has full discretion to make investment decisions on behalf of the Company, but will seek to utilise the experience of the Board of the Company and request their comments ahead of proceeding with the deal.

## NEW INVESTMENT

### INFINITY RELIANCE (TRADING AS MY 1ST YEARS) [www.my1styears.com](http://www.my1styears.com)

My 1st Years is an ecommerce company that provides personalised gifts for babies and children. The company was founded by Daniel Price and Jonny Sitton in 2009, and has since become a favourite with celebrities including Dannii Minogue and Elton John as well as the UK Royal Family.

The company predominately sells its products through its website [my1styears.com](http://my1styears.com), but also has a number of high profile retail partners including [notonthehighstreet.com](http://notonthehighstreet.com), John Lewis and Selfridges, and has recently announced its launch into Harrods during December 2016. The Company invested £2.2 million, alongside £1.8 million from ProVen Growth and Income VCT and £1.0 million from other investors in December 2016. The company was attractive for a number of reasons: most notably the impressive management team, the company's proprietary personalisation technology and the company's rapid growth since inception to become one of the market leaders in the UK.

The funds invested by the Company are being used to continue the company's growth in the UK market, through enhancement of the company's personalisation technology and increased marketing, as well as building on their international presence by expanding into the US.



## INVESTMENT COMPANY GROWTH

### BLIS MEDIA LIMITED

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

Blis is a global leader in location-based advertising and provides location-based technology solutions to a number of global brands including Airbnb, Canon and Jaguar.

The Company first invested in Blis in 2008 and has continued to support the company's growth with a number of follow-on investments, most recently in January 2016.

During April 2016, Blis secured \$25 million in funding from new investors including Beringea's US venture capital funds, as well as other venture capital investors. This investment was used to help fund the continued expansion of Blis into new markets, including the US, as well as development of new product features.

With the US location-based mobile ad market predicted to be worth \$11.3bn in 2016, an expansion into the US represents a huge opportunity for Blis and the company is already helping US media agencies, publishers and brands unlock the power of location. During the year the Company's investment in Blis increased in value by £1.3 million to £3.5 million, a multiple of 4.2x cost.



## INVESTMENT REALISATION

### MYOPTIQUE GROUP LIMITED

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

MyOptique is an online eyewear retailer and is at the forefront of the online disruption of the £25bn European eyewear market. Established as a "pure-play" ecommerce company over 10 years ago, it has served over 3 million customers in twelve international markets.

To support the company's growth plans, the Company invested £1.6 million alongside investments from ProVen Growth and Income VCT and other venture capital investors in May 2014 as part of a total funding round of £16 million.

The Company invested a further £0.8 million in August 2015, alongside an investment from ProVen Growth and Income VCT and other investors to support the acquisition of German company 4Care and UK-based EyeWearBrands.

During the Company's holding period of just over two years, MyOptique grew its revenues from £27 million in 2014 to £51 million in 2016. In September 2016, MyOptique was acquired by Essilor International, the world leader for prescription lenses. The disposal generated proceeds of £4.4 million for the Company, equivalent to a multiple of 1.8x cost and an annual rate of return of over 30%.

# 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 has been a director of a number of quoted and unquoted companies.

**BARRY DEAN, FCA**



Barry has over 30 years' experience in the venture capital industry, including 14 years as Managing Director of Dresdner Kleinwort Benson Private Equity Limited, a longstanding "mid-market" private equity fund manager. He is currently a director of Downing One VCT plc and Elderstreet VCT plc.



**MALCOLM MOSS**

Malcolm is a Senior Managing Director of Beringea LLC and a founder of Beringea LLP. Over the last 26 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 and ProVen Growth & Income VCT plc, he sits on the investment committees of Beringea Group's US venture capital funds.

**LORNA TILBIAN**



Lorna is an Executive Director and Head of the Media Sector at Numis Securities Limited. Lorna has been a top-ranked media analyst by Institutional Investor and Thomson Reuters Extel from 1987 to 2012. She was previously a director at SG Warburg and West LB Panmure. Lorna is a non-executive director of Jupiter UK Growth Investment Trust plc.

All the Directors are non-executive and, with the exception of Malcolm Moss, are independent of the Investment Manager.



# STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 28 February 2017. The Board prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

## PRINCIPAL OBJECTIVES AND STRATEGY

***The Board is recommending a revised Principal Objectives and Strategy to shareholders to take account of the new VCT rules introduced by the Finance (No. 2) Act 2015 and Finance Act 2016. The text of the proposed wording is shown below. An explanation of the changes is set out in the Chairman's Statement and the text of the existing Principal Objectives and Strategy is set out on page 60 for comparison.***

The Company's investment objective is to achieve long-term returns greater than those available from investing in a portfolio of quoted companies, by investing in:

- a portfolio of carefully selected qualifying investments in small and medium sized unquoted companies with excellent growth prospects; and
- a portfolio of non-qualifying investments permitted for liquidity management purposes

within the conditions imposed on all VCTs and to minimise the risk of each investment and the portfolio as a whole.

The Company 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 2017 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.

## BUSINESS MODEL

The business acts as an investment company, investing in a portfolio of carefully selected smaller companies. The Company operates as a Venture Capital Trust to ensure that its shareholders can benefit from tax reliefs available and has outsourced the portfolio management and administration duties.

## BUSINESS REVIEW AND DEVELOPMENTS

The Company began the year with £61.5 million of venture capital investments and ended with £72.2 million spread over a portfolio of 45 companies. 39 of these investments with a value of £62.2 million were VCT qualifying (or part qualifying).

The profit on ordinary activities after taxation for the year was £12.2 million, comprising a revenue profit of £25,000 and a capital profit of £12.2 million. The Ongoing Charges ratio (excluding performance fees and recoverable VAT) in respect of the year ended 28 February 2017, based on average net assets during the year, was 2.5% (2016: 2.6%).

The Company's business review and developments during the year are reviewed further within the Chairman's Statement, Investment Manager's Review and Review of Investments.

## INVESTMENT POLICY

***The Board is recommending a revised Investment Policy to shareholders to take account of the new VCT rules introduced by the Finance (No. 2) Act 2015 and Finance Act 2016. The text of the proposed wording is shown below. An explanation of the changes is set out in the Chairman's Statement and the text of the existing Investment Policy is set out on page 60 for comparison.***

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 to four year period.

# STRATEGIC REPORT

## CONTINUED

The Company invests in companies at various stages of development, including those requiring capital for expansion, but not in start-ups or management buy-outs or businesses seeking to use funding to acquire other businesses. Investments are spread across a range of different sectors.

### *Other investments*

Funds not invested in qualifying investments may be invested in non-qualifying investments permitted for liquidity management purposes, which include cash, alternative investment funds ("AIFs") and UCITS which may be redeemed on no more than 7 days' notice, or ordinary shares or securities in a company that are acquired on an EU regulated market.

Existing non-qualifying investments made by the Company prior to Royal Assent of the Finance (No. 2) Act 2015 on 18 November 2015 are not affected by this change in Investment Policy.

### *Borrowings*

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a maximum amount equal to the nominal capital of the Company and its distributable and undistributable reserves.

### **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:

- (i) the Company holds at least 70 per cent. of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
- (ii) at least 30 per cent. (70 per cent. in the case of funds raised after 5 April 2011) of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible share" generally being ordinary share capital);
- (iii) at least 10 per cent. of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
- (iv) no investment constitutes more than 15 per cent. of the Company's portfolio (by value at time of investment);
- (v) the Company's income for each financial year is derived wholly or mainly from shares and securities;
- (vi) the Company distributes sufficient revenue dividends to ensure that not more than 15 per cent. of the income from shares and securities in any one year is retained;
- (vii) as required by the Finance Act 2014, the Company has not made a prohibited payment to Shareholders derived from an issue of shares since 6 April 2014;
- (viii) no investment made by the Company causes an investee company to receive more than the permitted investment from State Aid sources (including from VCTs);
- (ix) since the Finance (No. 2) Act 2015 received Royal Assent on 18 November 2015, the Company has not made an investment in a company which exceeds the maximum permitted age requirement;
- (x) the funds invested by the Company in another company since the Finance (No. 2) Act 2015 received Royal Assent on 18 November 2015 have not been used to make a prohibited acquisition; and
- (xi) as required by the Finance Act 2016, the Company has not made a prohibited non-qualifying investment since 6 April 2016.

### **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**

The Company has engaged Philip Hare & Associates LLP to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although Philip Hare & Associates LLP works closely with the Investment Manager, they report directly to the Board.

Compliance with the main VCT regulations as at 28 February 2017 and for the year then ended is summarised as follows:

(i) The Company holds at least 70 per cent. of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007)	Complied
(ii) At least 30 per cent. (70 per cent. in the case of funds raised after 5 April 2011) of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible share" generally being ordinary share capital)	Complied
(iii) At least 10 per cent. of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment)	Complied
(iv) No investment in a company constitutes more than 15 per cent. of the Company's portfolio (by value at time of investment)	Complied
(v) The Company's income for each financial year is derived wholly or mainly from shares and securities	Complied
(vi) The Company distributes sufficient revenue dividends to ensure that not more than 15 per cent. of the income from shares and securities in any one year is retained	Complied
(vii) As required by the Finance Act 2014, the Company has not made a prohibited payment to Shareholders derived from an issue of shares since 6 April 2014	Complied
(viii) No investment made by the Company causes an investee company to receive more than the permitted investment from State Aid sources (including from VCTs)	Complied
(ix) Since the Finance (No. 2) Act 2015 received Royal Assent on 18 November 2015, the Company has not made an investment in a company which exceeds the maximum permitted age requirement	Complied
(x) The funds invested by the Company in another company since the Finance (No. 2) Act 2015 received Royal Assent on 18 November 2015 have not been used to make a prohibited acquisition	Complied
(xi) As required by the Finance Act 2016, the Company has not made a prohibited non-qualifying investment since 6 April 2016.	Complied

## **BORROWINGS**

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a maximum amount equal to the nominal capital of the Company and its distributable and undistributable reserves, which, at 28 February 2017, was equal to £104.7 million (2016: £86.5 million). There are no plans to utilise this facility at the current time.

## **INVESTMENT MANAGEMENT AND ADMINISTRATION FEES**

Beringea LLP ("Beringea" or the "Investment Manager") 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 below. The investment management agreement is terminable by either party at any time by one year's prior written notice. The total fees relating to this service amounted to £1,994,000 (2016: £1,318,000) (inclusive of VAT where applicable), of which £492,000 (2016: £322,000) 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 as investment manager remains in the best interests of Shareholders.

Throughout the year ended 28 February 2017 Beringea also provided administration services to the Company. In the year, total administration fees amount to £57,000 (2016: £56,000). An amount of £14,000 (2016: £14,000) remained outstanding at the year end.

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 at the end of the year. Any running costs in excess of this are borne by Beringea.

Beringea also received arrangement fees in respect of investments made by the Company and other VCTs managed by Beringea totalling £278,000 (2016: £590,000) and monitoring fees of £700,000 (2016: £708,000). These fees are payable by the investee companies into which the Company invests and are not a direct liability or expense of the Company.

## **PERFORMANCE INCENTIVE FEES**

As reported in the Chairman's Statement on pages 4 to 6, it became apparent during the year that the performance incentive arrangements in place do not fully reflect the original intentions of your Board and the Investment Manager. Your Board has therefore agreed with the Investment Manager that the performance incentive arrangements will be varied as set out below. From the year ended 28 February 2017, the performance targets and restrictions approved by Shareholders in 2012 and originally applied to the Ordinary Shares as a whole will now be applied to each major fundraising (a "Respective Offer"). The cumulative fee payable under the revised arrangements will never exceed the cumulative fee payable under the previous arrangements and so further shareholder approval is not required.

# STRATEGIC REPORT

## CONTINUED

Under the revised performance fee arrangements, the Investment Manager is entitled to receive a performance incentive fee in relation to each Respective Offer if, at the end of a financial year, the relevant Respective Offer Performance Value exceeds the relevant Respective Offer Hurdle. In this event the performance incentive fee per Respective Offer Share will be equal to 20 per cent of the amount by which each such Respective Offer Performance Value exceeds the relevant Respective Offer Initial Net Asset Value per Share, less the aggregate amount of any performance incentive fee per Respective Offer Share already paid in respect of that Respective Offer in relation to previous financial years starting after 29 February 2012 (which shall not include Residual PIF).

The Respective Offer Performance Value in respect of the relevant financial year end is the sum of (i) the audited net asset value per Ordinary Share or Equivalent Ordinary Share for a Respective Offer at that date, (ii) Respective Offer Cumulative Dividends, (iii) all performance fees per Ordinary Share or Equivalent Ordinary Share paid by the shareholders of the Respective Offer in relation to financial years starting after 29 February 2012, and (iv) any Residual PIF Adjustment where relating to that Respective Offer (whether relating to that or any previous financial year).

If at the end of a financial year, the relevant Respective Offer Performance Value is less than or equal to the relevant Respective Offer Hurdle, no performance fee will be payable on such Respective Offers in respect of that financial year.

The performance fee per Respective Offer Share payable for a financial year will be reduced, if necessary, to ensure that i) the cumulative performance fee per Respective Offer Share payable to the Investment Manager in respect of a Respective Offer does not exceed 20 per cent. of the relevant Respective Offer Cumulative Dividends; and ii) the audited net asset value per Ordinary Share or Equivalent Ordinary Share at the relevant financial year end plus the relevant Respective Offer Cumulative Dividends plus any Residual PIF Adjustment relating to that Respective Offer is at least equal to the relevant Respective Offer Hurdle.

All fees paid under the new performance incentive arrangements will be inclusive of VAT, if applicable.

Performance fees for the year ended 28 February 2017 amounted to £426,000 (2016: £2,564,000), of which £426,000 (2016: £2,554,000) was outstanding at the year-end.

### **DIRECTORS AND SENIOR MANAGEMENT**

The Company has four non-executive Directors at the year end, three of whom are male and one of whom is female. The Company has no employees and the same was true of the previous year.

### **KEY PERFORMANCE INDICATORS**

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in meeting its objectives (as shown above). 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. The position of the Company's Net Asset Value total return at 28 February 2017 is on page 3.

In addition, the Board considers the Company's performance in relation to other VCTs taking into account both past and future investment strategies of the Company and 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 17 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, the 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 reports annually from the Investment Manager on the compliance of systems to manage these risks, and place reliance on the Investment Manager to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year.

### **VIABILITY STATEMENT**

The Board has assessed the Company's prospects over the three year period to 29 February 2020. A three year period has been considered appropriate as it broadly aligns with the time frame during which the Investment Manager will be required to invest 70% of the funds from the most recent offer for subscription in qualifying investments.

In order to support this statement, the Board has carried out a robust assessment of the principal risks faced by the Company, as detailed above, and considered the availability of mitigating factors.

The Board considers that the primary risk faced by the Company is compliance with the VCT rules and although there are a number of mitigating factors such as a robust deal identification and diligence process, an experienced investment team and consultation with the Company's VCT status adviser to ensure that investments made comply with the new VCT rules, these factors cannot mitigate the risk that insufficient qualifying investments are identified to ensure ongoing compliance with the 70% VCT qualification test.

Accordingly, the amount required to invest in qualifying holdings to maintain compliance with the VCT rules was a major consideration in the Board's analysis. Together with the expected liabilities of the Company for the three years to 29 February 2020, the Board considered the forecast cash requirements against the expected cash position, taking into account a level of assumed investment realisations and investment income during the period.

Based on the above considerations, the Board has determined that the Company will be able to continue in operation, maintain compliance with the VCT rules and meet its liabilities as they fall due for the three years to 29 February 2020.

#### **DIRECTORS' REMUNERATION**

It is a requirement under Companies Act 2006 for shareholders to approve the Directors' remuneration policy every three years, or sooner if the Company wishes to make changes to the policy. The Directors remuneration policy that was approved at the AGM of the Company on 22 July 2015 is set out on page 34.

#### **GREENHOUSE EMISSIONS**

Whilst as a UK quoted company the Company is required to report on its Greenhouse Gas (GHG) Emissions, as it outsources all of its activities and does not have any physical assets, property, employees or operations, it is not responsible for any direct emissions.

#### **ENVIRONMENTAL, SOCIAL AND HUMAN RIGHTS POLICY**

The Board seeks to conduct the Company's affairs responsibly. Where appropriate, the Board and Investment Manager take environmental, social and human rights factors into consideration.

#### **FUTURE PROSPECTS**

The Company's future prospects are set out in the Chairman's Statement and Investment Manager's Review.

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.

By order of the Board

#### **Beringea LLP**

Company Secretary of ProVen VCT plc  
Company number: 3911323

39 Earlham Street  
London WC2H 9LT  
7 June 2017

# DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of the Company for the year ended 28 February 2017.

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.

## RESULTS AND DIVIDENDS

	£'000	Pence per share
Return on ordinary activities after tax for the year ended 28 February 2017 :	12,227	12.7p

During the year ended 28 February 2017, the Company paid a final dividend of 4.0p per Ordinary Share in respect of the year ended 29 February 2016. An interim dividend of 2.5p per Ordinary Share, was paid in respect of the year ended 28 February 2017.

The Board is proposing a final dividend for the year ended 28 February 2017 of 2.5p per Ordinary Share, to be paid on 14 July 2017 to Shareholders on the register at 16 June 2017.

## DIRECTORS

The Directors' whose names and biographies are set out on page 20, all served throughout the year.

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 four Directors.

Each of the Directors has an agreed letter of appointment which is terminable by three months' rolling 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.

## SHARE CAPITAL

The Company has one class of shares: Ordinary Shares of 10p each ("Ordinary Shares"). The total number of Ordinary Shares in issue at 28 February 2017 was 98,562,973.

At the 2016 AGM, Shareholders authorised the Company to make market purchases of its own shares of up to 14.99% of the share capital in issue at that date and to waive pre-emption rights and issue up to 73,755,870 Ordinary Shares. At the current date, authority remains for the Company to make market purchases of up to 14,076,972 Ordinary Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 4 July 2017.

During the year 32,867,383 shares were issued at between 101.8p and 104.3p per share, with an aggregate nominal value of £3,286,738 pursuant to the offer for subscription dated 3 December 2015. The aggregate consideration for the shares was £33,767,059 which excluded share issue costs of £1,063,077.

Under the terms of the Company's Dividend Reinvestment Scheme the Company allotted 536,347 Ordinary Shares at 99.1p per share to subscribing Shareholders on 15 July 2016 and 349,817 Ordinary Shares at 98.3p per share to subscribing Shareholders on 16 December 2016. In total, the aggregate consideration for the shares was £875,479.

During the year, the Company repurchased a further 664,369 Ordinary Shares for an aggregate consideration (net of costs) of £628,008 being an average price of 94.5p per share and which represented 1.0% of the Company's issued share capital at the start of the year and which had an aggregate nominal value of £66,437. These shares were subsequently cancelled. Costs relating to the share repurchases amounted to £3,155.

## AUDITOR

A resolution to re-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 Gennaro Room at the Groucho Club, 45 Dean Street, London, W1D 4QB at 1.30 p.m. on Tuesday 4 July 2017. Notice of the Annual General Meeting is at the end of this document.

## **SUBSTANTIAL INTERESTS**

As at 28 February 2017, and at the date of this report, the Company was not aware of any beneficial interest exceeding 3% of the issued share capital.

## **DIRECTORS' INDEMNITY**

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

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Board considers that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and that they provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report, Strategic 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's website 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 are listed on page 20, confirms that to the best of each person's knowledge:

- 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
- the Directors' Report, Chairman's Statement, Strategic Report, Investment Manager's Review and Review of Investments include 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.



# DIRECTORS' REPORT

## CONTINUED

### **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 29.

The Statement of Corporate Governance describes how the principles and supporting principles within the UK Corporate Governance Code, published in September 2014, have been applied by the Company throughout the year ended 28 February 2017, except where disclosed within the Statement of Corporate Governance.

### **POLITICAL DONATIONS**

No political donations were made by the Company during the year ended 28 February 2017 (2016: £nil).

### **OTHER MATTERS**

Information in respect of financial instruments, and future developments which were previously disclosed within the Directors' Report has been disclosed within the Strategic Report on pages 21 to 25.

### **POST BALANCE SHEET EVENTS**

Between 28 February 2017 and the date of this report, the Company made three follow on investments totalling £1.6 million, comprising Poq Studio (£1.1 million), HoneyComb.TV (£405,000) and ContactEngine (£112,000).

### **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 have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

This Directors' report, which has been approved by the Board, includes all relevant information required to be disclosed under LR9.8.4R.

By order of the Board

### **Beringea LLP**

Company Secretary  
39 Earlham Street  
London WC2H 9LT  
7 June 2017

# STATEMENT OF CORPORATE GOVERNANCE

The Directors support the relevant principles of the UK Corporate Governance Code issued in September 2014 (the “Code”) being the principles of good governance and the code of best practice, as set out in the Code.

## APPLICATION OF THE PRINCIPLES OF THE CODE

The Board attaches importance to matters set out in the Code and its principles.

The Directors consider that the Company has complied with all relevant principles and provisions of the Code throughout the year ended 28 February 2017 except as set out below.

- the role of the chief executive (Code provision A.2.1);
- executive directors’ remuneration (Code provisions D.1.1, D.1.2, D.2.2 and D.2.4); and
- procedures in relation to whistleblowing (Code provision C.3.5).

The Board considers that these provisions are not relevant to ProVen VCT plc being an externally managed investment company. In particular, all of the Company’s day-to-day management and administrative functions are outsourced to third parties and the Board understands that the Investment Manager has whistleblowing procedures in place. As a result the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

## THE BOARD

The Company has a Board comprising four non-executive Directors. The Chairman is Andrew Davison and the Senior Independent Director is Barry Dean. Andrew Davison, Barry Dean and Lorna Tilbian are considered to be independent Directors by the Board. Both Andrew Davison and Barry Dean have served on the Board for more than nine years and will offer themselves for re-election at the forthcoming AGM in accordance with Company policy. The Board has reviewed the independence of Barry Dean and Andrew Davison and concluded that despite their long tenure, both continue to be independent. Both Directors are not involved in the day-to-day running of the Company and provide strong strategic insight to the Company as well as robust challenge to the Investment Manager. Malcolm Moss is not independent by virtue of being a partner of the Investment Manager. Biographical details of all Board members (including the significant commitments of the Chairman) are shown on page 20.

In accordance with Company policy all 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 periodically to address specific issues, including considering recommendations from the Investment Manager. It reviews 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 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.

## 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 in the Chairman’s Statement on page 4 and the Directors’ Report on page 26.

# STATEMENT OF CORPORATE GOVERNANCE

## CONTINUED

### BOARD AND COMMITTEE MEETINGS

The following table sets out the Directors' attendance at full Board and Committee meetings held during the year ended 28 February 2017.

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings	
	held	attended	held	attended	held	attended	held	attended
Andrew Davison	4	4	2	2	1	1	1	1
Barry Dean	4	4	2	2	1	1	1	1
Malcolm Moss	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Lorna Tilbian	4	3	2	2	1	1	1	1

### AUDIT COMMITTEE

The Company has an Audit Committee comprising of Barry Dean, as Chairman, Andrew Davison and Lorna Tilbian. The Audit Committee has defined terms of reference and duties and is responsible for:

- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems;
- considering whether there is the need for an internal audit function; and
- matters regarding audit and external auditors.

The Audit Committee terms of reference are available from [www.provenvcts.co.uk](http://www.provenvcts.co.uk).

The Directors' Responsibilities Statement for preparing the accounts is set out in the Directors' Report on page 27, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 37.

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.

The Audit Committee also takes into careful consideration comments on matters regarding valuation, revenue recognition and disclosures arising from the Report of the Auditors to the Audit Committee as part of the finalisation process for the Annual Report and Accounts.

The Audit Committee has considered the Annual Report and Accounts for the year ended 28 February 2017 and has reported to the Board that it considers them to be fair, balanced and understandable providing the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The key areas considered by the Audit Committee to be risks in relation to the business activities and financial statements of the Company are set out in the following table, together with how these risks were addressed.

These areas are discussed between the Audit Committee, Board and the Investment Manager during the year and at the regular Board meetings in order that any potential issues are identified and addressed on a timely basis. The Audit Committee and/or Investment Manager will engage outside professional support where this is deemed desirable and in the interests of Shareholders.

Risks	Mitigation
Valuation of unquoted investments	<p>The unquoted investment valuations are prepared by the Investment Manager and agreed by the Board on a quarterly basis. On an annual basis, the Company's Auditor, BDO LLP, reports to, and discusses with, the Audit Committee their findings and any concerns arising from their review of the investment valuations.</p> <p>No material issues were identified for the year ended 28 February 2017.</p>
Compliance with HM Revenue & Customs conditions for approval as a Venture Capital Trust and the consequent preservation and/or availability of tax reliefs for investors.	<p>VCT qualification monitoring reports are prepared by the Administration Manager and approved by the Board on a quarterly basis. On a bi-annual basis, the Company's VCT status adviser reports to the Audit Committee in relation to compliance with the VCT legislation. The report for the year ended 28 February 2017 showed compliance with all aspects of the VCT regulations as summarised on page 23. The Investment Manager regularly liaises with the Company's VCT status adviser in relation to VCT qualification on individual investments and from November 2015, given the change to the VCT rules, enhanced processes were put in place to ensure VCT compliance of all investments being made.</p> <p>No material issues were identified for the year ended 28 February 2017.</p>

The Audit Committee reviews the performance and continued suitability of the Company's auditors. In advance of each audit, BDO LLP provides an audit strategy plan for consideration by the Committee, including confirmation of BDO's compliance with the Ethical Standards of the Auditing Practices Board and of the audit and non-audit fees chargeable to the Company. BDO liaises directly with the Investment Manager during the audit process and attends the Audit Committee meeting at which the Annual Report is considered. BDO provides a detailed Audit Committee Report outlining their audit process and setting out their findings. The Audit Committee and Investment Manager are able to assess the quality of BDO's work and of BDO's understanding of the business. Based on these procedures, the Audit Committee has obtained sufficient assurance as to BDO's independence and performance and it therefore recommends to Shareholders that BDO be re-appointed as Auditor for the forthcoming year. Audit fees are disclosed in note 5, on page 49.

The Audit Committee safeguards the objectivity and independence of the Auditor by reviewing the nature and extent of non-audit services supplied by the external Auditors of the Company, seeking to balance objectivity and value for money, and pre-approves all non-audit work.

The Audit Committee has considered the need for an internal audit function. Given the size and nature of the Company and its relationship with key service providers, the Audit Committee has recommended to the Board that the oversight of the Audit Committee, together with the processes in place, are sufficiently robust and that no internal audit function is required.

#### REMUNERATION COMMITTEE

The Board has appointed a Remuneration Committee comprising all independent 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. The Remuneration Committee terms of reference are available from [www.provenvcts.co.uk](http://www.provenvcts.co.uk).

#### NOMINATION COMMITTEE

The Board has appointed a Nomination Committee comprising all independent Directors and chaired by Andrew Davison. The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to the Board composition and balance. The Nomination Committee meets as and when appropriate. The Nomination Committee terms of reference are available from [www.provenvcts.co.uk](http://www.provenvcts.co.uk).

# STATEMENT OF CORPORATE GOVERNANCE

## CONTINUED

### **Diversity**

When considering a new appointment to the Board, the Committee's responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position (irrespective of gender) giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

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

### **BOARD PERFORMANCE EVALUATION**

An evaluation of the performance of the Board, each of its committees and of the non-executive directors was last conducted in May 2017 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. The evaluation will be updated each year including the approach to risk, Board training and Directors' ability to provide effective challenge.

Representatives of the Company Secretary were well placed to prepare an updated evaluation that i) is relevant and appropriate to the Company, ii) is understandable and iii) would 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 2017 Board review has confirmed that the Directors consider the Board to have a good balance of skills and to be working well.

### **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 proxy votes are collated 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, except in the event of a poll being called. The notice of the next AGM can be found at the end of the Annual Report and Accounts.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has adopted an Internal Control Manual (the "Manual") for which they are responsible, which has been compiled to comply with the UK Corporate Governance Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls 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 are 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 Philip Hare & Associates LLP;
- 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 announcements prior to release.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and for monitoring the systems of risk management and internal control. It also 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 external advisers, including Beringea LLP as the Investment Manager and the Administration Manager.

The Board is satisfied that the risk management and internal control systems are effective and has identified no significant problems that warrant disclosure in the Annual Report and Accounts.

### **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 pages 4 to 6, the Investment Manager's Review on pages 7 to 8, the Strategic Report on pages 21 to 25 and the Directors' Report on pages 26 to 28. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Statement of Financial Position on page 44, the Statement of Cash Flows on page 45 and the Strategic Report on page 23. In addition, notes 17 and 18 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.

By order of the Board

### **Beringea LLP**

Company Secretary  
39 Earlham Street  
London WC2H 9LT  
7 June 2017

# DIRECTORS' REMUNERATION REPORT

## ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises all independent members of the Board and is chaired by Andrew Davison. There have been no changes to the Directors' remuneration during the year ended 28 February 2017. An increase in Directors' remuneration in accordance with the current remuneration policy has been recommended based on a review of similar companies and was effective from 1 March 2017.

## DIRECTORS' REMUNERATION POLICY

Shareholders must vote on the Directors' remuneration policy every three years or sooner if the Company wishes to make changes to the policy. Shareholders last voted on the remuneration policy on 22 July 2015 and no further changes to the Directors' remuneration policy are proposed.

The Company's policy on directors' remuneration is to seek to remunerate board members at a level appropriate for the time commitment and high level of responsibility borne by the non-executive directors and should be broadly comparable with that paid by similar companies. Non-executive Directors will not be entitled to any performance related pay or incentive (other than Malcolm Moss by virtue of also being a partner of the Investment Manager).

Directors' remuneration is also subject to 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 £150,000 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.

The Company's policy in respect of loss of office payments is to consider each situation as it arises on its own merits.

The Board receives feedback from Shareholders from time to time via direct correspondence, telephone calls, at the AGM and at the Shareholder presentation held each year. The Remuneration Committee will take account of any comments in respect of the remuneration policy when it undertakes its regular review of the Company's policy.

Shareholders views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors' remuneration policy. At the last AGM held on 5 July 2016, the following votes were received in respect of the resolution approving the Directors' Remuneration Report:

Voting	Votes received	Percentage
Votes for	2,354,012	82.7%
Votes for – discretion	135,018	4.7%
Votes against	358,771	12.6%
Votes received	2,847,801	100.0%
Votes withheld	76,237	

## AGREEMENTS FOR SERVICE

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

## ANNUAL REPORT ON REMUNERATION

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 4 July 2017.



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 37 to 40.

#### **DIRECTORS' REMUNERATION (AUDITED)**

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

	<b>Year ended 28 Feb 2017 £</b>	<b>Year ended 29 Feb 2016 £</b>
Andrew Davison (Chairman)	35,000	35,000
Barry Dean	27,500	27,500
Malcolm Moss	15,000	15,000
Lorna Tilbian	27,500	27,500
	105,000	105,000

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 Company does not have any share options in place.

The remuneration levels for the year to 28 February 2018 are expected to be:

	<b>Annual Rate £</b>
Andrew Davison (Chairman)	37,500
Barry Dean	30,000
Malcolm Moss	15,000
Lorna Tilbian	30,000
	112,500

#### **INSURANCE COVER**

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

#### **DIRECTORS**

The Directors of the Company during the year and their beneficial interests in the issued Ordinary Shares of the Company at 28 February 2017 and 29 February 2016 were as follows:

<b>Director</b>	<b>28 Feb 2017</b>	<b>29 Feb 2016</b>
Andrew Davison	52,874	37,912
Barry Dean	29,252	29,252
Malcolm Moss	24,937	–
Lorna Tilbian	–	–

There have been no movements in respect of Directors' holdings since the year end.

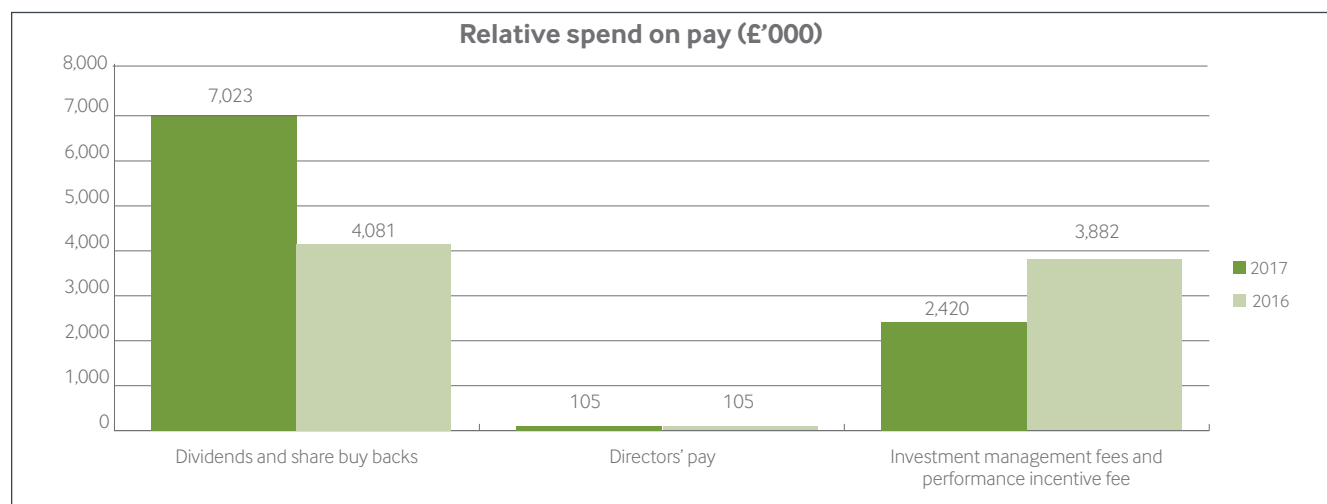
The Company has not set out any formal shareholding guidelines for Directors.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

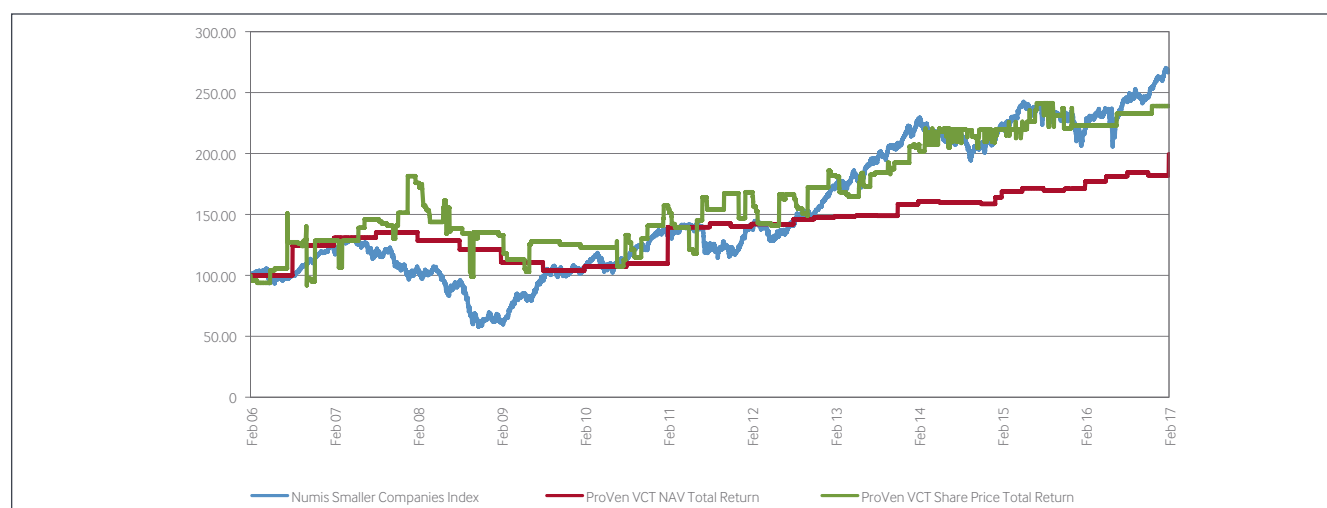
### RELATIVE IMPORTANCE OF SPEND ON PAY

The difference in actual spend between 2017 and 2016 on remuneration for all Directors in comparison to distributions (dividends and share buy backs) and other significant spending are set out in the tabular graph below:



### PERFORMANCE GRAPH

The chart below represents the Company's Ordinary Share performance over the reporting periods since 28 February 2006 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 as at 28 February 2006.



By order of the Board

#### Beringea LLP

Company Secretary  
39 Earlham Street  
London WC2H 9LT  
7 June 2017

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF PROVEN VCT PLC

### OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion the ProVen VCT plc financial statements for the year ended 28 February 2017, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the Company's affairs as at 28 February 2017 and of its return 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.

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.

### WHAT OUR OPINION COVERS

Our audit opinion covers the:

- Income Statement;
- Statement of Changes in Equity;
- Statement of Financial Position;
- Statement of Cash Flows; and
- Notes to the Accounts

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Report, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

### OUR APPROACH

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the board by the Investment Manager and Administration Manager and, the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response.

### VALUATION OF INVESTMENTS

Valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.

The valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The investments are held in a diverse range of entities and are valued using various valuation models as appropriate in each circumstance. For a sample of investments held, representing 98% by value, our audit procedures included:

- considering the appropriateness of the valuation methodology ensuring that it is in accordance with the International Private Equity and Venture Capital Valuation Guidelines;
- reviewing and challenging the assumptions inherent in the valuation models by comparison to appropriate benchmark data, including assessing the appropriateness of discount rates and marketability discounts;
- examining the Investment Manager's assessment of maintainable earnings and revenue with reference to the investee's historic performance and current prospects;
- assessing the impact of estimation uncertainty concerning these assumptions and the completeness of associated disclosures in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROVEN VCT PLC

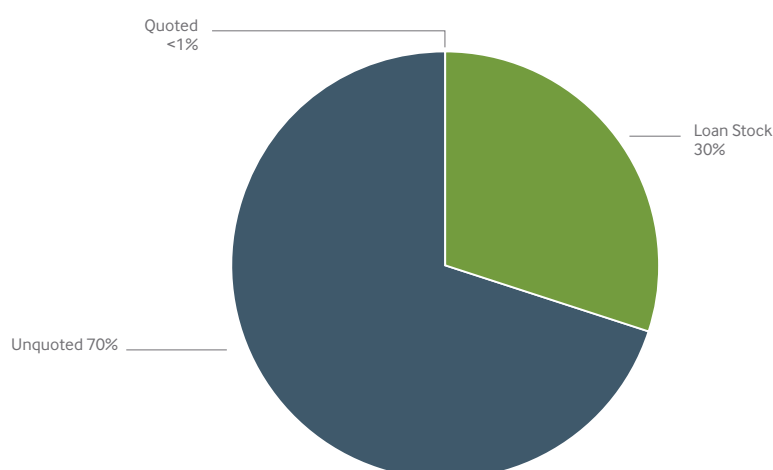
## CONTINUED

Where such investments were held in loans, we also considered the recoverability and valuation of those loans by examining the trading performance and financial position of the investee company, the presence of higher ranking debt and the recoverability of overdue interest.

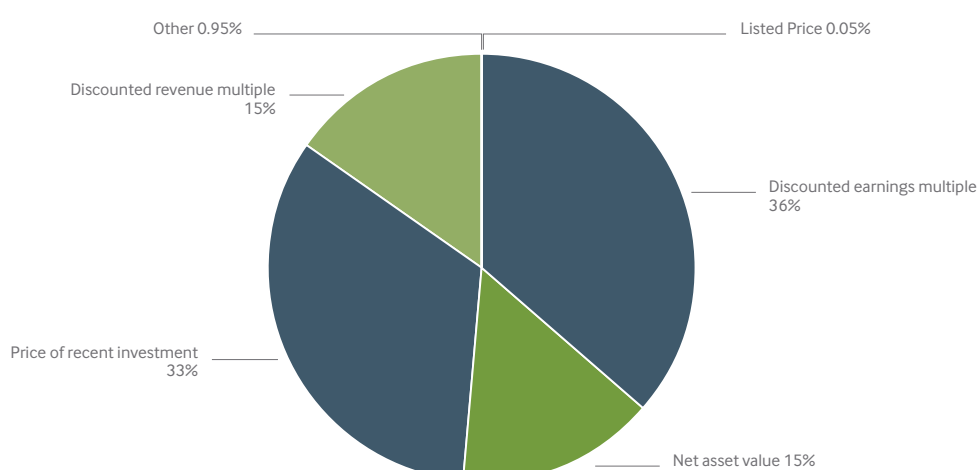
Where appropriate we developed our own point estimate using alternative assumptions that could reasonably be applied. We considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

We include a breakdown of investment portfolio by nature or instrument type and valuation method below:

### Investment Portfolio – Split of Portfolio Valuation by Investment Type



### Investment Portfolio – Split of Portfolio Valuation by Valuation Method



### REVENUE RECOGNITION:

Revenue consists largely of loan stock interest and to a lesser extent interest earned on cash balances. There was no dividend income recognised in the year. Revenue recognition is considered to be a significant audit risk and there is judgement required in determining whether accrued income should be regarded as recoverable.

- we assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid;
- we considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest;

- we also tested the completeness of dividends by corroborating to investee confirmations, management accounts and prior year financials of the investee companies.

## MATERIALITY IN CONTEXT

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (€)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	<ul style="list-style-type: none"> <li>• The value of investments</li> <li>• The level of judgement inherent in the valuation</li> <li>• The range of reasonable alternative valuations</li> </ul>	1,420,000
Specific materiality – classes of transactions and balances which impact on net realised returns	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> <li>• Level of gross expenditure</li> </ul>	55,000

We agreed with the Audit Committee that we would report all audit differences in excess of €10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## 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;

In our opinion, based on the work undertaken on the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

## STATEMENT REGARDING THE DIRECTORS' ASSESSMENT OF PRINCIPAL RISKS, GOING CONCERN AND LONGER TERM VIABILITY OF THE COMPANY

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity,
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated,

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROVEN VCT PLC

## CONTINUED

- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

### **UNDER THE COMPANIES ACT 2006 WE ARE REQUIRED TO REPORT TO YOU IF, IN OUR OPINION:**

- adequate accounting records have not been kept by the Company, 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 Statement of Corporate Governance has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statements in relation to going concern, set out on page 33, and in relation to longer-term viability, set out on page 25; and
- the part of the Statement of Corporate Governance relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Michelle Carroll (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

7 June 2017

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

# INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2017

		Year ended 28 February 2017			Year ended 29 February 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	949	—	949	1,103	—	1,103
Gains on investments	10	—	14,134	14,134	—	6,419	6,419
		<b>949</b>	<b>14,134</b>	<b>15,083</b>	<b>1,103</b>	<b>6,419</b>	<b>7,522</b>
Investment management fees	3	(499)	(1,495)	(1,994)	(329)	(989)	(1,318)
Performance incentive fees	4	—	(426)	(426)	—	(2,564)	(2,564)
Other expenses	5	(425)	(11)	(436)	(410)	(5)	(415)
<b>Return on ordinary activities before tax</b>		<b>25</b>	<b>12,202</b>	<b>12,227</b>	<b>364</b>	<b>2,861</b>	<b>3,225</b>
Tax on ordinary activities	7	—	—	—	—	—	—
<b>Return attributable to equity shareholders</b>		<b>25</b>	<b>12,202</b>	<b>12,227</b>	<b>364</b>	<b>2,861</b>	<b>3,225</b>
<b>Basic and diluted return per share</b>	9	<b>0.0p</b>	<b>12.7p</b>	<b>12.7p</b>	<b>0.6p</b>	<b>4.4p</b>	<b>5.0p</b>

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 Income Statement 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 Comprehensive Income 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 profit or loss, there were no differences between the return as stated above and at historical cost.

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



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2017

## Year ended 28 February 2017

	Called up share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Share premium £'000	Share capital to be issued £'000	Revaluation reserve £'000	Capital reserve— realised £'000	Revenue reserve £'000	Total £'000
At 1 March 2016	6,547	3,587	24,457	16,985	20,576	7,514	7,019	(153)	86,532
Issue of new shares	3,375	—	—	31,267	(20,576)	—	—	—	14,066
Share buybacks and cancellation	(66)	66	(631)	—	—	—	—	—	(631)
Share issue costs	—	—	(1,063)	—	—	—	—	—	(1,063)
Total comprehensive income	—	—	—	—	—	8,815	3,387	25	12,227
Dividends paid	—	—	(6,097)	—	—	—	—	(295)	(6,392)
<b>At 28 February 2017</b>	<b>9,856</b>	<b>3,653</b>	<b>16,666</b>	<b>48,252</b>	<b>—</b>	<b>16,329</b>	<b>10,406</b>	<b>(423)</b>	<b>104,739</b>

## Year ended 29 February 2016

	Called up share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Share premium £'000	Share capital to be issued £'000	Revaluation reserve £'000	Capital reserve— realised £'000	Revenue reserve £'000	Total £'000
At 1 March 2015	6,249	3,502	28,286	13,536	—	7,261	4,411	(189)	63,056
Issue of new shares	383	—	—	3,449	—	—	—	—	3,832
Share buybacks and cancellation	(85)	85	(812)	—	—	—	—	—	(812)
Share issue costs	—	—	(72)	—	—	—	—	—	(72)
Total comprehensive income	—	—	—	—	—	253	2,608	364	3,225
Dividends paid	—	—	(2,945)	—	—	—	—	(328)	(3,273)
Unallotted share capital	—	—	—	—	20,576	—	—	—	20,576
<b>At 29 February 2016</b>	<b>6,547</b>	<b>3,587</b>	<b>24,457</b>	<b>16,985</b>	<b>20,576</b>	<b>7,514</b>	<b>7,019</b>	<b>(153)</b>	<b>86,532</b>

The special reserve, capital reserve – realised and revenue reserve are all distributable reserves. The distributable reserves are reduced by losses of £1,042,000 (2016: £1,042,000) which are included in the revaluation reserve. Reserves available for distribution therefore amount to £25,607,000 (2016: £30,281,000).

During the year the Company repurchased 664,369 shares (2016: 849,635) with a nominal value of £66,000 (2016: £85,000). All shares were subsequently cancelled.

The composition of each of these reserves is explained below:

**Called up share capital** – The nominal value of shares issued, increased for subsequent share issues either via an offer for subscription or the Company's dividend reinvestment scheme, or reduced due to shares bought back by the Company for cancellation.

**Capital redemption reserve** – The nominal value of shares bought back and cancelled.

**Special reserve** – A distributable reserve which is used to fund shares bought back by the Company for cancellation and share issue costs on shares issued under an offer for subscription. Dividends that are classified as capital may be paid from this reserve.

**Share premium reserve** – This reserve contains the excess of gross proceeds over the nominal value of shares allotted under offers for subscription and the Company's dividend reinvestment scheme, to the extent that it has not been cancelled.

**Share capital to be issued** – This reserve contains the amount that has been raised under open offers for subscription, but which at the relevant period end had not been allotted.

**Revaluation reserve** – Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

In accordance with stating all investments at fair value through profit and loss, all such movements through both revaluation and capital reserve-realised are shown within the Income Statement for the year.

**Capital reserve – realised** – The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- Transaction costs incurred in the acquisition of investments;
- 75% of the investment manager's fee expense and 100% of any performance incentive fee payable; and
- Other capital expenses and charges.

Dividends that are classified as capital may be paid from this reserve.

**Revenue reserve** – Income and expenses that are revenue in nature are accounted for in this reserve together with the related tax effect, as well as dividends paid that are classified as revenue in nature.

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

# STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2017

		28 February 2017	29 February 2016
		Total	Total
	Note	£'000	£'000
<b>Fixed assets</b>			
Investments	10	72,216	61,500
<b>Current assets</b>			
Debtors	11	592	440
Cash at bank and in hand		33,210	27,755
		33,802	28,195
<b>Creditors: amounts falling due within one year</b>	12	(1,279)	(3,163)
<b>Net current assets</b>		<b>32,523</b>	<b>25,032</b>
<b>Total assets less current liabilities</b>		<b>104,739</b>	<b>86,532</b>
<b>Capital and reserves</b>			
Called up share capital	13	9,856	6,547
Capital redemption reserve		3,653	3,587
Special reserve		16,666	24,457
Share premium		48,252	16,985
Share capital to be issued		–	20,576
Revaluation reserve		16,329	7,514
Capital reserve – realised		10,406	7,019
Revenue reserve		(423)	(153)
<b>Total equity shareholders' funds</b>		<b>104,739</b>	<b>86,532</b>
<b>Basic and diluted net asset value per share</b>	14	<b>106.3p</b>	<b>100.7p</b>

The financial statements on pages 41 to 59 were approved and authorised for issue by the Board of Directors on 7 June 2017 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.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2017

		Year ended 28 February 2017	Year ended 29 February 2016
		Total	Total
	Note	£'000	£'000
<b>Net cash used in operating activities</b>	15	<b>(4,140)</b>	<b>(818)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(10,181)	(21,604)
Sale of investments		13,874	10,152
<b>Net cash from/(used in) investing activities</b>		<b>3,693</b>	<b>(11,452)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issues		33,767	3,433
Share issue costs		(1,063)	(72)
Purchase of own shares		(710)	(824)
Share capital to be issued		(20,576)	20,576
Equity dividends paid		(5,516)	(2,875)
<b>Net cash from financing</b>		<b>5,902</b>	<b>20,238</b>
<b>Increase in cash and cash equivalents</b>	16	<b>5,455</b>	<b>7,968</b>

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

'Net cash used in operating activities' includes interest received of £579,000. No dividends were received in the year and no interest was paid during the period.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 28 FEBRUARY 2017

## 1. ACCOUNTING POLICIES

### **Basis of accounting**

The Company has prepared its financial statements under Financial Reporting Standard 102 ("FRS102") and in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the "SORP") issued by the Association of Investment Companies ("AIC"), which was revised in November 2014.

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

The following accounting policies have been applied consistently throughout the period.

### **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 pages 29 to 33.

### **Presentation of Income Statement**

In order to better reflect the activities of an investment company and, in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue return attributable to equity shareholders 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.

### **Investments**

Investments, including equity and loan stock, are recognised at their trade date and measured at "fair value through profit or loss" due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines") issued in December 2015, together with sections 11 and 12 of FRS102.

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

### **Key judgements and estimates**

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

- investments are usually retained at cost for twelve months following investment, except where a company's performance against plan is significantly below the expectations on which the investment was made in which case a provision against cost is made as appropriate;
- where a company is in the early stage of development it will normally continue to be held at cost as the best estimate of fair value, reviewed for impairment on the basis described above;
- where a company is well established after an appropriate period, the investment may be valued by applying a suitable earnings or revenue multiple to that company's maintainable earnings or revenue. The multiple used is based on comparable listed companies or a sector but discounted to reflect factors such as the different sizes of the comparable businesses, different growth rates and the lack of marketability of unquoted shares;
- where a value is indicated by a material arms-length transaction by a third party in the shares of the company, the valuation will normally be based on this, reviewed for impairment as appropriate;
- where alternative methods of valuation, such as net assets of the business or the discounted cash flows arising from the business are more appropriate, then such methods may be used; and
- where repayment of the equity is not probable, redemption premiums will be recognised.

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. Methodologies are applied consistently from year to year except where a change results in a better estimate of fair value.

Where an investee company has gone into receivership or liquidation, or the loss in value below cost 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.

All investee companies are held as part of an investment portfolio and measured at fair value. Therefore, it is not the policy for investee companies to be consolidated and any gains or losses arising from changes in fair value are included in the Income Statement for the period as a capital item.

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.

Investments are derecognised when the contractual rights to the cash flows from the asset expire or the Company transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity.

### **Fair value**

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. 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 | The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.                                 |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly. |
| Level 3 | Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.   |

### **Income**

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection 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. A provision is made for any fixed income not expected to be received.

### **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;
- 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. Accordingly, the investment management fee has been allocated 25% to revenue and 75% to capital in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company; and
- performance incentive fees are treated as a capital item.

### **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.



# NOTES TO THE ACCOUNTS

## CONTINUED

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.

### Share issue costs

Expenses in relation to share issues are deducted from the Special Reserve.

## 2. INCOME

	2017 £'000	2016 £'000
<b>Income from investments</b>		
Loan stock interest	924	960
Dividend income	–	30
	924	990
<b>Other income</b>		
Deposit interest	25	113
	949	1,103

The Directors consider that the Company has only one operating segment as reported to the Board of Directors in their capacity as chief operating decision makers. All activities arise in the United Kingdom.

## 3. INVESTMENT MANAGEMENT FEES

	2017 £'000	2016 £'000
Investment management fees	1,994	1,318

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

	2017 £'000	2016 £'000
Performance incentive fees	426	2,564

Beringea LLP are entitled to receive performance incentive fees as described in the Strategic Report on pages 23 to 24.

## 5. OTHER EXPENSES

	2017 £'000	2016 £'000
Administration services	57	56
Directors' remuneration	105	105
Social security costs and irrecoverable VAT on Directors' remuneration	12	10
Trail commission	71	73
Auditor's remuneration for audit of the Company's annual accounts	21	23
Auditor's remuneration – non-audit services: tax compliance	4	3
Other expenses	166	145
	436	415

Included within other expenses is £11,000 (2016: £5,000) allocated to capital expenses in respect of expenses incurred in relation to investments. 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 35.

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

	2017 £'000	2016 £'000
(a) <b>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 tax	12,227	3,225
Tax charge calculated on operating profit at the applicable rate of 20% (2016: 20%)	2,445	645
Effects of:		
UK dividend income	–	(6)
Gains on investments	(2,827)	(1,284)
Expenses disallowed for tax purposes	4	2
Excess management fees	378	643
	–	–

### (c) Excess management fees

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £11,461,000 (2016: £9,576,000). The deferred tax asset of £2,292,000 (2016: £1,915,000) would only be recovered were the Company to make sufficient taxable profits in the future. Given the Company is not expected to generate taxable income in excess of deductible expenses, no deferred tax asset has been recognised for the year ended 28 February 2017.

# NOTES TO THE ACCOUNTS

## CONTINUED

### 8. DIVIDENDS

		Year ended 28 February 2017			Year ended 29 February 2016		
	Pence	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Ordinary Share dividends paid in the year</b>							
2015 Final	2.5	–	–	–	328	1,308	1,636
2016 Interim	2.5	–	–	–	–	1,637	1,637
2016 Final	4.0	295	3,637	3,932	–	–	–
2017 Interim	2.5	–	2,460	2,460	–	–	–
		<b>295</b>	<b>6,097</b>	<b>6,392</b>	<b>328</b>	<b>2,945</b>	<b>3,273</b>
<b>Proposed dividends</b>							
2016 Final	4.0	–	–	–	295	3,639	3,934
2017 Final	2.5	–	2,464	2,464	–	–	–

### 9. BASIC AND DILUTED RETURN PER SHARE

	Year ended 28 February 2017	Year ended 29 February 2016
Revenue return per share based on:		
Net revenue after taxation (£'000)	25	364
Weighted average number of shares in issue	96,579,861	65,338,271
Pence per share	0.0	0.6
Capital return per share based on:		
Net capital return for the financial year (£'000)	12,202	2,861
Weighted average number of shares in issue	96,579,861	65,338,271
Pence per share	12.7	4.4

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
<b>Opening cost at 1 March 2016</b>	<b>1,101</b>	<b>53,934</b>	<b>55,035</b>
Unrealised (losses)/gains at 1 March 2016	(329)	7,836	7,507
Realised losses on investments still held at 1 March 2016	(740)	(302)	(1,042)
<b>Opening fair value at 1 March 2016</b>	<b>32</b>	<b>61,468</b>	<b>61,500</b>
<b>Movement in year:</b>			
Purchases at cost	–	10,368	10,368
Sales – proceeds	–	(13,678)	(13,678)
– realised gains on sales	–	4,606	4,606
Unrealised gains in the income statement	1	9,419	9,420
<b>Closing fair value at 28 February 2017</b>	<b>33</b>	<b>72,183</b>	<b>72,216</b>
<b>Closing cost at 28 February 2017</b>	<b>1,101</b>	<b>55,835</b>	<b>56,936</b>
Unrealised (losses)/ gains at 28 February 2017	(328)	16,650	16,322
Realised losses on investments still held at 28 February 2017	(740)	(302)	(1,042)
<b>Closing fair value at 28 February 2017</b>	<b>33</b>	<b>72,183</b>	<b>72,216</b>

The basis of valuation for a number of investments has been changed since the previous year end and the movement in valuation is as follows:

	Prior year valuation basis	Current year valuation basis	£'000
Watchfinder.co.uk Limited	Discounted revenue multiple	Discounted earnings multiple	2,857
SPC International Limited	Discounted earnings multiple	Disposal value	311
Perfect Channel Limited	Discounted revenue multiple	Price of recent investment	1,553
Chess Technologies Limited	Discounted revenue multiple	Discounted earnings multiple	1,210
Think Limited	Discounted revenue multiple	Discounted earnings multiple	1,124
InContext Solutions, Inc.	Price of recent investment	Discounted revenue multiple	(573)
Skills Matter Limited	Full provision	Expected proceeds from loan notes	302
Dianomi Limited	Cost of loan notes	Discounted revenue multiple	157
Sealskinz Holdings Limited	Price of recent investment	Discounted revenue multiple	20
Network Locum Limited	Price of recent investment	Discounted revenue multiple	–
			6,961

An analysis of venture capital investments is set out in the review of the investments on pages 13 to 17. Note 17 includes an analysis of the fair value of the financial instruments.

# NOTES TO THE ACCOUNTS

## CONTINUED

### 11. DEBTORS

	2017 £'000	2016 £'000
Other debtors	13	129
Prepayments and accrued Income	579	311
	592	440

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Other social security costs	12	13
Accruals	1,267	3,150
	1,279	3,163

### 13. CALLED UP SHARE CAPITAL

	2017 £'000	2016 £'000
<b>Issued, allotted, called up and fully-paid:</b>		
98,562,973 (2016: 65,473,795) Ordinary Shares of 10p each	9,856	6,547

During the year 32,867,383 Ordinary Shares were issued at between 101.8p and 104.3p per share, with an aggregate nominal value of £3,286,738 pursuant to the offer for subscription dated 3 December 2015. The aggregate consideration for the shares was £33,767,059 which excluded share issue costs of £1,063,077.

Under the terms of the Company's Dividend Reinvestment Scheme the Company allotted 536,347 Ordinary Shares at 99.1p per share to subscribing Shareholders on 15 July 2016 and 349,817 Ordinary Shares at 98.3p per share to subscribing Shareholders on 16 December 2016. In total, the aggregate consideration for the shares was £875,479.

The Company has the authority to buy back shares as described in the Report of the Directors.

During the year, the Company repurchased a further 664,369 Ordinary Shares for an aggregate consideration (net of costs) of £628,008 being an average price of 94.5p per share and which represented 1.0% of the Company's issued share capital at the start of the year and which had an aggregate nominal value of £66,437. These shares were subsequently cancelled. Costs relating to the share repurchases amounted to £3,155. These shares were repurchased in accordance with the Company's buyback policy in order to provide liquidity to Shareholders.

The below table sets out a reconciliation of the movement in Ordinary Shares during the year. All Ordinary Shares have full voting, dividend and capital distribution rights.

	2017	2016
Ordinary Shares brought forward	65,473,795	62,491,991
Ordinary Shares issued	33,753,547	3,831,439
Ordinary Shares repurchased for cancellation	(664,369)	(849,635)
<b>Ordinary Shares carried forward</b>	<b>98,562,973</b>	<b>65,473,795</b>

**14. BASIC AND DILUTED NET ASSET VALUE PER SHARE**

	Shares in issue		2017		2016	
	2017	2016	Pence per share	Net asset value £'000	Pence per share	Net asset value £'000
Ordinary Shares	98,562,973	65,473,795	106.3	104,739	100.7	65,956
Ordinary share capital to be issued				–		20,576
				104,739		86,532

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

**15. RECONCILIATION OF RETURN ON ORDINARY ACTIVITIES BEFORE TAX TO NET CASH USED IN OPERATING ACTIVITIES**

	2017 £'000	2016 £'000
Return on ordinary activities before taxation	12,227	3,225
Gain on investments	(14,134)	(6,419)
Increase in prepayments, accrued income and other debtors	(241)	(166)
(Decrease)/increase in accruals and other creditors	(1,992)	2,542
Net cash used in operating activities	(4,140)	(818)

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2017 £'000	2016 £'000
Beginning of year	27,755	19,787
Net cash inflow for the year	5,455	7,968
End of year	33,210	27,755

**17. FINANCIAL INSTRUMENTS**

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in quoted companies and unquoted companies; 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 Statement of Financial Position.

# NOTES TO THE ACCOUNTS

## CONTINUED

### 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 Investment Manager monitors investments through regular contact with the management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Investment 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 2017, the AIM-quoted portfolio was valued at £33,000 (2016: £32,000).

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

	Impact on net assets £'000	2017 Impact on NAV per share Pence	Impact on net assets £'000	2016 Impact on NAV per share Pence
<b>10% movement in AIM-quoted investments</b>				
AIM-quoted investments	3	0.0p	3	0.0p

At 28 February 2017, the unquoted portfolio was valued at £72,183,000 (2016: £61,468,000).



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:

<b>10% movement in unquoted investment valuations</b>	<b>Impact on net assets £'000</b>	<b>2017 Impact on NAV per share Pence</b>	<b>Impact on net assets £'000</b>	<b>2016 Impact on NAV per share Pence</b>
Unquoted investments	7,218	7.3p	6,147	9.4p

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. Investments in loan stock attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's financial instruments is shown below.

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.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate or LIBOR and comprise cash at bank 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.

	<b>Average interest rate</b>	<b>Average period until maturity</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Fixed rate	7.0%	1,037 days	20,867	27,847
Floating rate	0.4%	8 days	34,159	28,604
No interest rate			49,713	30,197
			104,739	86,648

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 £342,000 (2016: £286,000). Given the low level of interest rates through the year, a further decrease is not considered likely.

# NOTES TO THE ACCOUNTS

## CONTINUED

### 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, cash deposits and debtors. Credit risk relating to loan stock in investee companies is considered to be part of market risk.

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

	2017 £'000	2016 £'000
Investments in loan stocks	21,815	28,696
Cash and cash equivalents	33,210	27,755
Interest, dividends and other receivables	534	299
	55,559	56,750

The Investment 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.

Cash is mainly held by the Royal Bank of Scotland plc, rated BBB+ by both Standard and Poor's and Fitch and is 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 relative to cash balances (£1.3 million relative to cash balances of £33.2 million at 28 February 2017) and has no borrowings.

The Company always holds sufficient levels of funds as cash 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 loan stock assets if it were required to do so.

The carrying value of loan stock investments (as opposed to the contractual cash flows) held at 28 February 2017, 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 2017</b>						
Fully performing loan stock	2,141	2,447	3,835	12,167	–	20,590
Past due loan stock	201	–	1,024	–	–	1,225
	2,342	2,447	4,859	12,167	–	21,815
<b>As at 29 February 2016</b>						
Fully performing loan stock	2,418	2,346	5,450	17,329	–	27,543
Past due loan stock	–	1,153	–	–	–	1,153
	2,418	3,499	5,450	17,329	–	28,696

Of the loan stock classified as “past due” above, the full amount relates to the principal of loan notes where the principal has passed its maturity date.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

### *Fair value measurements recognised in the Statement of Financial Position*

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.
Level 2	Reflects financial instruments that have been valued using inputs, other than quoted prices, that are observable.
Level 3	Reflects financial instruments that have been valued using valuation techniques with unobservable inputs.

	2017				2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
AIM quoted	33	–	–	33	32	–	–	32
Loan notes	–	–	21,815	21,815	–	–	28,696	28,696
Unquoted equity	–	–	45,884	45,884	–	–	31,561	31,561
Preference shares	–	–	4,484	4,484	–	–	1,211	1,211
	33	–	72,183	72,216	32	–	61,468	61,500

# NOTES TO THE ACCOUNTS

## CONTINUED

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

	<b>Loan Notes £'000</b>	<b>Unquoted Equity £'000</b>	<b>Total £'000</b>
Balance at 29 February 2016	28,696	32,772	61,468
Movements in the Income Statement:			
(Losses)/gains in the Income Statement	(231)	14,256	14,025
Purchases at cost	526	9,842	10,368
Conversions	(2,594)	2,594	–
Sales proceeds	(4,582)	(9,096)	(13,678)
Balance at 28 February 2017	21,815	50,368	72,183

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.

Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown on pages 54 and 55.

### **18. CAPITAL MANAGEMENT**

The Company's capital is managed in accordance with its investment policy as shown in the Strategic Report on pages 21 and 22, in pursuit of its principal investment objectives as stated on page 21. 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, purchase its own shares, issue new shares or sell assets if so required to maintain a level of liquidity to remain a going concern. Although the Company is permitted to borrow to give a degree of flexibility, there are no current plans to do so.

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.

### **19. POST BALANCE SHEET EVENTS**

Between 28 February 2017 and the date of this report, the Company made three follow on investments totalling £1.6 million, company Poq Studio (£1.1 million), HoneyComb.TV (£405,000) and ContactEngine (£112,000).

### **20. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS**

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

### **21. CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS**

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

Malcolm Moss, a Director of the Company, is also a Partner of Beringea LLP. Beringea LLP was the Company's investment manager during the period. During the year ended 28 February 2017, £1,994,000 was payable to Beringea LLP in respect of these services (2016: £1,318,000). At the period end the Company owed Beringea LLP £492,000 (2016: £322,000).

As the Company's investment manager, Beringea LLP is also entitled to receive a performance incentive fee based on the Company's performance for each financial year to 28 February. The performance incentive fee arrangements are set out, in detail, on pages 23 to 24.

For the year ended 28 February 2017, a performance incentive fee of £426,000 is payable (2016: £2,564,000). At the period end an amount of £426,000 was outstanding (2016: £2,554,000).

From 13 January 2015, Beringea LLP was appointed Administration Manager of the Company. Fees paid to Beringea in its capacity as Administration Manager for the year ended 28 February 2017 amount to £57,000 (2016: £37,500) of which £14,000 remained outstanding at the year end (2016: £14,000).

Beringea LLP also acted as promoter for the Offer for Subscription dated 3 December 2015. The fees in the period amount to £1,063,000 (2016: £72,000) out of which it paid the costs of the offer including initial commissions. At the period end, the Company owed Beringea LLP £nil in respect of these services (2016: £nil).

# APPENDIX A: EXISTING INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The Company's existing Investment Policy, including Principal Objectives and Strategy, is set out below for comparison to the proposed revisions set out on pages 21 and 22 of the Strategic Report.

## PRINCIPAL OBJECTIVES AND STRATEGY

The Company's investment objective is to achieve long-term returns greater than those available from investing in a portfolio of quoted companies, by investing in:

- a portfolio of carefully selected qualifying investments in small and medium sized unquoted companies with excellent growth prospects; and
- a portfolio of non-qualifying investments including cash, liquidity funds, fixed interest securities, debt and debt related securities in growth companies and non-qualifying venture capital investments,

within the conditions imposed on all VCTs and to minimise the risk of each investment and the portfolio as a whole.

## 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 to 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, fixed interest securities of A- rating or better, investments originated in line with the Company's qualifying VCT policy but which do not qualify under the VCT rules for technical reasons and debt and debt-related securities in growth companies.

### *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:

- (i) the Company holds at least 70 per cent. of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007);
- (ii) at least 30 per cent. (70 per cent. in the case of funds raised after 5 April 2011) of the Company's qualifying investments (by value) are held in "eligible shares" – ("eligible share" generally being ordinary share capital);
- (iii) at least 10 per cent. of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);
- (iv) no investment constitutes more than 15 per cent. of the Company's portfolio (by value at time of investment);
- (v) the Company's income for each financial year is derived wholly or mainly from shares and securities;
- (vi) the Company distributes sufficient revenue dividends to ensure that not more than 15 per cent. of the income from shares and securities in any one year is retained; and
- (vii) no investment made by the Company causes an investee company to receive more than £5 million of State Aid investment (including from VCTs) in the year ending on the date of the investment.

# SHAREHOLDER INFORMATION

## Shareholder investment and returns analysis

A full analysis of Shareholder's investment and returns by share class and tax year, can be found on the website [www.provenvcts.co.uk](http://www.provenvcts.co.uk) in the "Our Funds" section.

## 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 Manager's website:

**[www.provenvcts.co.uk](http://www.provenvcts.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 "Share Portal".

## 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 0371 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

TIDM/EPIC code	"PVN"
Latest share price (6 June 2017):	94.5p per share

## Selling shares

The Company's shares can be bought and sold in the same way as any other company listed on the London Stock Exchange via a stockbroker. Shareholders who subscribed for new shares in the Company in the 2012/2013 tax year and subsequent tax years should be aware that they need to hold their shares for a minimum period of time to retain the income tax relief they received on investment. Selling your shares may have tax consequences, therefore, you should contact your 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 shares 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 close periods (when the company is prohibited from buying in shares) and details of the price at which the VCT has bought in shares. Panmure can be contacted as follows:

Chris Lloyd    020 7886 2716 [chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)

Paul Nolan    020 7886 2717 [paul.nolan@panmure.com](mailto:paul.nolan@panmure.com)

## Financial calendar

**4 July 2017**    Annual General Meeting

**October 2017**    Announcement of half year results

**Unsolicited communication with Shareholders**

We are aware of cases in previous years 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 Beringea LLP, the Company Secretary, on 020 7845 7820.

**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

Company number **3911323**

## **Directors**

**Andrew Davison (Chairman)**

**Barry Dean**

**Malcolm Moss**

**Lorna Tilbian**

all of

39 Earlham Street

London WC2H 9LT

## **Investment manager**

**Beringea LLP**

39 Earlham Street

London WC2H 9LT

Tel: 020 7845 7820

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

## **Registrars**

**Capita Registrars**

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Tel: 0371 664 0324

(calls cost 10p per minute plus network extras)

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

## **Auditor**

**BDO LLP**

55 Baker Street

London

W1U 7EU

## **Corporate Broker**

**Panmure Gordon (UK) Limited**

One New Change

London EC4M 9AF

## **Company Secretary**

**Beringea LLP**

39 Earlham Street

London WC2H 9LT

## **Registered office**

39 Earlham Street

London WC2H 9LT

Tel: 020 7845 7820

## **Administration manager**

**Beringea LLP**

39 Earlham Street

London WC2H 9LT

Tel: 020 7845 7820

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

## **VCT status adviser**

**Philip Hare & Associates LLP**

Suite C – First Floor, 4-6 Staple Inn

London

WC1V 7QH

## **Bankers**

**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 Gennaro Room at the Groucho Club, 45 Dean Street, London, W1D 4QB at 1.30 p.m. on Tuesday 4 July 2017 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 2017 together with the report of the Auditor thereon.
2. To approve the Directors' Remuneration Report, excluding the Director's Remuneration Policy set out on page 34 of the Directors' Remuneration Report, for the year ended 28 February 2017.
3. To declare a final dividend of 2.5p per Ordinary Share in respect of the year ended 28 February 2017.
4. To re-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.
5. To re-elect as Director, Andrew Davison, who retires in accordance with Company policy and, being eligible, offers himself for re-election.
6. To re-elect as Director, Barry Dean, who retires in accordance with Company policy and, being eligible, offers himself for re-election.
7. To re-elect as Director, Malcolm Moss, who retires in accordance with Company policy and, being eligible, offers himself for re-election.
8. To re-elect as Director, Lorna Tilbian, who retires in accordance with Company policy and, being eligible, offers herself for re-election.

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

### ORDINARY RESOLUTION

9. THAT, the proposed investment policy set out on pages 21 and 22 of the Strategic Report be and is hereby adopted as the investment policy of the Company to the exclusion of all previous investment policies of the Company.
10. 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 £7,392,223 (representing approximately 75% 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

11. 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 10 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.
12. 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:
  - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 14,774,589 representing approximately 14.99% of the present issued Ordinary Share capital of the Company;

- (ii) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 10p the nominal amount thereof;
- (iii) 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;
- (iv) 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

**Beringea LLP**

Company Secretary  
Registered Office  
39 Earlham Street  
London WC2H 9LT  
7 June 2017

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

Note: Please see the notes set out on pages 66 and 67 which contain important information about the Annual General Meeting.

# NOTICE OF THE ANNUAL GENERAL MEETING

## CONTINUED

### Notes for the Notice of Annual General Meeting

The following notes explain your general rights as a Shareholder and your right to attend and vote at the Annual General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), Shareholders must be registered in the Register of Members of the Company at close of trading on 30 June 2017. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. Shareholders, or their proxies, intending to attend the Annual General Meeting in person are requested, if possible, to arrive at the Annual General Meeting venue at least 20 minutes prior to the commencement of the Annual General Meeting at 1.30 p.m. on 4 July 2017 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Annual General Meeting. A Shareholder 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 Ordinary Share or Ordinary Shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact the registrar of the Company whose contact details are provided below.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
5. 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, your proxy will vote or abstain from voting at his or her discretion. Your 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.
6. To be valid, any Form of Proxy or other instrument appointing a proxy, must be returned by no later than 1.30 p.m. on 30 June 2017 through any one of the following methods:
  - i) by post, courier or (during normal business hours only) hand to the Company's UK registrar at:  
Capita Asset Services  
PXS1  
34 Beckenham Road  
Beckenham  
BR3 4ZF;
  - ii) electronically through the website of the Company's UK registrar at [www.signalshares.com](http://www.signalshares.com); or
  - iii) in the case of shares held through CREST, via the CREST system (see notes below);
7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Shareholders and those who use them will not be disadvantaged.
8. The return of a completed Form of Proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a Shareholder from attending the Annual General Meeting and voting in person if he/she wishes to do so.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting (and any adjournment of the Annual General Meeting) by using the procedures described in the CREST Manual (available from [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the

information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 1.30 p.m. on 30 June 2017. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 6 June 2017 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 98,562,973 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 June 2017 are 98,562,973.
14. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
15. Any Shareholder attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Annual General Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
16. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Annual General Meeting and may also be inspected at the Annual General Meeting venue, as specified in this Notice, for at least 15 minutes prior to the Annual General Meeting until its conclusion:
  - copies of the Directors' Letters of Appointments; and
  - copies of the Register of Directors' interests in the Ordinary Shares of the Company.
17. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at [www.provenvcts.co.uk](http://www.provenvcts.co.uk)





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