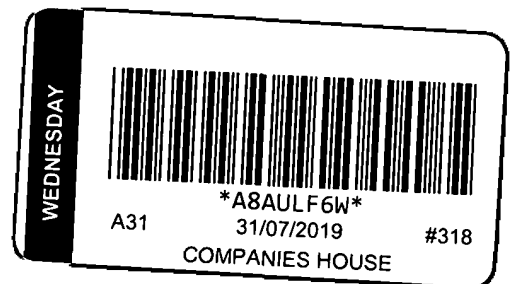
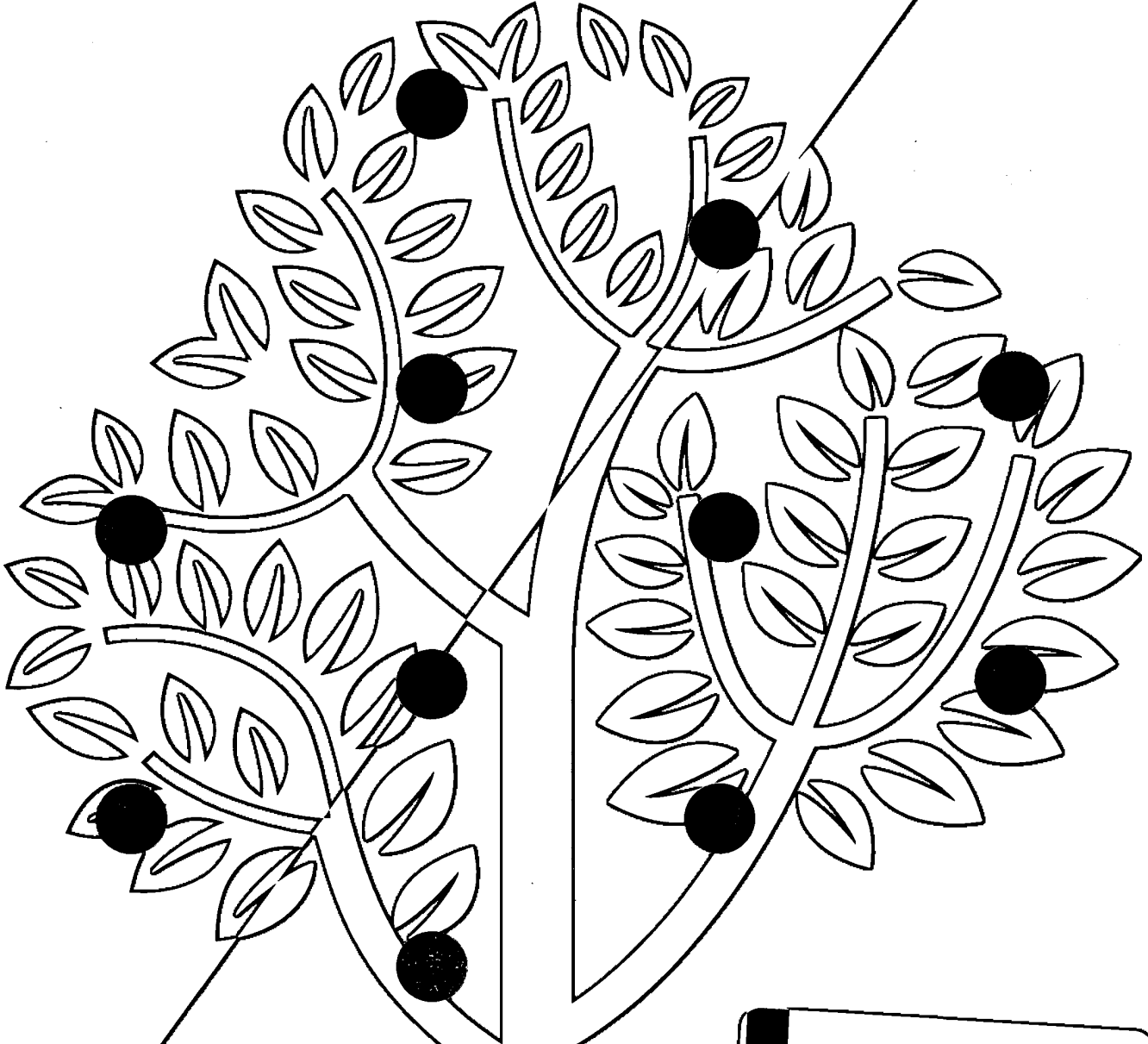


# proven

## PROVEN VCT PLC

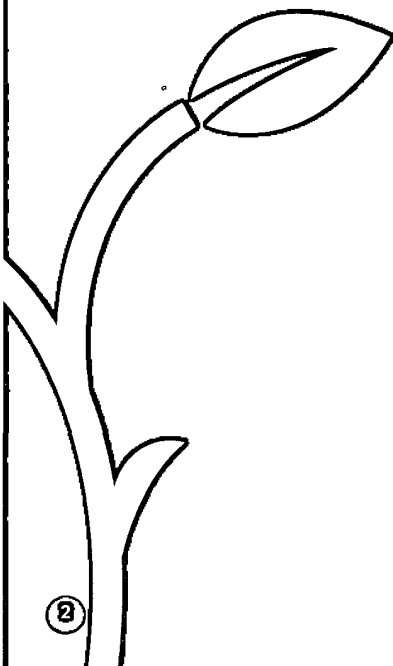
ANNUAL REPORT AND ACCOUNTS  
For the year ended 28 February 2019

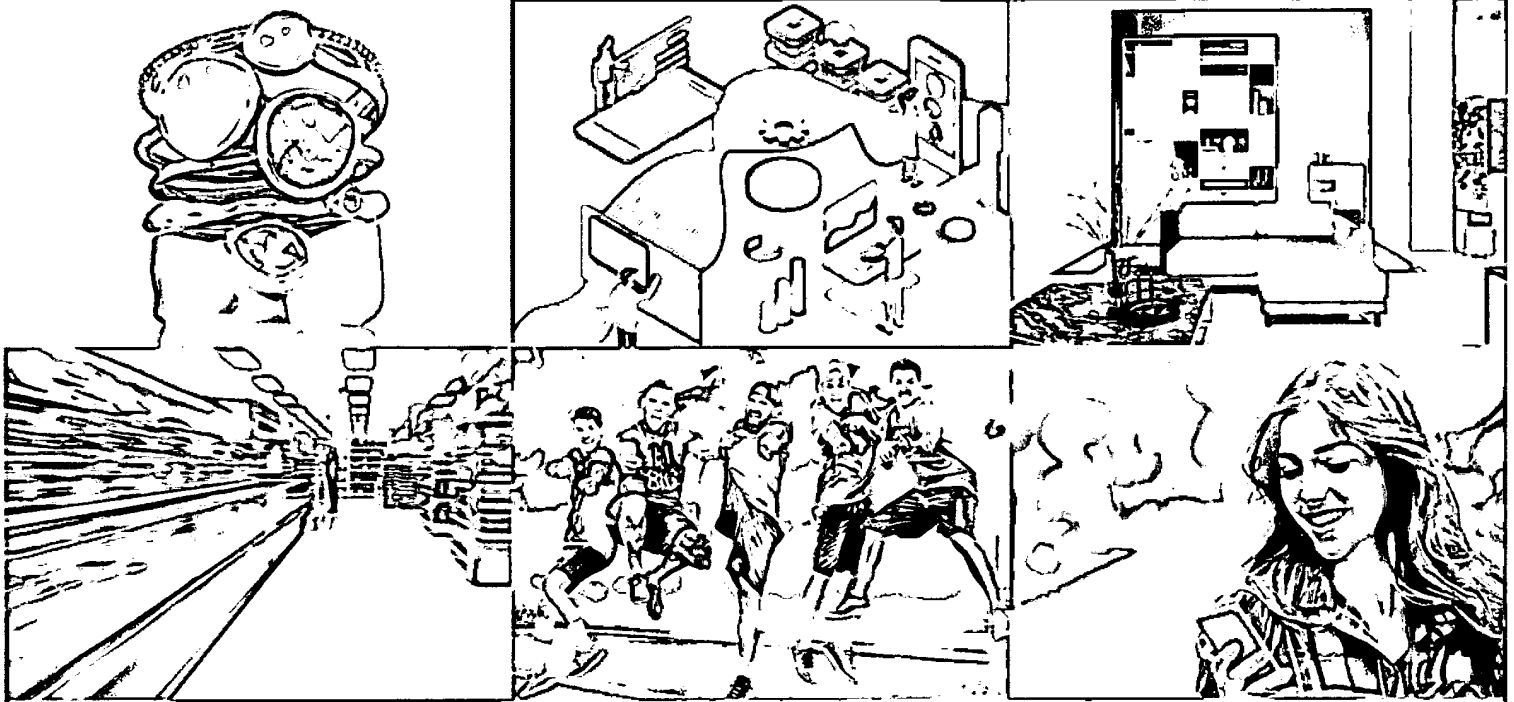


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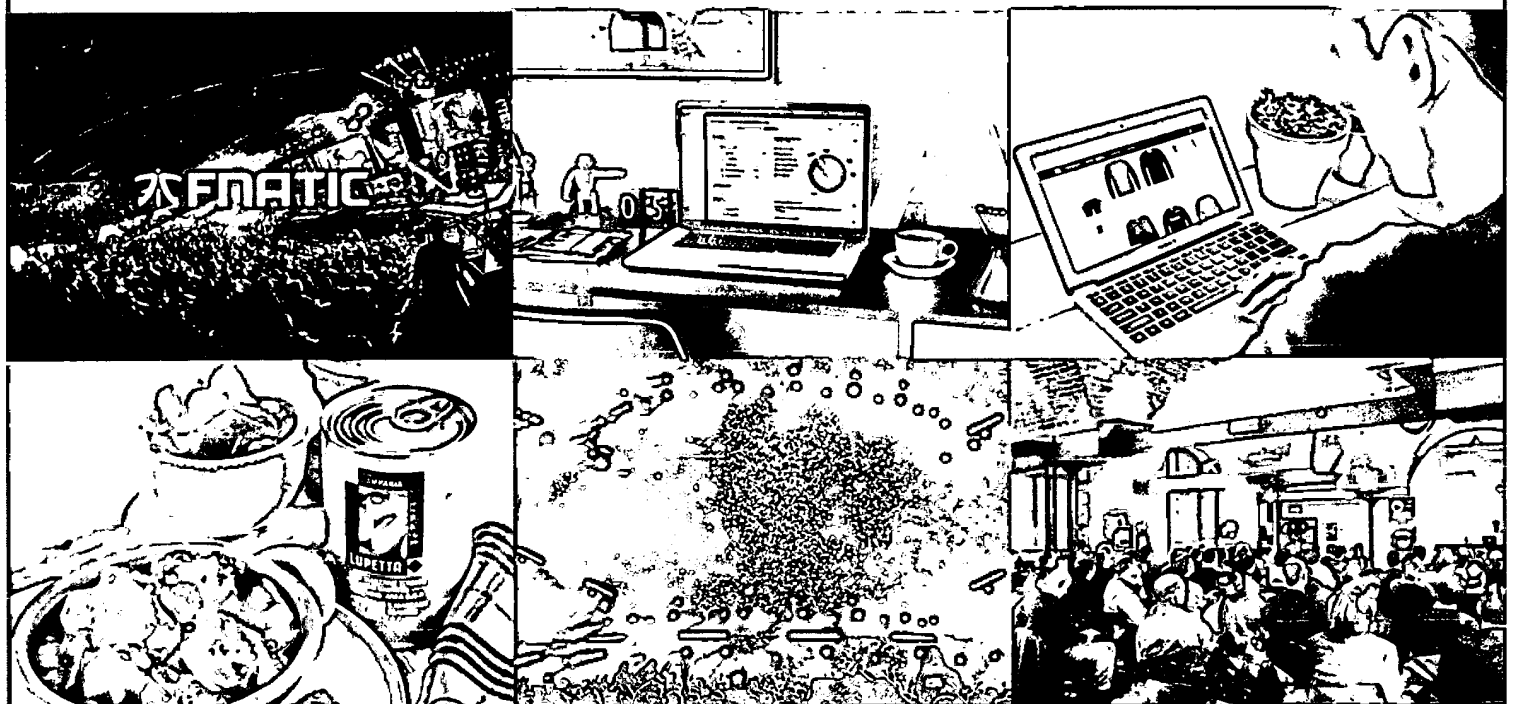


## FUND OVERVIEW

### FINANCIAL SUMMARY

Ordinary Shares as at:	28 February 2019	28 February 2018
	Pence	Pence
Net asset value per share	82.2	99.7
Dividends paid since launch	63.75	36.0
Total return (net asset value plus dividends paid since launch)	145.95	135.7
Year on year change in:		
Net asset value per share (adjusted for dividends paid in the year)	10.3%	2.7%

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



# CHAIRMAN'S STATEMENT

As your new Chairman, I am pleased to present my first Annual Report for ProVen VCT plc (the "Company") for the year ended 28 February 2019. The Company has continued to identify a number of attractive investment opportunities, investing a total of £23.5 million in the year. It has also been an excellent year for realisations, with Chargemaster, Chess, Think and Watchfinder all being fully realised in the year.

## RESULTS FOR THE YEAR

Over the year, there was an increase in Shareholder total return (Net Asset Value ("NAV") per share plus dividends) of 10.3%. However, predominately as a result of the dividends paid in the year, the Company's NAV per share fell from 99.7p at 28 February 2018 to 82.2p at 28 February 2019. The 17.5p reduction comprised dividend payments of 27.75p and performance incentive accrual of 5.2p, offset by 15.45p of uplift arising largely from positive valuation movements.

The total return on ordinary activities for the year was £10.3 million, or 10.1p per share (2018: £2.9 million, 3.0p per share), comprising a revenue loss of £660,000, or 0.6p per share, (2018: revenue loss of £585,000, 0.6p per share) and a capital return of £11.0 million, or 10.7p per share (2018: £3.5 million, 3.6p per share).

## DIVIDENDS

During the year ended 28 February 2019, the Company paid a final dividend of 2.5p per share in respect of the year ended 28 February 2018 on 20 July 2018. A special interim dividend of 25.25p per share was paid in respect of the year ended 28 February 2019 on 30 November 2018.

Your Board is proposing a final dividend for the year ended 28 February 2019 of 2.5p per share to be paid on 19 July 2019 to Shareholders on the register at 21 June 2019. With total tax-free dividends of 27.75p per share for the year ended 28 February 2019, this represents a cash return of over 27% on the opening NAV per share at 1 March 2018, which is an exceptional dividend return and largely reflects the substantial profits crystallised on the realisations of Chargemaster and Watchfinder during the first half of the year.

## PORTFOLIO ACTIVITY AND VALUATION

The Company invested £14.0 million in five new portfolio companies and £9.5 million in ten existing portfolio companies during the year.

It was an exceptional year for disposals with the full disposals of Chargemaster, Chess, Think and Watchfinder all completed during the year. Aggregate proceeds of £43.5 million were generated from these four sales, contributing to the largest net gain against cost ever recognised by the Company in a single year of £31.1 million.

In addition to these disposals, the Company realised its holdings in Charterhouse Leisure and Conversity at an uplift on the carrying value

at the previous year end but a loss against cost. The Company's holding in Perfect Channel was sold at a significant loss against cost, after an extended period of underperformance.

Overall, the investment portfolio held at the year end increased in value by £213,000 (2018: £2.8 million), or 0.2p per share (2018: 2.8p per share). Continued strong performance of Zoovu (formerly Smart Assistant), Deepcrawl and Contact Engine contributed significantly to the net uplift but there were also valuation uplifts for Blis and Sealskinz. These gains were offset by reductions in valuation for WhistleSports, Cogora and Monica Vinader.

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

## FUNDRAISING ACTIVITIES

The Company launched a combined offer for subscription with ProVen Growth and Income VCT plc on 11 January 2019 to raise up to a total of £30 million per company, with an over-allotment facility of £10 million per company. At the date of this report the full £40 million of gross applications had been received and allotted by the Company under the combined offer.

## 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 58 of this report.

During the year, the Company purchased 1,729,240 Ordinary Shares at an average price of 95.5p per share and for an aggregate consideration of £1,658,904. This represented 1.7% 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 FEE

The Company's performance incentive arrangements are an important aid for the Investment Manager in recruiting and retaining talented investment professionals against competition from other investment management companies. The performance fee structure is designed to align the interests of the Investment Manager with those of Shareholders and encourages capital growth as well as significant payments to Shareholders by means of tax-free dividends, as determined by the Directors. These arrangements are set out in more detail in the Strategic Report on pages 18 to 22.

Based on the NAV per share at 28 February 2019 before any performance fee accrual and cumulative dividends paid up to this date, a maximum performance fee of £5.5 million is payable in relation to certain vintage fundraisings for which the performance hurdles have been achieved. However, the performance fee structure contains certain restrictions to ensure that the hurdles continue to be met after the payment of a performance fee and to encourage the payment of tax-free dividends. After applying these restrictions, a performance fee of £5.4 million is payable to Beringea LLP at 28 February 2019. An accrual for this amount has been included within the accounts and is therefore reflected in the NAV per share.

The significant performance fee for the year ended 28 February 2019 arises as a result of the continued strong performance of the Company, driven in part by the significant realised gains achieved over recent years. This has enabled the Company to return a total of £43.8 million to Shareholders by way of dividends over the past three financial years. These significant dividends, together with the net uplift in portfolio valuations, have resulted in an average Shareholder total return of over 8% over the past three years.

The payment of a performance fee in future years and the amount thereof, if any, will be dependent on both the performance of the Company and the level of dividends paid to Shareholders, as determined by the Directors.

## BOARD

Your previous Chairman, Andrew Davison, retired from the Board after last year's AGM on 11 July 2018. Andrew had served as a director of the Company since its inception in 2000, and his stewardship has played a significant part in the Company's success. Apart from Andrew's retirement and my appointment as Chairman in his place, there have been no other changes to the Board during the year.

## ANNUAL GENERAL MEETING

The next AGM of the Company will be held in the Forest Room at The Hospital Club, 24 Endell Street, London, WC2H 9HQ at 1.30 p.m. on Wednesday 3 July 2019.

Three 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, and one resolution

to allow the Company to continue to make share buy-backs as outlined above.

The notice of 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 13 November 2019 at 10.00 a.m. at The Institution 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.

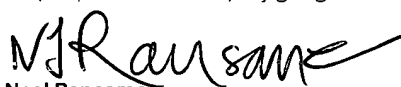
## OUTLOOK

The Company has been able to achieve a number of exceptional realisations as merger and acquisition activity has remained strong throughout the year. The Company also has a diversified portfolio of investments, many of which have the potential to grow significantly given the support of the Company.

After a number of changes to the VCT rules in recent years, it is encouraging that there have been few additional changes in the last 12 months. However, the previous change to the minimum level of qualifying investments from 70% to 80%, which becomes effective for the Company on 29 February 2020, is a challenge throughout the industry and the Investment Manager continues to work hard on identifying potential investment opportunities to ensure that this threshold will be achieved for the Company.

The ongoing delays to the UK's withdrawal from the EU and the continued uncertainty over the nature of Brexit means there remains a largely unquantifiable risk over whether the final outcome agreed with the EU will adversely impact the Company's portfolio companies.

Despite the uncertainty over Brexit and the economic climate generally, the Company is well placed with a well-diversified portfolio of over 40 companies, together with significant funds raised after the year end to expand this portfolio. Your Board remains confident about the prospects of the Company going forward.



**Neal Ransome**

Chairman  
30 May 2019

# INVESTMENT MANAGER'S REVIEW

## INTRODUCTION

We have pleasure in presenting our annual review for the year ended 28 February 2019. During the year, a total of £14.0 million was invested in five new portfolio companies and £9.5 million in ten existing portfolio companies.

The year also saw an exceptional level of realisations, with aggregate realisation proceeds of £44.4 million (2018: £12.6 million) and a record level of realised gains against initial cost of £31.1 million (2018: £7.1 million).

At 28 February 2019, the Company's venture capital portfolio comprised 42 investments at a cost of £69.1 million and a valuation of £71.1 million, an overall uplift of 2.9% on cost.

The net cash outflow for the year was £8.8 million. However, after the year end, the Company allotted an additional £40 million of gross applications under the combined offer for subscription with Proven Growth and Income VCT plc which launched on 11 January 2019 meaning that the Company remains well capitalised to take advantage of new investment opportunities.

## INVESTMENT ACTIVITY

### *New investments*

We continued to experience a strong level of deal flow, with £14.0 million being invested during the year in five new portfolio companies.

The largest new investment for the Company was the investment in Mycs (£3.6 million), a Berlin based online retailer for customisable furniture, which was completed in May 2018 and was discussed in the Company's previous annual report.

In December 2018, £3.5 million was invested into Access Systems Inc. (t/a AccessPay) as part of one of the largest ever investments in a fintech company in the North of England. AccessPay provides software to automate payments and cash management solutions for corporate clients. The investment is being used to expand the company's sales and marketing reach in the UK and internationally as well as to further improve functionality of the company's software.

The Company invested £3.2 million in Festicket in October 2018. Festicket is an online platform that packages together festival tickets with travel, accommodation and add-ons to provide complete festival experiences that can be booked in one place. The Company's investment was part of a larger \$10.5 million investment round that will be used to expand into North America and Asia as the company focuses on becoming the number 1 global live events platform.

Other new investments were made in Exonar, a leading data discovery and management software firm (£2.5 million), and Aistemos, a software company that uses artificial intelligence for intellectual property analytics (£1.2 million).

### *Follow-on investments*

The Company has also been active in supporting the development of existing portfolio companies, making follow-on investments in ten companies during the year.

The largest of the follow-on investments was in My 1st Years (£2.6 million) with the investment being used to enable the company to continue its expansion into the US. This brings the Company's total investment in My 1st Years to £4.7 million.

In November 2018, the Company invested £2.2 million in Zoovu (formerly Smart Assistant). Zoovu has shown impressive growth since the Company's initial investment and the further investment is being used to expand the company's sales and marketing team.

Other follow-on investments were made in Deepcrawl (£1.4 million), Poq Studio (£902,000), Disposable Cubicle Curtains (t/a Hygenica) (£670,000), Firefly (£443,000), InContext (£442,000), MPB (£369,000), Perfect Channel (£367,000) and Thread (£105,000).

### *Investment disposals*

The Company achieved a number of successful realisations during the year with the full disposals of Chargemaster, Chess, Think and Watchfinder generating a combined realised gain of £34.6 million on the original investment cost.

Watchfinder, initially funded by the Company in 2014, has grown significantly during the Company's holding period and on 1 June 2018, Richemont Holdings UK Limited, a subsidiary of the Swiss luxury group Compagnie Financière Richemont SA, agreed to acquire 100% of the share capital of Watchfinder. The realised gain of £21.0 million is the largest gain achieved on a single disposal in the history of the Company and represents an annual rate of return on the Company's investment of over 75%.

Chargemaster has also grown significantly over recent years, driven by the increase in electric vehicle usage. In July 2018, the Company realised its investment in Chargemaster in full as part of an acquisition of Chargemaster by BP plc. Total proceeds of £7.6 million were generated from the disposal, representing a gain against cost of £5.2 million.

In November 2018, the Company sold its holding in Think to EPAM Systems, Inc., generating a realised gain against cost of £5.8 million. Ranked as one of the Top 100 Digital Agencies in the UK, Think has worked with a number of influential public and private clients including ASOS, BUPA and the UK Government's "GREAT Britain" campaign. The disposal delivered a total return of 2.8x the initial investment cost.

Chess has been a portfolio company for over 10 years and the Company has supported the company's expansion in both the UK and internationally over a number of funding rounds. In December 2018,

AIM listed Cohort plc acquired Chess to expand its range of services and products. The disposal generated total proceeds of £3.6 million for the Company, equivalent to a gain of 3.5x the initial investment cost.

While the year has seen a number of significant realised gains for the Company, the disposal of Perfect Channel at a significant loss against cost is a reminder that investing in smaller, unquoted companies carries a certain level of risk. Perfect Channel's delay in converting a pipeline of prospects into orders put pressure on the company's cash and the Company decided to accept an offer and sold its holding in full for a loss against cost of £3.1 million.

Other disposals included the disposals of Charterhouse Leisure and Conversity, which were fully realised at a loss against cost but a slight uplift against the carrying value at the previous year end. An interim distribution in respect of the administration of Maplin of £335,000 was also received during the year.

#### *Key developments at existing portfolio companies*

Zoovu has grown significantly since the Company first invested in 2017, supported by a number of follow on funding rounds. The money raised has supported the company's successful expansion into the US, with the company now servicing a number of larger clients in the Americas. Over the course of the year the valuation of the Company's investment has increased by £1.7 million.

Blis has continued to perform well despite competition from other online advertisers and trading for the current year has been ahead of budget. This has resulted in an increase in valuation of £1.4 million and the Company's investment is now valued at 3.4x cost.

There have been some downward movements in the valuations in the portfolio, with valuation decreases for Cogora, due to a delay in closing orders for a number of larger projects, and Monica Vinader, due to slower than expected trading during the festive period.

Whistle Sports has expanded rapidly over recent years with a number of fundraising rounds, however, trading has not kept pace with the fundraising activity and increased competition from Facebook and Google in the online advertising space has put increasing pressure on revenues, resulting in a full write down of the Company's investment at the year end.

Overall, the investment portfolio held at the year end showed an increase in value of £0.2 million (2018: £2.8 million), or 0.2p per share (2018: 2.8p per share). Further detail on the investments is provided in the Investment Portfolio on pages 10 and 11 and Review of Investments on pages 12 to 16.

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

Between 28 February 2019 and the date of this report, the Company issued 46,313,896 Ordinary Shares for an aggregate consideration of £40.0 million under the combined offer for subscription with ProVen

Growth and Income VCT plc which launched on 11 January 2019. Share issue costs thereon amounted to £1.4 million.

In April 2019, the Company invested £1.0 million in Fnatic, an eSports team owner and lifestyle brand, with professional teams in the most popular games such as League of Legends, Dota 2 and Battlefield 4. The money is being used to fund research and development into products and equipment as well as expand the company's team internationally.

#### **OUTLOOK**

The year has seen a strong flow of both new investment prospects as well as opportunities to continue to support the development of existing portfolio companies. Competition for investments remains high, but we remain disciplined and will not invest in opportunities that we consider to be overpriced.

The disposals achieved in the year have driven the strong performance of the Company and follows on from the past few years where the exit environment has been supported by a high level of merger and acquisition activity. This trend is unlikely to continue forever, however, and we will continue to nurture the existing portfolio as well as find exciting new companies to fund using the money raised after the year end. The opening of a Beringea office in Manchester during the year has extended the reach of Beringea's investment team, opening up additional investment opportunities across the whole of the UK.

The ongoing uncertainty over Brexit continues to be a risk for the portfolio and the high valuations currently being observed in the market has the potential to adversely affect future performance. Nevertheless, we believe that the current portfolio is well diversified and we therefore remain optimistic about the prospects of the Company for the coming year.

#### **Beringea LLP**

30 May 2019

# INVESTMENT ACTIVITY

Investment activity during the year is summarised as follows:

<b>Additions</b>	<b>Cost £'000</b>
Mycs GmbH	3,551
Access Systems, Inc.	3,500
Festicket Ltd	3,248
Infinity Reliance Limited (t/a My First Years)	2,576
Exonar Limited	2,495
Zoovu Limited (formerly Smart Assistant)	2,177
Written Byte Ltd (t/a Deepcrawl)	1,400
Aistemos Limited	1,223
POQ Studio Ltd	902
Disposable Cubicle Curtains Limited (t/a Hygenica)	670
Firefly Learning Limited	443
InContext Solutions, Inc.	442
MPB Group Limited	369
Perfect Channel Limited	367
Thread, Inc.	105
<b>Total</b>	<b>23,468</b>

Disposals	Cost** £'000	Market value at 01/03/18** £'000	Disposal proceeds £'000	Realised gain/ (loss) against cost £'000	Realised gain/ (loss) during the year £'000
Watchfinder.co.uk Limited	2,629	10,228	23,652	21,023	13,424
Think Limited	2,757	5,367	8,587	5,830	3,220
Chargemaster plc	2,421	5,604	7,613	5,192	2,009
Chess Technologies Limited	1,045	4,236	3,605	2,560	(631)
Perfect Channel Limited	3,527	930	424	(3,103)	(506)
MEL Topco Limited (t/a Maplin)	–	–	335	335	335
Charterhouse Leisure Limited	875	8	91	(784)	83
MatsSoft Limited	–	–	57	57	57
Skills Matter Limited*	15	15	15	–	–
Conversity Limited	28	–	4	(24)	4
<b>Total</b>	<b>13,297</b>	<b>26,388</b>	<b>44,383</b>	<b>31,086</b>	<b>17,995</b>

\* Loan note repayment

\*\* Adjusted for additions in the year

Of the disposals above, MatsSoft Limited was realised in the prior year but proceeds were recognised in the current period in excess of the amounts previously accrued.

The proceeds received in respect of MEL Topco Limited (t/a Maplin) reflected an interim distribution in respect of the company's administration.

In addition to the above disposals, Steribottle Global Limited, which had a cost of £603,000 and a market value of £nil at 1 March 2018 was dissolved in August 2018. No proceeds were received as part of the dissolution, however, the loss of £603,000 had already been recognised as realised in the prior period.

# INVESTMENT PORTFOLIO

AS AT 28 FEBRUARY 2019

The following investments were held at 28 February 2019:

Venture capital investments (by value)	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Infinity Reliance Limited (t/a My 1st Years)	4,731	6,221	(328)	6.8%
Poq Studio Ltd	3,152	5,402	–	5.9%
Zoovu Limited (formerly Smart Assistant)	3,487	5,158	1,672	5.7%
Litchfield Media Limited*	3,580	4,199	720	4.6%
Rapid Charge Grid Limited*	4,200	4,062	299	4.5%
Mycs GmbH	3,551	3,551	–	3.9%
Access Systems, Inc.	3,500	3,500	–	3.8%
Monica Vinader Limited**	534	3,317	(1,372)	3.6%
Festicket Ltd	3,248	3,248	–	3.6%
InContext Solutions, Inc.	2,804	2,905	293	3.2%
Blis Media Limited**	841	2,857	1,386	3.1%
Thread, Inc.	2,751	2,783	(125)	3.1%
Exonar Limited	2,496	2,496	–	2.7%
Written Byte Ltd (t/a DeepCrawl)	1,888	2,274	387	2.5%
MPB Group Limited	2,211	2,211	–	2.4%
Disposable Cubicle Curtains Limited (t/a Hygenica)**	2,871	2,194	(51)	2.4%
Response Tap Limited	1,060	1,821	244	2.0%
Donatantonio Group Limited	1,078	1,755	349	1.9%
ContactEngine Limited	562	1,662	487	1.8%
Monmouth Holdings Limited	1,500	1,308	(1)	1.4%
Firefly Learning Limited	1,202	1,254	52	1.4%
Aistemos Limited	1,223	1,223	–	1.4%
Sealskinz Holdings Limited**	834	1,186	459	1.3%
Cogora Group Limited**	2,643	1,033	(1,261)	1.1%
D30 Holdings Ltd**	956	904	100	1.1%
Honeycomb.TV Limited	900	872	(28)	1.0%
Been There Done That Global Limited	553	553	–	0.6%
SPC International Limited	58	480	(51)	0.6%
Simplestream Limited**	191	197	(162)	0.2%
Inskin Media Limited	365	186	3	0.2%

Venture capital investments (by value)	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Senselogix Limited	986	174	(12)	0.2%
Netcall plc	287	126	(87)	0.1%
	<b>60,243</b>	<b>71,112</b>	<b>2,973</b>	78.1%
<b>Other venture capital investments</b>	8,847	21	(2,760)	0.0%
<b>Total venture capital investments</b>	<b>69,090</b>	<b>71,133</b>	<b>213</b>	78.1%
Cash at bank and in hand		19,897		21.9%
<b>Total Investments</b>		<b>91,030</b>		100.0%

Valuation movement in the year excludes the cost of investments made in the year.

Other venture capital investments at 28 February 2019 comprise:

7Digital Group plc\*\*, Buckingham Gate Financial Services Limited, Lantum Limited, Macklin Holdings Limited\*†, MEL Topco Limited (t/a Maplin Electronics)\*, Skills Matter Limited\*\*, Utility Exchange Online Limited (t/a SwitchmyBusiness.com), Whistle Sports, Inc., TVPlayer Limited 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 and Netcall plc which are quoted on AIM, all venture capital investments are unquoted.

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

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 and Mycs GmbH, which is registered in Germany.

# REVIEW OF INVESTMENTS

AS AT 28 FEBRUARY 2019

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

**INFINITY RELIANCE LIMITED**  
(T/A MY FIRST YEARS)  
www.my1styears.com

**My 1<sup>st</sup> Years**  
MADE WITH LOVE

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.

<b>Cost:</b>	<b>£4,731,000</b>		<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£6,221,000
Ordinary shares:	£4,731,000		Valuation at 28/02/18:	£3,974,000
<b>Unaudited accounts:</b>	<b>31/12/17</b>	<b>31/12/16</b>	Dividend income:	£-
Turnover:	Not available	Not available	Loan note income:	n/a
Profit before tax:	Not available	Not available	Proportion of equity held:	17.2%
Net assets:	£2.0m	£4.5m	Diluted equity:	17.2%

**POQ STUDIO LIMITED**  
www.poqcommerce.com

**POQ**

POQ is a platform provider for mobile e-commerce apps used by major fashion retailers.

<b>Cost:</b>	<b>£3,152,000</b>		<b>Valuation method:</b>	<b>Price of recent investment</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£5,402,000
Preferred shares:	£3,152,000		Valuation at 28/02/18:	£4,500,000
<b>Unaudited accounts:</b>	<b>31/12/18</b>	<b>31/12/17</b>	Dividend income:	£-
Turnover:	Not available	Not available	Loan note income:	n/a
Profit before tax:	Not available	Not available	Proportion of equity held:	15.7%
Net (liabilities)/assets:	(£0.5m)	£0.6m	Diluted equity:	15.7%

**ZOOVU LIMITED (formerly Smart Assistant)**  
www.zoovu.com

**ZOOVÜ**

Zoovu specialises in creating digital assistants which are used by corporates and retailers to interact with customers online, on mobile devices and at in-store checkouts.

<b>Cost:</b>	<b>£3,487,000</b>		<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£5,158,000
Preferred shares:	£3,487,000		Valuation at 28/02/18:	£1,309,000
<b>Audited accounts:</b>	<b>31/12/18</b>		Dividend income:	£-
Turnover:	Not available		Loan note income:	n/a
Profit before tax:	Not available		Proportion of equity held:	8.7%
Net assets:	Not available		Diluted equity:	8.7%

## LITCHFIELD MEDIA LIMITED

Litchfield Media is a company that seeks to take advantage of investment opportunities across a range of sectors.

# 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 28/02/19:	£4,199,000
Ordinary Shares:	£358,000		Valuation at 28/02/18:	£3,479,000
Loan Stock:	£3,222,000			
<b>Unaudited accounts:</b>	<b>30/11/17</b>	<b>30/11/16</b>	Dividend income:	£-
Turnover:	Not available	Not available	Loan note income:	£-
Profit before tax:	Not available	Not available	Proportion of equity held:	72.0%
Net assets:	£0.1m	£0.3m	Diluted equity:	72.0%

## RAPID CHARGE GRID LIMITED

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

# Rapid Charge Grid

<b>Cost:</b>	<b>£4,200,000</b>		<b>Valuation method:</b>	<b>Net Asset Value</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£4,062,000
Ordinary shares:	£1,050,000		Valuation at 28/02/18:	£3,763,000
Loan Stock:	£3,150,000			
<b>Unaudited accounts:</b>	<b>31/12/17</b>	<b>31/12/16</b>	Dividend income:	£-
Turnover:	Not available	Not available	Loan note income:	£-
Profit before tax:	Not available	Not available	Proportion of equity held:	69.0%
Net assets:	£0.7m	£1.7m	Diluted equity:	69.0%

## MYCS GMBH <https://uk.mycs.com>

Mycs GmbH is an online furniture retailer that specialises in creating fully-customisable furniture. Founded in Berlin, the retailer has developed technology that provides shoppers with the tools to customise the design, size, material and colour of its entire product range of wardrobes, sofas, shelving, tables and chairs.

# MYCS

<b>Cost:</b>	<b>£3,551,000</b>		<b>Valuation method:</b>	<b>Price of recent investment</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£3,551,000
Ordinary Shares:	£3,551,000		Valuation at 28/02/18:	n/a
<b>Audited accounts:</b>	<b>31/12/18</b>	<b>31/12/17</b>	Dividend income:	£-
Turnover:	Not available	Not available	Loan note income:	n/a
Profit before tax:	Not available	Not available	Proportion of equity held:	7.1%
Net assets:	Not available	Not available	Diluted equity:	7.1%

# REVIEW OF INVESTMENTS

CONTINUED

**ACCESS SYSTEMS, INC.**  
www.accesspay.com

Access Pay is a BACS approved software provider aiming to simplify the payment processing system by offering a range of payment and cash management products such as Direct Debit, SEPA, Faster Payments and SWIFT.



<b>Cost:</b>		<b>£3,500,000</b>	<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£3,500,000
Ordinary Shares:		£3,500,000	Valuation at 28/02/18:	n/a
<b>Unaudited accounts:</b>	<b>30/04/19</b>	<b>30/04/18</b>	Dividend income:	£-
Turnover:	Not available	Not available	Loan note income:	n/a
Profit before tax:	Not available	Not available	Proportion of equity held:	14.0%
Net assets:	Not available	Not available	Diluted equity:	14.0%

**MONICA VINADER LIMITED**  
www.monicavinader.com

Monica Vinader creates ready-to-wear contemporary designer jewellery. The business, which is managed by sisters Monica and Gabriela Vinader, began trading in 2007 and has quickly become a well-known, international jewellery brand.



<b>Cost:</b>		<b>£534,000</b>	<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£3,317,000
Ordinary shares:		£534,000	Valuation at 28/02/18:	£4,689,000
<b>Audited accounts:</b>	<b>31/07/18</b>	<b>31/07/17</b>	Dividend income:	£-
Turnover:	£42.8m	£35.8m	Loan note income:	£-
Profit before tax:	£2.1m	£0.7m	Proportion of equity held:	6.0%
Net assets:	£12.1m	£9.4m	Diluted equity:	6.0%

**FESTICKET LIMITED**  
www.festicket.com

Festicket is a website that packages together festival tickets with travel, accommodation and add-ons to create complete festival trips that can be booked in one click.



<b>Cost:</b>		<b>£3,248,000</b>	<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£3,248,000
Ordinary shares:		£3,248,000	Valuation at 28/02/18:	n/a
<b>Audited accounts:</b>	<b>31/12/17</b>	<b>31/12/16</b>	Dividend income:	£-
Turnover:	£35.8m	£16.0m	Loan note income:	n/a
Loss before tax:	(£4.0m)	(£2.3m)	Proportion of equity held:	7.2%
Net assets:	£1.5m	£2.3m	Diluted equity:	7.2%

**INCONTEXT SOLUTIONS, INC.**  
www.incontextolutions.com



InContext Solutions is the global leader in enterprise mixed and virtual reality solutions for total retail optimisation.

<b>Cost:</b>		<b>£2,804,000</b>	<b>Valuation method:</b>	<b>Discounted revenue multiple</b>
<i>Investment comprises:</i>			Valuation at 28/02/19:	£2,905,000
Ordinary shares:		£1,376,000	Valuation at 28/02/18:	£2,171,000
Preferred shares:		£1,428,000		
<b>Audited accounts:</b>	<b>31/08/18</b>	<b>31/08/17</b>	Dividend income:	£-
Turnover:	Not available	Not available	Loan note income:	n/a
Profit before tax:	Not available	Not available	Proportion of equity held:	6.7%
Net assets:	Not available	Not available	Diluted equity:	6.7%

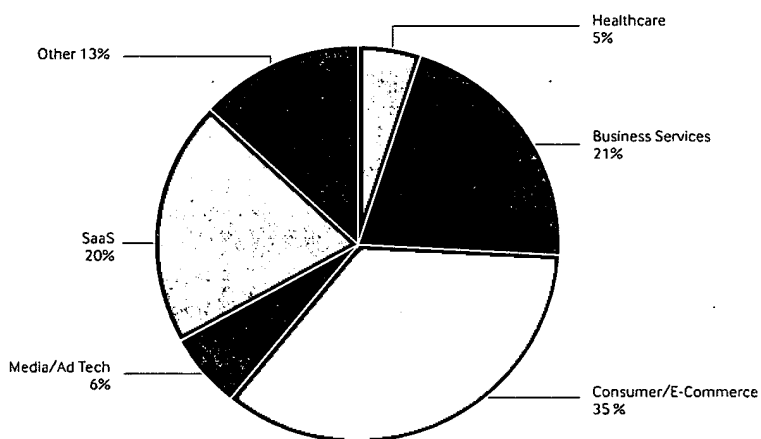
# REVIEW OF INVESTMENTS

CONTINUED

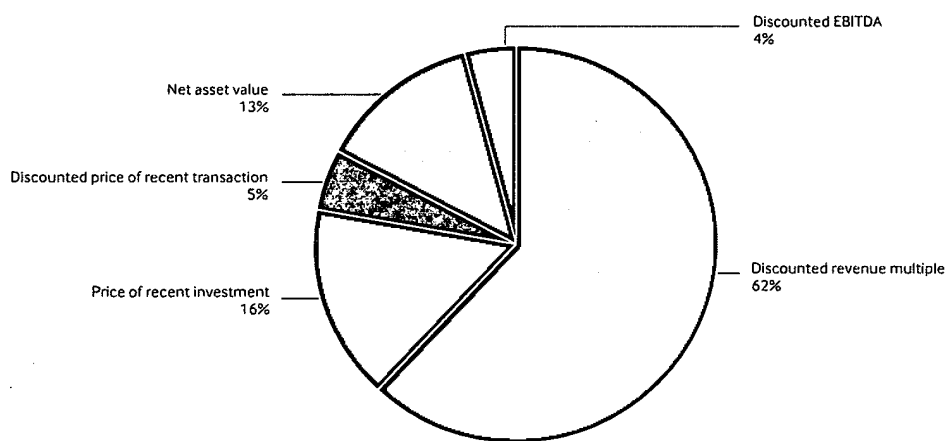
## ANALYSIS OF INVESTMENTS BY COMMERCIAL SECTOR

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

**PORTFOLIO BY SECTOR**



**PORTFOLIO BY VALUATION METHODOLOGY**



# BOARD OF DIRECTORS



**NEAL RANSOME**  
Chairman

Neal was formerly a corporate finance partner of PwC with extensive experience as a lead adviser on M&A activity in the pharmaceuticals and healthcare sectors. Neal is currently a non-executive director and chairman of the audit committee of Octopus AIM VCT Plc, a non-executive director of Polar Capital Global Healthcare Trust plc and a trustee and council member of the RSPB.

**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 Draper Esprit VCT plc.



**MALCOLM MOSS**

Malcolm is Founding Partner of Beringea LLP. Over the last 29 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 funds.

**LORNA TILBIAN**



Lorna was formerly an Executive Director of Numis Corporation plc and a Director of WestLb Panmure Limited and S G Warburg Securities. She is a non-executive Director of Euromoney Institutional Investor plc, Finsbury Growth and Income Trust plc, Jupiter UK Growth Investment Trust, M&C Saatchi plc and Rightmove 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 2019. The Board prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

## 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 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 2019 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 £73.8 million of venture capital investments and ended with £71.1 million spread over a portfolio of 42 companies. 37 of these investments with a value of £62.9 million were VCT qualifying (or part qualifying).

The profit on ordinary activities after taxation for the year was £10.3 million, comprising a revenue loss of £660,000 and a capital profit of £11.0 million. The Ongoing Charges ratio (excluding performance fees and recoverable VAT) as calculated in line with the AIC methodology is an Alternative Performance Measure used by the Board to monitor expenses. The Ongoing Charges ratio in respect of the year ended 28 February 2019 was 3.1% (2018: 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 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; 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, 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 a regulated market.

### **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.

### **Maximum exposures**

No investment will constitute more than 15% of the Company's portfolio by value at the time of investment.

### **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 2019 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 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 shares" 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) 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 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 18 November 2015 have not been used to make a prohibited acquisition   | Complied              |
| xi) Since 6 April 2016, the Company has not made a prohibited non-qualifying investment.   | Complied <sup>1</sup> |

<sup>1</sup> As part of the Company's disposal of Think Limited, the Company received shares in Atom Bank plc. HMRC has agreed to allow the Company a period of time to dispose of these shares.

### **BORROWINGS**

The Company has 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 2019, was equal to £86.3 million (2018: £101.5 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

# STRATEGIC REPORT

## CONTINUED

£7,659,000 (2018: £3,137,000), comprising a management fee of £2,045,000 (2018: £2,013,000) and performance incentive fees as described below of £5,614,000 (2018: £1,124,000). At the year-end, an amount of £5,592,000 (2018: £1,279,000) was outstanding.

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 2019 Beringea also provided administration services to the Company. In the year, total administration fees amount to £61,000 (2018: £59,000). An amount of £15,000 (2018: £15,000) 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 £361,000 (2018: £256,000) and monitoring fees of £506,000 (2018: £675,000) during the year ended 28 February 2019. 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

Under the performance fee arrangements, the Investment Manager is entitled to receive a performance incentive fee in relation to each major fundraising (a "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 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.

Performance fees for the year ended 28 February 2019 amounted to £5,447,000 (2018: £1,124,000), of which £5,447,000 (2018: £1,124,000) was outstanding at the year-end.

### *Residual PIF*

In consideration of the Manager's performance in managing the Original Ordinary Share Portfolio, a performance incentive fee linked to the profit achieved on the future disposal of two investments from this portfolio, Espresso Group Limited and Think Limited, will be payable, known as the "Residual PIF". This performance incentive fee will be equal to 20% of the aggregate profit realised on the sale of Espresso Group Limited and Think Limited, subject to a maximum fee of £673,000 (being 20% of the aggregate unrealised profit on these investments as at 31 August 2011). An amount equal to £167,000 was paid to Beringea LLP in relation to the realised gain achieved on the disposal of Think Limited that completed during the year. No amount remained outstanding at the year end.

At the year end, a total of £642,000 had been paid in respect of the Residual PIF, there is therefore a maximum amount of £31,000 payable dependent on the earn-out in relation to the disposal of Think Limited.

## **DIRECTORS AND SENIOR MANAGEMENT**

The Company had 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 2019 is on page 3. The dividends per share are set out in Note 8 on page 49. Both key performance indicators are discussed further in the Chairman's Statement on pages 4 and 5 and the Investment Manager's Report on pages 6 and 7.

## **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, also faces a number of non-financial principal 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 Company invests in small and immature businesses and there is a risk that the performance of these individual businesses negatively impacts the performance of the Company. The Investment Manager follows a rigorous process in vetting and careful structuring of new investments and, after an investment is made, close monitoring of the businesses.

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 28 February 2022. 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 80% 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 consider 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 VCT rules, these factors cannot mitigate the risk that insufficient qualifying investments are identified to ensure ongoing compliance with the VCT rules.

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 28 February 2022, 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 28 February 2022.

## **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 11 July 2018 is set out on page 31.

## **GREENHOUSE EMISSIONS**

Whilst as a UK quoted company the VCT 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.

# STRATEGIC REPORT

CONTINUED

## **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 when selecting new investments.

## **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 or with a presence in the United Kingdom, with a view to 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: 03911323

39 Earlham Street

London WC2H 9LT

30 May 2019

# DIRECTORS' REPORT

The Directors present the Annual Report and Accounts of the Company for the year ended 28 February 2019.

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 2019:	10,346	10.1p

During the year ended 28 February 2019, the Company paid a final dividend of 2.5p per Ordinary Share in respect of the year ended 28 February 2018 on 20 July 2018 and a special interim dividend of 25.25p per Ordinary Share was paid in respect of the year ended 28 February 2019 on 30 November 2018.

The Board is proposing a final dividend for the year ended 28 February 2019 of 2.5p per Ordinary Share, to be paid on 19 July 2019 to Shareholders on the register at 21 June 2019.

## DIRECTORS

The Directors whose names and biographies are set out on page 17, 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 17 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 2019 was 105,041,530.

At the 2018 Annual General Meeting, 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 76,405,940 Ordinary Shares.

At the current date, authority remains for the Company to make market purchases of up to 13,541,761 Ordinary Shares. A resolution to renew this authority will be put to Shareholders at the Annual General Meeting taking place on 3 July 2019.

Under the terms of the Company's Dividend Reinvestment Scheme, the Company allotted 324,715 Ordinary Shares at 107.5p per share to subscribing Shareholders on 20 July 2018 and 4,571,458 Ordinary Shares at 83.7p per share to subscribing Shareholders on 30 November 2018. In total, the aggregate consideration for the shares was £4,173,095.

During the year, the Company repurchased a further 1,729,240 Ordinary Shares for an aggregate consideration (net of costs) of £1,650,641 being an average price of 95.5p per share and which represented 1.7% of the Company's issued share capital at the start of the year and which had an aggregate nominal value of £172,924. These shares were subsequently cancelled. Costs relating to the share repurchases amounted to £8,263.

During the period, the Company cancelled its share premium account and capital redemption reserve as confirmed by an Order of the High Court of Justice Chancery Division. The Company registered the Court Order approving the Cancellation with the Registrar of Companies on 15 August 2018 and the cancellation became effective on such registration.

# DIRECTORS' REPORT

## CONTINUED

### AUDITOR

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

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held in the Forest Room at the Hospital Club, 24 Endell Street, Covent Garden, WC2H 9HQ at 1.30 p.m. on Wednesday 3 July 2019. Notice of the Annual General Meeting is at the end of this document.

### SUBSTANTIAL INTERESTS

As at 28 February 2019, 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

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 and Accounts 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 Accounts are made available on a website. The Annual Report and Accounts are published on the ProVen VCTs' website [www.provenvcts.co.uk](http://www.provenvcts.co.uk), 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 17, 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.

## **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 26.

The Statement of Corporate Governance describes how the principles and supporting principles within the UK Corporate Governance Code, published in April 2016, have been applied by the Company throughout the year ended 28 February 2019, 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 2019 (2018: £nil).

## **OTHER MATTERS**

Information in respect of financial instruments, greenhouse gas emissions and future developments which were previously disclosed within the Directors' Report has been disclosed within the Strategic Report on pages 18 to 22.

## **POST BALANCE SHEET EVENTS**

Between 28 February 2019 and the date of this report, the Company issued 46,313,896 Ordinary Shares for an aggregate consideration of £40.0 million under the combined offer for subscription with ProVen Growth and Income VCT plc which launched on 11 January 2019. Share issue costs thereon amounted to £1.4 million.

In April 2019, the Company invested £1.0 million in Fnatic, an eSports team owner and lifestyle brand, with professional teams in the most popular online games such as League of Legends, Dota 2 and Battlefield 4. The money is being used to fund research and development into products and equipment as well as expand the company's team internationally.

## **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  
30 May 2019

# STATEMENT OF CORPORATE GOVERNANCE

The Statement of Corporate Governance forms part of the Directors' Report on pages 23 to 25.

The Directors support the relevant principles of the UK Corporate Governance Code issued in April 2016 (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 2019 except as set out below:

- the role of the chief executive (Code provision A.2.1);
- Certain provisions applicable to FTSE 350 companies (Code provision B.6.2)
- executive directors and their remuneration (Code provisions B.3.3, 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 Neal Ransome and the Senior Independent Director is Barry Dean. Neal Ransome, Barry Dean and Lorna Tilbian are considered to be independent Directors by the Board. Barry Dean has served on the Board for more than nine years and will offer himself for re-election at the forthcoming AGM in accordance with Company policy. The Board has reviewed the independence of Barry Dean and concluded that despite his long tenure, he continues to be independent. He is not involved in the day-to-day running of the Company and provides 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 17.

In accordance with Company policy, all Directors will resign at the forthcoming Annual General Meeting. The Directors will offer themselves for election or re-election as appropriate.

Full Board meetings take place to discuss and approve the quarterly results of the Company and the Board may meet 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 23.

## 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 2019.

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings	
	held	attended	held	attended	held	attended	held	attended
Neal Ransome	5	5	2	2	1	1	1	1
Barry Dean	5	4	2	2	1	1	1	1
Malcolm Moss	5	5	n/a	n/a	n/a	n/a	n/a	n/a
Lorna Tilbian	5	4	2	2	1	1	1	1
Andrew Davison <sup>1</sup>	1	1	1	1	1	1	1	1

<sup>1</sup> Resigned on 11 July 2018

## AUDIT COMMITTEE

The Company has an Audit Committee currently comprising of Barry Dean, as Chairman, Neal Ransome 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 24, and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 39.

The Audit Committee is responsible for reviewing the half-year and Annual Report and 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 Auditor 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 2019 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.

# STATEMENT OF CORPORATE GOVERNANCE

## CONTINUED

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, at the year end, 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 2019.</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 Shareholders.	<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 2019 showed compliance with all aspects of the VCT regulations as summarised on page 19. 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, more robust processes were put in place to ensure VCT compliance of all investments being made.</p> <p>As part of the Company's disposal of Think Limited, the Company received shares in Atom Bank plc. HMRC has agreed to allow the Company a period of time to dispose of these shares.</p> <p>No further issues were identified for the year ended 28 February 2019.</p>

The Audit Committee reviews the performance and continued suitability of the Company's auditor. 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 Financial Reporting Council 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 and Accounts 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 48.

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 Auditor 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 Neal Ransome. 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 Neal Ransome. 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).

### ***Diversity***

When considering a new appointment to the Board, the Nomination 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 2019 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 to assess the approach to risk, Board training and the 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 2019 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 Annual General Meeting. 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 the ProVen VCTs is also held each year and Shareholders are invited to attend.

In addition to the formal business of the Annual General Meeting, representatives of the Investment Manager and the Board are available to answer any questions a Shareholder may have.

Separate resolutions are proposed at the Annual General Meeting 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 Annual General Meeting. In order to comply with the UK Corporate Governance Code, proxy votes are announced at the Annual General Meeting, except in the event of a poll being called. The notice of the next Annual General Meeting can be found at the end of the Annual Report and Accounts on page 61.

## **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 Accounts and Half Yearly report by the Audit Committee prior to Board approval; and

# STATEMENT OF CORPORATE GOVERNANCE

## CONTINUED

- 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 and 5, the Investment Manager's Review on pages 6 and 7, the Strategic Report on pages 18 to 22 and the Directors' Report on pages 23 to 25. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Statement of Financial Position on page 43, the Statement of Cash Flows on page 44 and the Strategic Report on pages 18 and 19. 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.

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  
30 May 2019

# 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 Neal Ransome. An increase in Directors' remuneration in accordance with the current remuneration policy was recommended based on a review of similar companies and was effective from 1 March 2017. No increase to the existing rates of Directors' remuneration are proposed for the forthcoming year.

## 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 11 July 2018 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.

## STATEMENT OF VOTING AT ANNUAL GENERAL MEETING

The Board receives feedback from Shareholders from time to time via direct correspondence, telephone calls, at the Annual General Meeting 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 Annual General Meeting and are taken into account in formulating the Directors' remuneration policy. At the last Annual General Meeting held on 11 July 2018, the following votes were received in respect of the resolution approving the Directors' Remuneration Report:

Voting	Votes received	Percentage
Votes for	4,681,230	88.0%
Votes for – discretion	255,746	4.8%
Votes against	384,274	7.2%
Votes received	5,321,250	100.0%
Votes withheld	136,487	

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

The following votes were received in respect of the resolution approving the Directors' Remuneration Policy:

Voting	Votes received	Percentage
Votes for	4,624,307	86.9%
Votes for – discretion	255,746	4.8%
Votes against	439,306	8.3%
Votes received	5,319,359	100.0%
Votes withheld	138,378	

### 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 3 July 2019.

Under the requirements of Section 497, the Company's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Independent Auditor's Report on pages 35 to 39.

### DIRECTORS' REMUNERATION (AUDITED)

Directors' fees for the year under review were as follows:

	Year ended 28 Feb 2019 £	Year ended 28 Feb 2018 £
Neal Ransome (Chairman)	34,789	12,500
Barry Dean	30,000	30,000
Malcolm Moss	15,000	15,000
Lorna Tilbian	30,000	30,000
Andrew Davison <sup>1</sup> (previously Chairman)	13,553	37,500
	123,342	125,000

<sup>1</sup> Resigned on 11 July 2018

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.

#### DIRECTORS' REMUNERATION FOR THE YEAR TO 29 FEBRUARY 2020

The remuneration levels for the year to 29 February 2020 are expected to be:

	Expected Annual Expense £
Neal Ransome	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 2019 and 28 February 2018 were as follows:

Director	28 Feb 2019	28 Feb 2018
Neal Ransome	20,411	20,411
Barry Dean	29,252	29,252
Malcolm Moss	66,022	50,714
Lorna Tilbian	-	-
Andrew Davison	n/a	63,185

On 1 March 2019, Malcolm Moss and Neal Ransome were allotted 11,884 and 17,827 Ordinary Shares, respectively, under the combined offer for subscription dated 11 January 2019. There were no other movements in Directors' holdings.

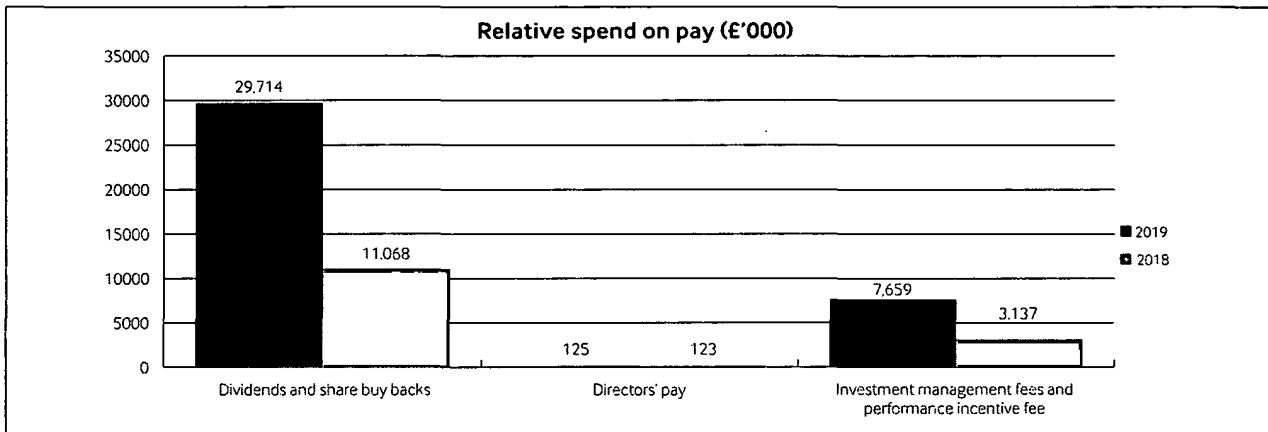
The Company has not set out any formal shareholding guidelines for Directors.

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

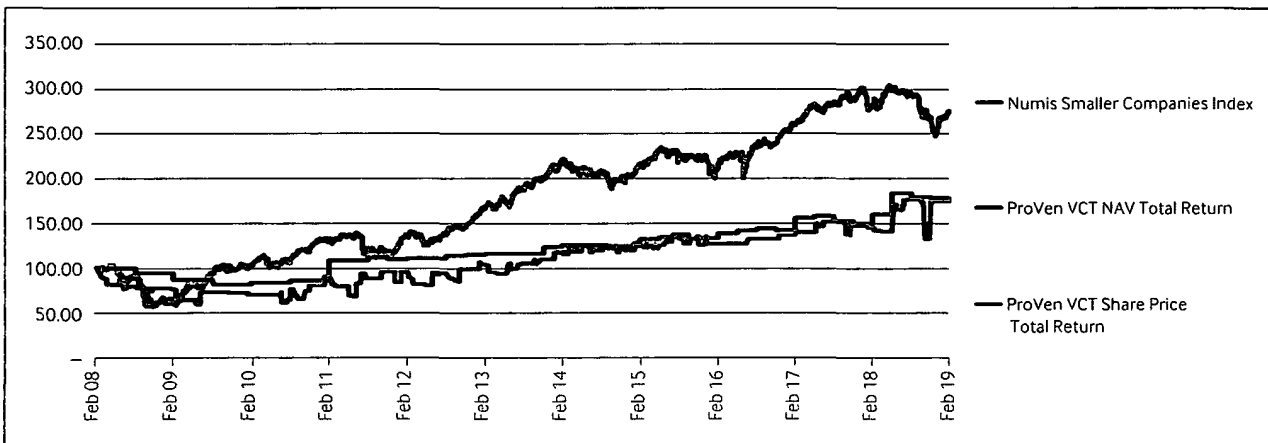
### RELATIVE IMPORTANCE OF SPEND ON PAY

The difference in actual spend between 2019 and 2018 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 2008 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 2008.



By order of the Board

### Beringea LLP

Company Secretary  
 39 Earlham Street  
 London WC2H 9LT  
 30 May 2019

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF PROVEN VCT PLC

### **OPINION**

We have audited the financial statements of ProVen VCT plc (the 'Company') for the year ended 28 February 2019, which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and Notes to the Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2019 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.

### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT**

We have nothing to report in respect of the following information in the Annual Report and Accounts, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

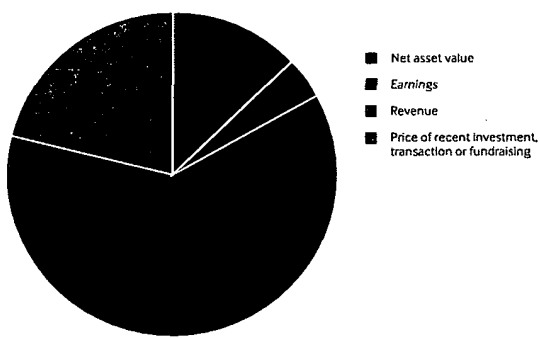
- the disclosures in the Annual Report and Accounts that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the Annual Report and Accounts that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' 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;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the Annual Report and Accounts 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.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

CONTINUED

Matter	Audit response
<p><i>Valuation of investments</i></p> <p>We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.</p> <p>There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.</p> <p>The Company's accounting policy for assessing the fair value of investments is disclosed on pages 45 and 46 in note 1 and disclosures regarding the fair value estimates are given on pages 55 and 56 in note 17.</p>	<p>A breakdown of the unquoted investment portfolio by valuation technique is shown below.</p>  <p>We selected a sample of unquoted investments for audit testing. For all investments in our sample we:</p> <ul style="list-style-type: none"> <li>• Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and United Kingdom Generally Accepted Accounting Practice (UK GAAP); and</li> <li>• Recalculated the value attributable to the Company.</li> </ul> <p>For investments sampled that were valued using less subjective valuation techniques (price of recent investment) we:</p> <ul style="list-style-type: none"> <li>• Agreed the price of recent investment to supporting documentation;</li> <li>• Considered whether the investment was an arm's length transaction; and</li> <li>• Considered whether there were any indications that the price of recent investment was no longer representative of fair value considering the current performance of the investee company.</li> </ul> <p>For investments sampled that were valued using less subjective valuation techniques (net asset value) we:</p> <ul style="list-style-type: none"> <li>• Verified the net assets to supporting management accounts and verified the cash to bank statement;</li> <li>• Considered whether there were any indications that net asset value was no longer representative of fair value</li> </ul> <p>For investments sampled that were valued using more subjective techniques (earnings and revenue multiples) we:</p> <ul style="list-style-type: none"> <li>• Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;</li> <li>• Challenged the historical financial statements and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations;</li> <li>• Considered the revenue or earnings multiples applied by reference to observable listed company market data; and</li> <li>• Challenged the consistency and appropriateness of adjustments made to such market data in establishing the multiple applied in arriving at the valuations adopted.</li> </ul> <p>Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable.</p>

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of users that are taken on the basis of the financial statements.

Importantly, misstatements below this level 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 as a whole.

The application of these key considerations gives rise to different levels of materiality, the quantum and purpose of which are tabulated below. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

Materiality Measure [Basis]	Purpose	Key considerations	2019 Quantum (£)	2018 Quantum (£)
Financial Statement Materiality  [2% value of investments]	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	<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 valuation</li> </ul>	1,420,000	1,440,000
Performance Materiality  [75% of materiality]	The maximum error in an assertion that we would be prepared to accept and still conclude that the result from an audit procedure has achieved our objective.	<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 valuation</li> </ul>	1,060,000	1,080,000
Specific Materiality – classes of transactions and balances which impact on revenue return  [10% of expenses, excluding the performance incentive fee]	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>The level of expenses</li> </ul>	265,000	75,000

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £13,000 (2018: £28,000).

We agreed with the Audit Committee that we would also report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken by the Board 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.

# INDEPENDENT AUDITOR'S REPORT

## CONTINUED

We obtained an understanding of the legal and regulatory framework applicable to the entity which includes but is not limited to the Companies Act 2006, the UK Listing rules, the DTR rules, UK GAAP accounting standards, VAT and other taxes. We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in an audit of financial statements and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### OPINIONS 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 in 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
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 Company 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.

### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS**

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ending 29 February 2012 and subsequent financial periods. In respect of the period ended 28 February 2019 we were reappointed as auditor by the members of the company at the annual general meeting on 11 July 2018. The period of total uninterrupted engagement is 8 years, covering the years ending 29 February 2012 to 28 February 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

### **USE OF OUR REPORT**

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ariel Grosberg (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
30 May 2019

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

# INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Note	Year ended 28 February 2019			Year ended 28 February 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	2	405	–	405	528	–	528
Realised gains on investments	10	–	17,995	17,995	–	3,359	3,359
Unrealised gains on investments	10	–	213	213	–	2,828	2,828
		<b>405</b>	<b>18,208</b>	<b>18,613</b>	<b>528</b>	<b>6,187</b>	<b>6,715</b>
Investment management fees	3	(511)	(1,534)	(2,045)	(503)	(1,510)	(2,013)
Performance incentive fees	4	–	(5,614)	(5,614)	–	(1,124)	(1,124)
Other expenses	5	(554)	(54)	(608)	(610)	(28)	(638)
<b>Return/(loss) on ordinary activities before tax</b>		<b>(660)</b>	<b>11,006</b>	<b>10,346</b>	<b>(585)</b>	<b>3,525</b>	<b>2,940</b>
Tax on ordinary activities	7	–	–	–	–	–	–
<b>Return/(loss) attributable to equity shareholders</b>		<b>(660)</b>	<b>11,006</b>	<b>10,346</b>	<b>(585)</b>	<b>3,525</b>	<b>2,940</b>
<b>Basic and diluted return/(loss) per share</b>	<b>9</b>	<b>(0.6p)</b>	<b>10.7p</b>	<b>10.1p</b>	<b>(0.6p)</b>	<b>3.6p</b>	<b>3.0p</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.

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

## Year ended 28 February 2019

	Called up share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Share premium reserve £'000	Revaluation reserve £'000	Capital reserve— realised £'000	Revenue reserve £'000	Total £'000
At 1 March 2018	10,187	3,837	5,469	52,786	19,677	10,583	(1,008)	101,531
Issue of new shares	490	—	—	3,683	—	—	—	4,173
Share buybacks	(173)	173	(1,659)	—	—	—	—	(1,659)
Total comprehensive income	—	—	—	—	213	10,793	(660)	10,346
Transfer of previously unrealised gains now realised	—	—	—	—	(13,091)	13,091	—	—
Cancellation of share premium account	—	—	53,102	(53,102)	—	—	—	—
Cancellation of capital redemption reserve	—	(3,908)	3,908	—	—	—	—	—
Dividends paid	—	—	—	—	—	(28,055)	—	(28,055)
<b>At 28 February 2019</b>	<b>10,504</b>	<b>102</b>	<b>60,820</b>	<b>3,367</b>	<b>6,799</b>	<b>6,412</b>	<b>(1,668)</b>	<b>86,336</b>

## Year ended 28 February 2018

	Called up share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Share premium reserve £'000	Revaluation reserve £'000	Capital reserve— realised £'000	Revenue reserve £'000	Total £'000
At 1 March 2017	9,856	3,653	16,666	48,252	16,329	10,406	(423)	104,739
Issue of new shares	515	—	—	4,534	—	—	—	5,049
Share buybacks	(184)	184	(1,767)	—	—	—	—	(1,767)
Share issue costs	—	—	(129)	—	—	—	—	(129)
Total comprehensive income	—	—	—	—	2,828	697	(585)	2,940
Transfer of previously unrealised gains now realised	—	—	—	—	(3,790)	3,790	—	—
Realised losses on investments still held	—	—	—	—	4,310	(4,310)	—	—
Dividends paid	—	—	(9,301)	—	—	—	—	(9,301)
<b>At 28 February 2018</b>	<b>10,187</b>	<b>3,837</b>	<b>5,469</b>	<b>52,786</b>	<b>19,677</b>	<b>10,583</b>	<b>(1,008)</b>	<b>101,531</b>

The special reserve, capital reserve – realised and revenue reserve are all distributable reserves. Reserves available for distribution therefore amount to £65,564,000 (2018: £15,044,000).

During the year the Company repurchased 1,729,240 shares (2018: 1,842,278) with a nominal value of £173,000 (2018: £184,000). All shares were subsequently cancelled.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

CONTINUED

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.

**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 2019

	Note	28 February 2019	28 February 2018
		Total	Total
		£'000	£'000
<b>Fixed assets</b>			
Investments	10	71,133	73,840
<b>Current assets</b>			
Debtors	11	1,478	574
Cash at bank and in hand		19,897	28,671
		21,375	29,245
<b>Creditors: amounts falling due within one year</b>	12	(6,172)	(1,554)
<b>Net current assets</b>		<b>15,203</b>	<b>27,691</b>
<b>Total assets less current liabilities</b>		<b>86,336</b>	<b>101,531</b>
<b>Capital and reserves</b>			
Called up share capital	13	10,504	10,187
Capital redemption reserve		102	3,837
Special reserve		60,820	5,469
Share premium reserve		3,367	52,786
Revaluation reserve		6,799	19,677
Capital reserve – realised		6,412	10,583
Revenue reserve		(1,668)	(1,008)
<b>Total equity shareholders' funds</b>		<b>86,336</b>	<b>101,531</b>
<b>Basic and diluted net asset value per share</b>	14	<b>82.2p</b>	<b>99.7p</b>

The financial statements on pages 40 to 57 were approved and authorised for issue by the Board of Directors on 30 May 2019 and were signed on its behalf by:



**Neal Ransome**

Chairman

ProVen VCT plc

Company number: 03911323

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Note	Year ended 28 February 2019	Year ended 28 February 2018
		Total	Total
		£'000	£'000
<b>Net cash used in operating activities</b>	15	<b>(3,584)</b>	<b>(2,944)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(23,468)	(7,710)
Sale of investments		43,578	12,239
<b>Net cash from investing activities</b>		<b>20,110</b>	<b>4,529</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issues		–	3,757
Share issue costs		–	(129)
Purchase of own shares		(1,417)	(1,742)
Share capital to be issued		–	–
Equity dividends paid		(23,883)	(8,010)
<b>Net cash used in financing</b>		<b>(25,300)</b>	<b>(6,124)</b>
<b>Decrease in cash and cash equivalents</b>	16	<b>(8,774)</b>	<b>(4,539)</b>

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

'Net cash used in operating activities' includes interest received of £305,000 (2018: £472,000) and dividends received of £nil (2018: £88,000). No interest was paid during the period.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

## 1. ACCOUNTING POLICIES

### **Basis of preparation**

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 February 2018.

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 26 to 30.

### **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.

# NOTES TO THE ACCOUNTS

## CONTINUED

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 (i.e., developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e., 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.

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

	2019 £'000	2018 £'000
<b>Income from investments</b>		
Loan stock interest	351	374
Dividend income	–	88
	351	462
<b>Other income</b>		
Deposit interest	54	66
	405	528

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

	2019 £'000	2018 £'000
Investment management fees	2,045	2,013

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

	2019 £'000	2018 £'000
Performance incentive fees	5,614	1,124

Beringea LLP are entitled to receive performance incentive fees as described in the Strategic Report on page 20.

# NOTES TO THE ACCOUNTS

## CONTINUED

### 5. OTHER EXPENSES

	2019 £'000	2018 £'000
Administration services	61	59
Directors' remuneration	123	125
Social security costs on Directors' remuneration	11	7
Trail commission	122	174
Auditor's remuneration for the audit of the Company's annual accounts	26	25
Auditor's remuneration – other assurance services	5	11
Auditor's remuneration – non-audit services: tax compliance	–	2
Other expenses	260	235
	608	638

Included within other expenses is £54,000 (2018: £28,000) 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 32.

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

	2019 £'000	2018 £'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	10,346	2,940
Tax charge calculated on operating profit at the applicable rate of 19% (2018: 19%)	1,966	559
Effects of:		
UK dividend income	–	(17)
Gains on investments	(3,460)	(1,176)
Expenses disallowed for tax purposes	12	7
Deferred tax not recognised	1,482	627
	–	–

(c) **Excess management fees**

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £22,554,000 (2018: £14,757,000). The deferred tax asset of £3,834,000 (2018: £2,804,000) 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 2019.

**8. DIVIDENDS**

	Pence	Year ended 28 February 2019			Year ended 28 February 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Ordinary Share dividends paid in the year</b>							
2017 Final	2.5	–	–	–	–	2,453	2,453
2018 Interim	7.0	–	–	–	–	6,848	6,848
2018 Final	2.5	–	2,529	2,529	–	–	–
2019 Special Interim	25.25	–	25,526	25,526	–	–	–
		–	<b>28,055</b>	<b>28,055</b>	–	<b>9,301</b>	<b>9,301</b>
<b>Proposed dividends</b>							
2018 Final	2.5	–	–	–	–	2,547	2,547
2019 Final	2.5	–	3,784	3,784	–	–	–

**9. BASIC AND DILUTED RETURN PER SHARE**

	Year ended 28 February 2019	Year ended 28 February 2018
Revenue (loss)/return per share based on:		
Net loss after taxation (£'000)	(660)	(585)
Weighted average number of shares in issue	102,494,641	99,268,215
Pence per share	(0.6)	(0.6)
Capital return per share based on:		
Net capital gain for the financial year (£'000)	11,006	3,525
Weighted average number of shares in issue	102,494,641	99,268,215
Pence per share	10.7	3.6
Total return per share based on:		
Total return for the financial year (£'000)	10,346	2,940
Weighted average number of shares in issue	102,494,641	99,268,215
Pence per share	10.1	3.0

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

# NOTES TO THE ACCOUNTS

## CONTINUED

### 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 2018</b>	<b>1,388</b>	<b>58,134</b>	<b>59,522</b>
Unrealised (losses)/ gains at 1 March 2018	(414)	20,084	19,670
Realised losses on investments still held at 1 March 2018	(740)	(4,612)	(5,352)
<b>Opening fair value at 1 March 2018</b>	<b>234</b>	<b>73,606</b>	<b>73,840</b>
<b>Movement in year:</b>			
Purchases at cost	–	23,468	23,468
Sales – proceeds	–	(44,383)	(44,383)
– realised gains on sales	–	17,995	17,995
Unrealised (losses)/gains in the income statement	(104)	317	213
<b>Closing fair value at 28 February 2019</b>	<b>130</b>	<b>71,003</b>	<b>71,133</b>
<b>Closing cost at 28 February 2019</b>	<b>1,388</b>	<b>67,702</b>	<b>69,090</b>
Unrealised (losses)/gains at 28 February 2019	(518)	6,975	6,457
Realised losses on investments still held at 28 February 2019	(740)	(3,674)	(4,414)
<b>Closing fair value at 28 February 2019</b>	<b>130</b>	<b>71,003</b>	<b>71,133</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
Been There Done That	At cost	Discounted revenue multiple	–
Written Byte Limited (t/a Deepcrawl)	At cost	Discounted revenue multiple	387
InSkin Media Limited	At cost	Discounted revenue multiple	3
Skills Matter Limited	Expected proceeds	Full provision	(143)
TVPlayer Limited	Discounted subscriber multiple	Full provision	(292)
			<b>(45)</b>

An analysis of venture capital investments is set out in the review of the investments on pages 12 to 16. Note 17 includes an analysis of the fair value of the financial instruments.

### 11. DEBTORS

	2019 £'000	2018 £'000
Contingent proceeds receivable	870	64
Prepayments and accrued income	595	497
Other debtors	13	13
	<b>1,478</b>	<b>574</b>

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

	2019 £'000	2018 £'000
Accruals	5,868	1,494
Share buybacks awaiting settlement	290	48
Other creditors	14	12
	6,172	1,554

## 13. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
<b>Issued, allotted, called up and fully-paid:</b>		
105,041,530 (2018: 101,874,597) Ordinary Shares of 10p each	10,504	10,187

Under the terms of the Company's Dividend Reinvestment Scheme the Company allotted 324,715 Ordinary Shares at 107.5p per share to subscribing Shareholders on 20 July 2018 and 4,571,458 Ordinary Shares at 83.7p per share to subscribing Shareholders on 30 November 2018. In total, the aggregate consideration for the shares was £4,173,095.

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 1,729,240 Ordinary Shares for an aggregate consideration (net of costs) of £1,650,641 being an average price of 95.5p per share and which represented 1.7% of the Company's issued share capital at the start of the year and which had an aggregate nominal value of £172,924. These shares were subsequently cancelled. Costs relating to the share repurchases amounted to £8,263. 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.

	2019	2018
Ordinary Shares brought forward	101,874,597	98,562,973
Ordinary Shares issued	4,896,173	5,153,902
Ordinary Shares repurchased for cancellation	(1,729,240)	(1,842,278)
<b>Ordinary Shares carried forward</b>	<b>105,041,530</b>	<b>101,874,597</b>

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

	Shares in issue		2019		2018	
	2019	2018	Pence per share	Net asset value £'000	Pence per share	Net asset value £'000
Ordinary Shares	105,041,530	101,874,597	82.2p	86,336	99.7p	101,531

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.

# NOTES TO THE ACCOUNTS

## CONTINUED

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

	2019 £'000	2018 £'000
Return on ordinary activities before taxation	10,346	2,940
Gain on investments	(18,208)	(6,187)
(Increase)/decrease in prepayments, accrued income and other debtors	(98)	53
Increase in accruals and other creditors	4,376	250
Net cash used in operating activities	(3,584)	(2,944)

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

	2019 £'000	2018 £'000
Beginning of year	28,671	33,210
Net cash outflow for the year	(8,774)	(4,539)
End of year	19,897	28,671

### 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.

#### 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 2019, the AIM-quoted portfolio was valued at £130,000 (2018: £234,000).

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	2019 Impact on NAV per share Pence	Impact on net assets £'000	2018 Impact on NAV per share Pence
<b>10% movement in AIM-quoted investments</b>				
AIM-quoted investments	13	0.0p	23	0.0p

At 28 February 2019, the unquoted portfolio was valued at £71,003,000 (2018: £73,606,000).

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:

	Impact on net assets £'000	2019 Impact on NAV per share Pence	Impact on net assets £'000	2018 Impact on NAV per share Pence
<b>10% movement in unquoted investment valuations</b>				
Unquoted investments	7,100	6.8p	7,361	7.2p

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.

# NOTES TO THE ACCOUNTS

## CONTINUED

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.

	Average interest rate	Average period until maturity	2019 £'000	2018 £'000
Fixed rate	6.8%	569 days	12,672	13,791
Floating rate	0.4%	0 days	20,133	29,620
No interest rate			53,531	58,120
			86,336	101,531

The Company monitors the level of income received from fixed, floating and non-interest bearing 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 £201,000 (2018: £296,000). Given the low level of interest rates through the year, a further decrease is not considered likely.

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

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

	2019 £'000	2018 £'000
Cash and cash equivalents	19,897	28,671
Interest, dividends and other receivables	580	480
	20,477	29,151

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- and A by Standard and Poor's and Fitch, respectively, 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 (£6.2 million relative to cash balances of £19.9 million at 28 February 2019) 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 2018, 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 2019</b>						
Fully performing loan stock	1,872	9,334	–	678	–	11,884
Past due loan stock	–	–	–	1,024	–	1,024
	1,872	9,334	–	1,702	–	12,908
<b>As at 28 February 2018</b>						
Fully performing loan stock	3,789	813	9,115	–	–	13,717
Past due loan stock	–	–	–	1,024	–	1,024
	3,789	813	9,115	1,024	–	14,741

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 balance sheet*

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

# NOTES TO THE ACCOUNTS

## CONTINUED

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.

	2019				2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3	Total £'000
AIM quoted	130	–	–	130	234	–	–	234
Loan notes	–	–	12,908	12,908	–	–	14,741	14,741
Unquoted equity	–	–	34,493	34,493	–	–	49,918	49,918
Preference shares	–	–	23,602	23,602	–	–	8,947	8,947
	130	–	71,003	71,133	234	–	73,606	73,840

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

	Loan Notes £'000	Unquoted Equity £'000	Total £'000
Balance at 1 March 2018	14,741	58,865	73,606
Movements in the Income Statement:			
Gains in the Income Statement	113	18,199	18,312
Purchases at cost	516	22,952	23,468
Sales proceeds	(2,462)	(41,921)	(44,383)
Balance at 28 February 2019	12,908	58,095	71,003

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 page 53.

### 18. CAPITAL MANAGEMENT

The Company's capital is managed in accordance with its investment policy as shown in the Strategic Report on pages 18 and 19, in pursuit of its principal investment objectives as stated on page 18. 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 2019 and the date of this report, the Company issued 46,313,896 Ordinary Shares for an aggregate consideration of £40.0 million under the combined offer for subscription with ProVen Growth and Income VCT plc which launched on 11 January 2019. Share issue costs thereon amounted to £1.4 million.

In April 2019, the Company invested £1.0 million in Fnatic, an eSports team owner and lifestyle brand, with professional teams in the most popular online games such as League of Legends, Dota 2 and Battlefield 4. The money is being used to fund research and development into products and equipment as well as expand the company's team internationally.

## 20. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

Based on the NAV per share at 28 February 2019 before any performance fee accrual and cumulative dividends paid up to this date, a maximum performance fee of £5.5 million is payable in relation to certain vintage fundraisings for which the performance hurdles have been achieved. However, the performance fee structure contains certain restrictions to ensure that the hurdles continue to be met after the payment of a performance fee and to encourage the payment of tax-free dividends. After applying these restrictions, a performance fee of £5.4 million is payable to Beringea LLP at 28 February 2019. An accrual for this amount has been included within the accounts and is therefore reflected in the NAV per share.

A contingent liability of £0.1 million, being the difference between the maximum performance fee and the amount accrued at 28 February 2019, has been recognised at the year end.

The payment of a performance fee in future years and the amount thereof, if any, will be dependent on both the performance of the Company and the level of dividends paid to Shareholders.

The Company had no other 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 2019, £2,045,000 was payable to Beringea LLP in respect of these services (2018: £2,013,000). At the period end the Company owed Beringea LLP £145,000 (2018: £155,000).

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 page 20. For the year ended 28 February 2019, total performance incentive fees of £5,614,000 are payable (2018: £1,124,000). This comprised an amount of £5,447,000 payable under the Company's performance fee arrangements and £167,000 payable under the Company's Residual PIF arrangements. At the period end an amount of £5,447,000 was outstanding (2018: £1,124,000).

Beringea LLP was also the Company's Administration Manager during the period. Fees paid to Beringea in its capacity as Administration Manager for the year ended 28 February 2019 amounted to £61,000 (2018: £59,000) of which £15,000 remained outstanding at the year-end (2018: £15,000).

During the year ended 28 February 2019, an amount of £123,000 (2018: £125,000) was payable to the Directors of the Company as remuneration for services provided to the Company. No amount was outstanding at the year-end (2018: £nil).

# 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 Link Asset Service's website at [www.signalshares.com](http://www.signalshares.com).

## 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.linkassetsservices.com](http://www.linkassetsservices.com)). Queries relating to dividends and requests for mandate forms should be directed to the Company's Registrar, Link Asset Services, 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 (29 May 2019):	78.5p 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 2014/2015 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 0207 886 2716 [chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)

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

## Financial calendar

<b>3 July 2019</b>	Annual General Meeting
<b>October 2019</b>	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, Link Asset Services, 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, Link Asset Services, under the signature of the registered holder.

# COMPANY INFORMATION

Company number **03911323**

## **Directors**

**Neal Ransome (Chairman)**

**Barry Dean**

**Lorna Tilbian**

**Malcolm Moss**

all of

39 Earlham Street  
London WC2H 9LT

## **Investment manager**

**Beringea LLP**

39 Earlham Street

London WC2H 9LT

Tel: 020 7845 7820

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

## **Registrars**

**Link Asset Services**

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Tel: 0371 664 0324

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## **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 Forest Room at The Hospital Club, 24 Endell Street, London, WC2H 9HQ at 1.30 p.m. on Wednesday 3 July 2019 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 2019 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 31 of the Directors' Remuneration Report, for the year ended 28 February 2019.
3. To declare a final dividend of 2.5p per Ordinary Share in respect of the year ended 28 February 2019.
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 elect as Director, Neal Ransome, who retires in accordance with Company policy and, being eligible, offers himself for 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, 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 £11,351,656 (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

10. 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 9 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.
11. 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 22,688,178 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;

# NOTICE OF THE ANNUAL GENERAL MEETING

## CONTINUED

- (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  
30 May 2019

**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 page 63 and 64 which contain important information about the Annual General Meeting.

### 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 1 July 2019. 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 3 July 2019 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 1 July 2019 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:  
Link 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

# NOTICE OF THE ANNUAL GENERAL MEETING

## CONTINUED

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 1 July 2019. 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 29 May 2019 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 151,355,426 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 May 2019 are 151,355,426.
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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