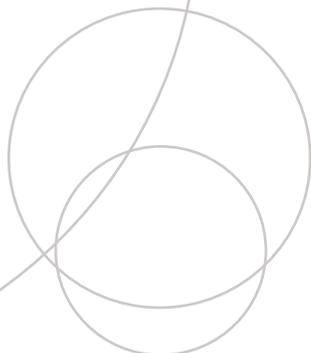
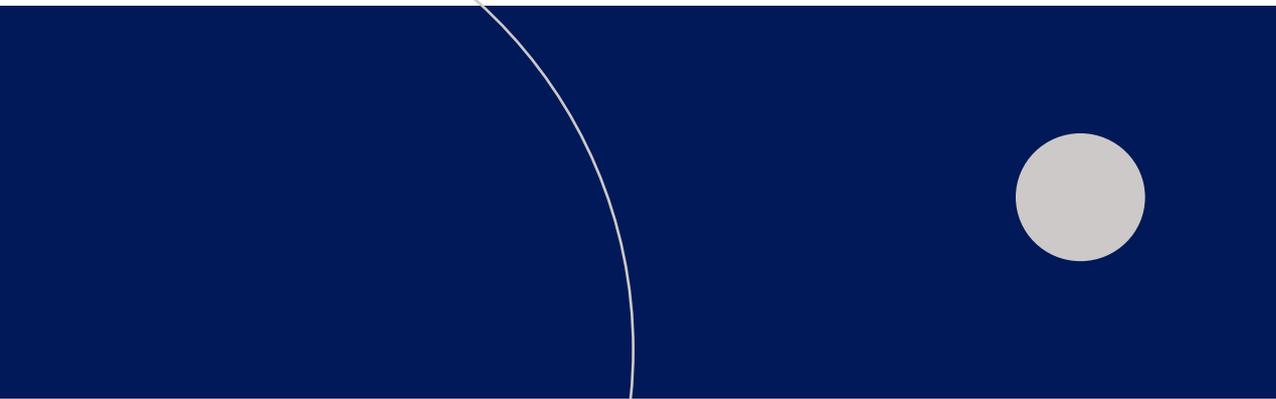
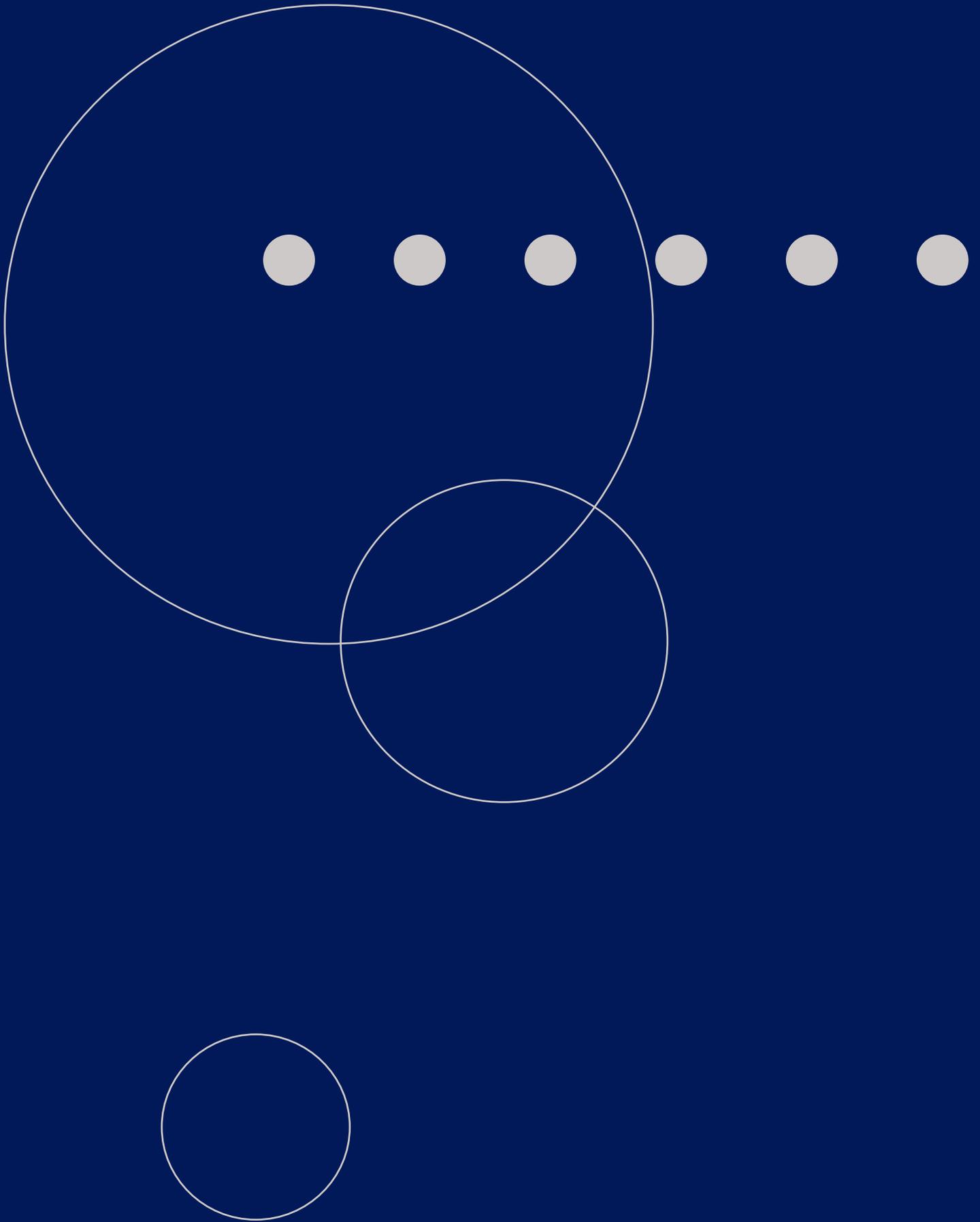


ProVen VCT plc

Report and Accounts

For the period ended
28 February 2001





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FINANCIAL SUMMARY

	Period ended 28 February 2001
Revenue return per share (pence)	2.8p
Total return per share (pence)	3.6p
Dividend per share (pence)	2.4p
Cumulative dividend per share (pence)	2.4p
Shareholders' funds	£21,046,000
Net asset value per share (pence)	96.0p
Mid-market price per share (pence)	100.0p

INVESTMENT OBJECTIVES

ProVen VCT plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The company's principal objectives as set out in its prospectus are to maximise tax-free capital and income returns to shareholders, over a five to ten year period, by investing in a portfolio consisting mainly of qualifying investments in established smaller UK companies with good growth prospects.

CHAIRMAN'S STATEMENT

I am pleased to present to shareholders ProVen VCT's first annual report, covering the period from the date of incorporation to 28 February 2001. During the period the VCT raised a total of approximately £22 million from investors, and has made an encouraging start to the process of building its portfolio of qualifying venture capital investments.

Net Asset Value

The net asset value per share (NAV) at 28 February 2001 was 96.0p, after deducting the recommended final dividend of 2.4p per share, compared to an opening NAV of 95.0p, net of issue expenses. The unquoted investments in the portfolio are valued at cost and the reported NAV therefore reflects the performance of the AiM portfolio and investments in fixed interest securities where the majority of the VCT's funds are currently invested.

New Investments

In these early periods in the life of the VCT, the focus of activity is in building a portfolio of private equity investments in qualifying companies, consistent with the stated investment objectives.

During the period a total of £4.0 million was invested in eight qualifying companies, further details of which are given in the Investment Manager's Review. Your Board is encouraged by this early progress towards meeting the requirements of the VCT legislation to have at least 70% of its total investments invested in VCT qualifying holdings by 28 February 2003.

Revenue and Dividends

Net revenue before tax for the period was £796,000, and the revenue return per share was 2.8p. As no interim dividend was paid, the directors are pleased to recommend a final dividend of 2.4p per share, which will be paid on 29 June 2001 to shareholders on the register on 1 June 2001. Shareholders are reminded that in the short term the annual dividend is likely to reduce as funds are transferred from fixed interest stocks to the venture capital portfolio, which may yield less income.

Co-Investment Policy

It is the opinion of the investment manager, ProVen Private Equity Limited (ProVen), that investment in larger transactions should result overall in lower portfolio risk and higher portfolio returns. Your Board agrees that the VCT will benefit from exposure to larger transactions and is supportive of the investment manager's policy under which the VCT will co-invest in future transactions on an agreed basis with other funds managed or advised by ProVen.

Share Buy Backs

The VCT's mid-market share price has remained at its opening level of 100p and the Board is not aware of any trading in the shares to date. In order to maintain the VCT's ability to purchase its own shares where this is in the interests of shareholders, at the forthcoming annual general meeting we will be seeking shareholder approval to renew the board's powers to purchase the VCT's shares in the market. We also intend during the current financial year to seek Court consent to a reduction in the VCT's share premium account, so enabling us to credit an equivalent amount to a new distributable capital reserve that can be utilised to purchase shares in the market for cancellation.

Prospects

Shareholders' investments in the VCT should be viewed as a long-term investment. It will necessarily take some years for a portfolio of investments in private companies to mature to the point that exits can be achieved at premium values. The recent sharp correction in the quoted equity markets has had little impact on the value of the VCT's portfolio, because a relatively small proportion of the total fund has been invested and those investments that have been made are valued at cost in compliance with BVCA guidelines. Indeed, the reduction in values of quoted companies should reduce price expectations in the unquoted sector thereby benefiting the VCT during its initial investment phase.

Annual General Meeting

The annual general meeting will be held at 11.00 a.m. on 28 June 2001 at 42 Craven Street, London, WC2N 5NG. I very much look forward to meeting those shareholders that are able to attend.

Andrew Davison
Chairman

16 May 2001

MANAGEMENT AND ADMINISTRATION

Registered Office

42 Craven Street
London WC2N 5NG
Tel: 020 7451 6500
Info@proven.co.uk

VCT Adviser

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6NN

Registrars

Northern Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Telephone: 01484 600900
Clientservices@northernregistrars.co.uk

Company Secretary

Hutton Corporate Services Limited
15 Hutton Road
Ash Vale
Nr Aldershot
Hampshire GU12 5EY

Fixed Income Securities Adviser

Investec Asset Management
2 Gresham Street
London EC2V 7QP

Auditors

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Investment Manager

ProVen Private Equity Limited
42 Craven Street
London WC2N 5NG

Stockbrokers

Rathbone Neilson Cobbold Limited
a subsidiary of Rathbone Brothers Plc
Port of Liverpool Building
Pier Head
Liverpool L3 1NW

DIRECTORS

Andrew Davison FCA (Chairman), aged 58, is chairman of Pennine Downing Ethical VCT plc, Broadcastle plc and City of London Investment Manager Group PLC and is currently on the boards of a number of quoted and unquoted companies including ProVen Media VCT plc. He was formerly chairman and chief executive of Business Mortgages Trust plc from 1987 to 1991. He joined County Bank Limited in 1972 and by 1984 had become managing director of NatWest Ventures Limited, which specialised in unquoted investments. He is a former council member of the BVCA.

Stephen Edwards BA ACA (37) is managing director of ProVen Private Equity Limited. He is a graduate in economics from Durham University and qualified as an accountant with PricewaterhouseCoopers, where he spent six years in corporate finance, specialising in larger management buy-outs and venture capital backed companies. In 1992, he joined Grosvenor Venture Managers Limited and, following its sale to Mercury Asset Management plc, he became an assistant director in its private equity division in 1995. He is a director of ProVen Media VCT plc.

Nicholas Lewis MA MSc (45) is a director of Downing Corporate Finance Limited, which he founded in 1986. Downing specialises in promoting and administering tax based investments, having raised over £200 million since 1992. He was a founding director of HIT Entertainment PLC in 1989. He is currently a director of ten other VCTs, including ProVen Media VCT plc, which have raised over £130 million. He was formerly with NatWest Ventures Limited and before that with Apax Partners and Co. Limited.

Ernest Sharp FCA (70) is a director of Guinness Flight Venture Capital Trust PLC and Henry J Bean's Group PLC. For ten years, up until 1995, he was a member of the Investment Board of Electra Candover Direct Investment Plan.

Tom Sooke MA MBA FCA (56) is chairman of ProVen Media VCT plc, on the Board of Qvester VCT plc and, over the past ten years, has been a non-executive director of a number of quoted and unquoted companies. Previously, he was a partner in Touche Ross & Co (now known as Deloitte & Touche), co-managing the firm's corporate advisory group in London. Prior to that he was a corporate finance director at Granville Holdings plc, now part of Granville Baird Group Limited, where he also established and managed its main private equity fund activity from 1980 to 1987.

All directors are non-executive.

Audit Committee: Andrew Davison, Nicholas Lewis, Ernest Sharp, Tom Sooke.

INVESTMENT MANAGER'S REVIEW

This review covers the period from 18 January 2000 to 28 February 2001, during which the company raised approximately £22 million from investors. The Venture Capital Trust rules require at least 70% of the company's total investments to be invested in VCT qualifying holdings within three accounting periods and our primary objective is therefore to invest the required amount in such holdings by 28 February 2003.

Performance

The Net Asset Value per share (NAV) at 28 February 2001 was 96.0p which, together with the proposed dividend of 2.4p, resulted in a total return to shareholders of 98.4p, compared to an opening NAV of 95.0p, net of issue expenses. Total return is defined as NAV plus cumulative dividend per share paid or proposed.

The Qualifying Portfolio

We made steady progress during the period towards meeting the investment target set out in the VCT rules, and at the end of the period the portfolio of qualifying investments by value was equivalent to 20% of the net proceeds of the share issues. Eight new investments were completed at a cost of £4.0 million. Four of the eight investments made were in stocks traded on the Alternative Investment Market, as shown below:

Name	Activity	Cost £000	Value £000
UBC Media plc*	Analogue and digital radio producer and broadcaster	501	681
Linguaphone plc	A leading, branded language teaching company	500	500
The Keen Group Limited	The commissioning, development and marketing of quality office furniture by leading UK designers	412	412
Oasis Healthcare plc*	Branded dentistry	500	620
Chiaros Holdings Limited (trading as TMI)	Time management and personal skills training and consultancy	800	800
Bond iT Limited	Supply of branded adhesives and sealants to trade professionals	500	500
I D Data plc*	Smart card solutions and technology	420	376
Tardis Transcommunications plc*	Wireless data service applications provider	380	347
Total investment		<u>4,013</u>	<u>4,236</u>

* AiM listed

ProVen VCT co-invested with Guinness Flight VCT, also advised by ProVen, in each investment made in the period with the exception of Chiaros Holdings Limited. Until 28 February 2001, Guinness Flight VCT had a prior right over ProVen VCT to invest in opportunities of up to £500,000. Since this condition has now lapsed, and as Guinness Flight VCT approaches full investment, we expect the allocation of new investments to ProVen VCT to increase. The company will also co-invest with other funds managed by ProVen.

INVESTMENT MANAGER'S REVIEW *continued*

The Qualifying Portfolio (*continued*)

In accordance with the guidelines of the British Venture Capital Association, the unquoted investments are carried at cost since they are less than 12 months old and their performance is satisfactory. The portfolio of AiM stocks has shown a capital appreciation in total, although valuations suffered towards the end of the company's financial year in line with the general downturn in stock markets worldwide. Between the date of the interim report and the year end, the value of the AiM portfolio fell by 18.0%, compared to a fall in the FTSE AIM index of 27.3%, offsetting much of the increase in value that had been delivered to 31 August 2000.

The spread of industry sectors achieved to date is shown below and reflects the increasing importance of the service and technology sectors in the economy:

Sector

Support services	32.4%
Information technology	19.9%
Media	12.5%
Healthcare	12.5%
Construction/building materials	12.5%
Other industrial	10.2%

Further information on the portfolio is given on pages 8 to 11.

Management of Liquid Funds

The majority of the net proceeds of the share issues were initially invested in a portfolio of fixed interest securities managed by Investec Asset Management Limited, and a proportion was allocated as short-term funds to an offshore money market fund, also under the management of Investec. The short-term funds were drawn as required to fund investments in qualifying holdings, and at 28 February 2001, the money market holding had been reduced to zero. During the period the yield achieved on the portfolio of fixed interest securities was approximately 6.2% (net of management fees). At 28 February 2001, the fixed interest funds managed by Investec totalled some £17.5 million.

Prospects

There has been a sharp fall in quoted equity markets in the first quarter of 2001, driven by a significant correction in the ratings of particular sectors such as telecommunications, media and technology. Whilst this will inevitably delay some exit opportunities for unquoted companies, our emphasis at this early stage in the life of the portfolio is still on the completion of new investments. Since the year end, investments of a further £1.4 million have been approved. Our dealflow is at record levels, and we have added resources to our senior investment team – we have recently welcomed Chris Allner, formerly a Director of NatWest Equity Partners, as an investment director.

In the coming year, much will depend upon the strength of the economy as a whole to withstand any downturn in activity that may follow on the heels of the stock market correction. However, the unquoted market often benefits from such stock market adjustments and we are already seeing a downward adjustment in price expectations. We are confident in our dealflow to continue to deliver the number and range of opportunities we require to ensure the VCT meets its investment targets, and look forward to reporting in future periods on the new investments that we have made.

Proven Private Equity Limited

16 May 2001

INVESTMENT PORTFOLIO

At 28 February 2001

	Cost £000	Valuation £000	% of net assets
Qualifying holdings (see pages 9 to 11)			
Chiaros Holdings Limited	800	800	3.8%
UBC Media Group plc*	501	681	3.2%
Oasis Healthcare plc*	500	620	2.9%
Bond iT Limited	500	500	2.4%
Linguaphone Group plc	500	500	2.4%
The Keen Group Limited	412	412	2.0%
I D Data plc*	420	376	1.8%
Tardis Transcommunications plc*	380	347	1.6%
Total unquoted investments	<u>4,013</u>	<u>4,236</u>	<u>20.1%</u>
Listed fixed interest investments			
£10,805,000 Treasury 7% 6/11/01	10,941	10,935	51.9%
£2,900,000 Treasury 9.75% 27/08/02	3,097	3,091	14.7%
	<u>14,038</u>	<u>14,026</u>	<u>66.6%</u>
Unlisted fixed interest investments (Certificates of Deposit)			
£1,000,000 Halifax 5.8% 10/12/01	1,000	1,003	4.7%
£900,000 Bank of Scotland 5.95% 27/11/01	900	903	4.2%
£500,000 Dresdner Bank 5.96% 21/11/01	500	501	2.4%
£500,000 Rabobank 5.8% 20/12/01	500	501	2.4%
	<u>2,900</u>	<u>2,908</u>	<u>13.7%</u>
Total investment portfolio	<u>20,951</u>	<u>21,170</u>	<u>100.4%</u>
Net current liabilities		<u>(86)</u>	<u>(0.4)%</u>
Shareholders' funds		<u>21,084</u>	<u>100.0%</u>

* Investment traded on the Alternative Investment Market ("AiM")

VCT QUALIFYING INVESTMENTS

Chiaros Holdings Limited (trading as TMI) Warwickshire

Time Management training courses

TMI provides training and consulting services in time management and personal skills development to corporate clients. ProVen led the £5.5 million management buyout of TMI in December 2000.

Initial investment:	December 2000
Equity held:	24.0%
Cost:	£800,000
Valuation:	£800,000
Valuation basis:	Cost
Dividends received during the period:	Nil
First audited accounts:	30 June 2001



UBC Media Group plc* London

Analogue and digital radio producer and broadcaster

UBC Media is a leading radio production company for both digital and analogue stations, including the BBC and many other commercial stations. The company was admitted to the AiM in July 2000, and raised £4.4 million to finance its consolidation as a market leader and position itself to take advantage of expansion opportunities in the radio sector. ProVen VCT invested alongside Guinness Flight VCT and other investors in this equity financing.

Initial investment:	July 2000
Equity:	1.7%
Cost:	£501,047
Valuation:	£681,000
Valuation basis:	Mid-market price
Dividends received during the period:	Nil
Next audited accounts:	31 March 2001



Oasis Healthcare plc* Norwich

Branded dentistry

Oasis is a provider of dental care services to private and NHS patients in England. The company was admitted to the AiM in July 2000, and raised £5.3 million to fund its development, primarily by acquisition, as a leading brand in UK retail dentistry. ProVen VCT invested alongside Guinness Flight VCT and other investors in this equity financing.

Initial investment:	July 2000
Equity held:	4.5%
Cost:	£500,000
Valuation:	£620,000
Valuation basis:	Mid-market price
Dividends received during the period:	Nil
Next audited accounts:	31 March 2001



VCT QUALIFYING INVESTMENTS *continued*

Bond iT Yorkshire

Branded adhesives and sealants

Bond iT is a repackaging manufacturer and distributor of branded sealants and adhesives, largely supplying independent professional tradesmen through retailers and builders merchants. The business was bought by its management team with £2 million of equity funding provided by HSBC Ventures, ProVen VCT and Guinness Flight VCT.

Initial investment:	October 2000
Equity held:	12.5%
Cost:	£500,000
Valuation:	£500,000
Valuation basis:	Cost
Dividends received during the period:	Nil
First audited accounts:	31 October 2001



Linguaphone Group plc Surrey

A leading branded language teaching company

ProVen led a £3 million financing in July 2000, to fund an acquisition and the development by Linguaphone of its extensive language teaching content to new distribution media, such as the internet and mobile telephony. ProVen VCT invested alongside Guinness Flight VCT and other VCT investors.

Initial investment:	July 2000
Equity held:	4.7%
Cost:	£500,000
Valuation:	£500,000
Valuation basis:	Cost
Dividends received during the period:	Nil
Next audited accounts:	30 June 2001



The Keen Group Limited London

Commissions, develops and markets quality office furniture by leading UK designers

Keen Group is an early stage investment, and is developing its exclusive product portfolio with British designers. In July 2000 it acquired the well known "Supporto" brand and product range. The business raised a total of £1.5 million in development funding in April 2000, and was financed jointly by ProVen VCT and Guinness Flight VCT.

Initial investment:	April 2000
Equity held:	13.2%
Cost:	£412,500
Valuation:	£412,500
Valuation basis:	Cost
Dividends received during the period:	Nil
First audited accounts:	31 December 2000



VCT QUALIFYING INVESTMENTS *continued***I D Data plc* *Northamptonshire*****Smart card solutions and technology**

I D Data is the UK's leading independent smart card solutions business, supplying the banking, retail and telecommunications industries world-wide. The company was admitted to the AiM in October 2000 and raised £11.6 million to reduce debt and finance expansion and development. ProVen VCT invested alongside Guinness Flight VCT and other investors in this equity financing.

Initial investment:	October 2000
Equity held:	0.98%
Cost:	£420,000
Valuation:	£376,000
Valuation method:	Mid-market price
Dividends received during the period:	Nil
Next audited accounts:	31 March 2001

**Tardis Transcommunication plc *Salisbury*****Wireless data service applications provider**

Tardis raised a total of £15 million on the AiM in July 2000 to finance an acquisition and provide funds to grow its wireless data software and integrated services applications business. ProVen VCT invested alongside Guinness Flight VCT and other investors in this equity financing.

Initial investment:	July 2000
Equity held:	0.9%
Cost:	£380,000
Valuation:	£347,000
Valuation method:	Mid-market price
Dividends received during the period:	Nil
Latest audited accounts:	2 January 2001 (15 months)
Net assets:	£18 million
Loss before tax :	£6.3 million



Notes: Qualifying equity investments in all the above companies carry full voting rights. In all cases above, reference to the "next" or "first" audited accounts relate to the first annual report and accounts to be prepared by the investee company following the date of investment by ProVen VCT.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from incorporation on 18 January 2000 to 28 February 2001.

Activities and Status

The principal activity of the company during the period was the making of long-term equity and loan investments in unquoted and AiM traded companies in the United Kingdom. The company is an investment company as defined in section 266 of the Companies Act 1985 and has been listed on the London Stock Exchange since 11 April 2000. The company has been granted provisional approval by the Inland Revenue as a Venture Capital Trust. The Chairman's Statement on page 3 and the Investment Manager's Review on pages 6 and 7 give a review of developments during the year and of future prospects.

The directors have managed the affairs of the company with the intention that it will qualify for approval by the Inland Revenue as a Venture Capital Trust for the purposes of Section 842AA of the Income and Corporation Taxes Act 1988. 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 Act.

The company was incorporated on 18 January 2000 and commenced trading on 13 March 2000.

Although it is not intended that the company should have a limited life, shareholders will be given the opportunity to review its future after approximately seven years and, thereafter, at five yearly intervals. Accordingly, the Articles of Association of the company contain provisions requiring the directors to propose an ordinary resolution at the company's annual general meeting in 2007 to seek confirmation from shareholders that it should continue as a VCT.

Results and Dividend

	£000
Net revenue attributable to shareholders	575
Appropriated as follows:	
Final dividend proposed – 2.4p per share	527
Retained in revenue reserve	48
	<u>575</u>

The Board recommends a final dividend of 2.4p per share, which, if approved by shareholders at the forthcoming Annual General Meeting, will be paid on 29 June 2001. This represents the company's first dividend since it commenced its activities.

Directors

The current directors of the company, each of whom was appointed on 8 February 2000, and their interests in the issued ordinary shares of 5p of the company are as follows:

As at	28 February 2001	8 February 2000
A J Davison	5,000	–
S P Edwards	12,500	–
N P Lewis	10,000	–
E H Sharp	36,000	–
T P Sooke	5,000	–

All of the directors' share interests shown above are held beneficially. There have been no changes in the directors' share interests between 28 February 2001 and the date of this report.

A J Hunt and M L Harris were appointed as directors of the company on incorporation on 18 January 2000 and resigned on 8 February 2000.

DIRECTORS' REPORT *continued*

Brief biographical notes on the directors are given on page 5. In accordance with the company's Articles of Association, all of the directors will retire at the first annual general meeting of the company and will offer themselves for re-election. Special Notice of the resolution in respect of the re-election of Mr Sharp, who has attained the age of 70, has been received by the company in accordance with the FSA Listing Rules.

None of the directors has a contract of service with the company and, except as mentioned below under the heading "Management", there was only one contract that subsisted during the period in which a director was materially interested and which was significant in relation to the company's business. This related to the role of Downing Corporate Finance Limited as promoter of the company's share offers last year. Details were given in the prospectus and are summarised in Note 4 to these financial statements.

Management

ProVen Private Equity Limited (ProVen) has acted as investment manager to the company since February 2000. Downing Corporate Finance Limited (Downing) is contracted under an administration agreement to provide the VCT with advice relating to shareholder communications. The principal terms of the management and administration agreements are set out in Note 2 to these financial statements.

S P Edwards is a director of ProVen and N P Lewis is a director of and shareholder in Downing.

VCT Status Monitoring

ProVen VCT has engaged PricewaterhouseCoopers (PwC) to advise it on compliance with the VCT legislation. PwC reviews appropriate new investment opportunities for compliance with the VCT rules and conducts a regular review of the company's investment portfolio to monitor ongoing VCT compliance. PwC works closely with the investment manager, but reports directly to the Board of the VCT.

Substantial Shareholdings

So far as the directors are aware, there were no individual shareholdings representing 3 per cent or more of the company's issued share capital during the period under review or to the date of this report.

Creditor Payment Policy

The company's payment policy is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms.

Annual General Meeting

A resolution will be proposed as special business at the annual general meeting to renew the authority of the directors to make market purchases of the company's shares for cancellation. It is the intention of the directors to seek to renew this authority at each subsequent annual general meeting.

Auditors

During the period, the directors appointed Deloitte & Touche as auditors. A resolution to reappoint Deloitte & Touche as auditors and to authorise the directors to agree their remuneration will be proposed at the annual general meeting.

By Order of the Board

Hutton Corporate Services Limited
Secretary
42 Craven Street
London WC2N 5NG

16 May 2001

CORPORATE GOVERNANCE

The company is committed to maintaining high standards of corporate governance. In particular, the Board seeks to observe the principles set out by the Report of the Committee on Corporate Governance ("the Combined Code") insofar as these are consistent with the company's status and objectives as a venture capital trust. Throughout the period ended 28 February 2001 the company has complied with the provisions of Section 1 of the Combined Code, as they relate to venture capital trusts, other than as noted below in relation to the appointment of a senior independent director, the appointment of directors for a specified term, and the appointment of nominations and audit committees.

The Board

The company has a Board of five non-executive directors, four of whom are independent of the investment manager. In these circumstances the Board does not believe it is necessary to identify a senior independent director other than the chairman.

The Board meets at least quarterly and on other dates as required, to review the performance of the company and its portfolio of investments and to monitor compliance with the investment policy laid down by the Board. The investment manager provides the Board with appropriate information on a timely basis to support its review and decision-making procedures. The Board has specifically reserved for its decision all investment or disposal decisions. Otherwise than as provided in the investment management, administration and fixed interest portfolio management agreements, the Board has retained full responsibility for the management of the company, in accordance with the Articles of Association, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

All of the directors have access to the advice and services of the company secretary, and directors may also take independent professional advice at the company's expense where necessary in the furtherance of their duties.

All directors are subject to election by shareholders at the first annual general meeting following their appointment and thereafter are subject to retirement by rotation at intervals of no more than three years. Non-executive directors are not appointed for specified terms, as the Board believes the contribution of a non-executive director to a venture capital company may be enhanced rather than diminished by long service. The Board has not appointed a nominations committee as it considers the board to be small. Appointments of new directors are reserved to the full Board.

Audit Committee

During the period to 28 February 2001, the Board did not formally appoint an audit committee, as it was considered appropriate in the first period of operation to refer all matters to the full Board for discussion and approval. On 15 May 2001 the Board appointed an audit committee that comprises the four independent non-executive directors. The audit committee will meet twice a year and is responsible for reviewing the interim and annual accounts before their submission to the Board for discussion and approval. The auditors will attend at least one of these meetings. The first meeting of the audit committee took place on 15 May 2001, with the auditors in attendance, to review the financial statements for the period ended 28 February 2001.

Relations with Shareholders

The company's first annual general meeting will be held on 28 June 2001 when shareholders will have the opportunity to meet the Board. Separate resolutions are proposed at the AGM on each substantially separate issue. Proxy votes are counted, and in order to comply with the Combined Code, proxy votes will be announced at the AGM, following each vote on a show of hands, except in the event of a poll being called.

In addition to the formal business of the AGM, representatives of the investment manager, the Board and the audit committee will be available to answer any questions a shareholder may have, and the Board is always pleased to respond to any queries from shareholders during the course of the year.

CORPORATE GOVERNANCE *continued*

Internal Control

The Board is responsible for the company's system of internal control and for reviewing its effectiveness. The Board has delegated the investment management and administration of the company's business to ProVen, which is regulated by IMRO. In order to facilitate the control process the Board requires the investment manager to report at least annually on the systems and procedures in ProVen that are applicable to the management of the company's affairs. ProVen is responsible for the safeguarding of the company's documents of title relating to unquoted and AiM traded stocks, and the holdings are regularly reconciled. Throughout the period, the Board has operated a system of control in relation to unquoted and AiM investments that has the following key elements:

- The Board receives semi-annual reports of the company's VCT status.
- Every investment proposal is submitted to the Board for approval.
- The Board reviews the performance of the portfolio at each board meeting, and is kept informed of developments more frequently, as required.
- The Board approves annual budgets prepared by the investment manager, and receives quarterly reports of financial results and net asset value.
- ProVen VCT and other funds managed by ProVen co-invest in opportunities on an agreed and documented basis, which has been subject to prior approval by the Board.
- ProVen reviews its investment process periodically and any changes are made in consultation with the Board.

The company's portfolio of gilts and other fixed-interest securities is managed under an agreement with Investec Asset Management Limited, which has direct responsibility to the Board and acts as custodian of the company's fixed interest investments. The fixed-interest manager reports to the Board on a quarterly basis.

The company's system of internal control is designed to manage rather than eliminate the risks involved in managing a portfolio of investments, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board does not believe that currently there is scope for an internal audit function due to the size of the company. This matter will be subject to periodic review.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the revenue of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the company, enabling them to ensure that the financial statements comply with the Companies Act. They are also responsible for the company's system of internal financial control, safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF ProVen VCT plc

We have audited the financial statements on pages 17 to 28 which have been prepared under the accounting policies set out on page 17.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the annual report including, as described on page 15, the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the UK Listing Authority, and by our profession's ethical guidance.

We report to you on our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement on pages 14 and 15 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2001 and of its total return for the period 18 January 2000 to 28 February 2001 and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Court
London EC4A 4TR

16 May 2001

ACCOUNTING POLICIES

General

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards and the Statement of Recommended Practice "Financial statements of Investment Trust Companies".

Investments

Listed or AiM traded investments are stated at market value, which is based upon middle market prices at the balance sheet date. In the event that the shares held by the company are subject to certain restrictions, or the holding is significant in relation to the traded issued share capital of the investee company then the directors may apply a discount to the relevant middle market price.

Investments in unquoted companies are valued by the directors using the following guidelines, which are consistent with those recommended by the British Venture Capital Association. The overriding principle applied by the directors is to show a fair valuation of the investment. The directors' policy in valuing unlisted investments is to carry them at cost except in the following circumstances:

- Where a company's performance is significantly below the expectations on which the investment was based a provision will be considered. Any provision will be made as a percentage of cost in bands of 25%, but the same level of provision need not be made against each of the instruments in an investment.
- Where a company is well established with a record of profitability, the shares may be valued by applying a suitable price earnings ratio to the company's historical post-tax earnings. When applying such ratios, the directors will take into account comparable listed companies or sectors and will apply a discount of at least 25% to reflect the lack of marketability.
- Where a value is indicated by a material arm's-length transaction with a third party in the shares of a company.

Unlisted investments will not normally be revalued upwards for a period of at least twelve months from the date of investment.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to realised capital reserves. Unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves. Costs incurred relating to acquisitions and disposals are charged to capital reserves as a deduction from proceeds or an addition to costs.

It is not the company's policy to exercise controlling or significant influence over investee companies, although it may hold a significant interest in some companies. Accordingly, the results of these companies are not incorporated into the revenue account except to the extent of any income earned.

Income

Dividend income receivable from quoted securities is recognised on the ex-dividend date. Income from unquoted equity and non-equity securities is recognised on receipt.

Interest from cash and deposits is treated on the accruals basis. Fixed returns on debt securities are recognised on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis. One quarter of the investment management fee is charged to the revenue account and the remaining three quarters is charged to capital reserves, net of corporation tax relief, and inclusive of any irrecoverable value added tax. The allocation of the management fee reflects the directors' estimate of the source of the long-term returns in the portfolio from revenue and capital.

Taxation

The tax effects of different items of income, gains, expenditure or capital loss are allocated between revenue and capital accounts on the same basis as the particular items to which they relate, using the marginal allocation basis.

STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT)

for the period from 18 January 2000 to 28 February 2001

	Notes	Revenue £000	Capital £000	Period ended 28 February 2001 Total £000
Gains on investments	8			
– realised		–	119	119
– unrealised		–	219	219
Income	1	1,096	–	1,096
Investment management fee	2	(86)	(258)	(344)
Other expenses	3	(214)	–	(214)
Return on ordinary activities before taxation		796	80	876
Tax (charge)/credit on ordinary activities	5	(221)	84	(137)
Return on ordinary activities after taxation		575	164	739
Dividends	6	(527)	–	(527)
Transfer to reserves	15	48	164	212
Return per ordinary share basic and diluted	7	2.8p	0.8p	3.6p

The notes on pages 21 to 28 form an integral part of these financial statements.

All revenue and capital items in the above statement are from continuing operations. No operations were acquired or discontinued in the period.

BALANCE SHEET

at 28 February 2001

	Notes	28 February 2001 £000
Fixed assets		
Investments	8	<u>21,170</u>
Current assets		
Debtors	11	279
Cash at bank and in hand		<u>468</u>
		747
Creditors: amounts falling due within one year	12	<u>(833)</u>
Net current liabilities		<u>(86)</u>
Total assets less current liabilities		<u>21,084</u>
Capital and reserves		
Called-up share capital	14	1,099
Share premium	15	19,773
Capital reserve – realised	15	(55)
Capital reserve – unrealised	15	219
Revenue reserve	15	<u>48</u>
Total equity shareholders' funds		<u>21,084</u>
Net asset value per ordinary share	17	<u>96.0p</u>

The financial statements on pages 17 to 28 were approved by the Board of Directors on 16 May 2001 and were signed on its behalf by:

Andrew Davison
Chairman

The notes on pages 21 to 28 form an integral part of these financial statements.

CASH FLOW STATEMENT

for the period from 18 January 2000 to 28 February 2001

	Period ended 28 February 2001 £000
Net revenue from operating activities	
Net revenue from ordinary activities before tax	796
Increase in debtors	(279)
Increase in creditors	169
Management fees charged to capital	(258)
Net cash inflow from operating activities	<u>428</u>
Financial investment	
Purchase of investments	(54,795)
Sale of investments	<u>33,963</u>
Net cash outflow from financial investment	(20,832)
Financing	
Issue of redeemable preference shares	50
Issue of ordinary shares	21,970
Share issue expenses	(1,098)
Redemption of preference shares	<u>(50)</u>
Net cash inflow from financing	<u>20,872</u>
Increase in cash in period	<u>468</u>
Analysis of movement in cash balance	
At 18 January 2000	—
Net cash inflow for the period	<u>468</u>
At 28 February 2001	<u>468</u>

The notes on pages 21 to 28 from an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

1 Investment Income

	Period ended 28 February 2001 £000
Income from investments	
Certificates of deposit	601
Fixed interest securities	374
Money market fund	39
	<u>1,014</u>
Other income	
Bank and deposit interest	82
	<u>1,096</u>

2 Investment Management Fee

	Revenue £000	Period ended 28 February 2001 Capital £000
Investment management fee	73	220
Irrecoverable VAT thereon	13	38
	<u>86</u>	<u>258</u>

ProVen Private Equity Limited (ProVen) provides investment management services to the company in respect of the company's portfolio of VCT qualifying investments under an investment management agreement dated 9 February 2000.

ProVen receives a fee (exclusive of VAT), equal to 1.5% per annum in the period to 28 February 2001, 2.0% per annum in the year ending 28 February 2002 and 2.5% per annum thereafter of the net assets of the company. The fee is calculated at half-yearly intervals as at 31 August and 28 February and is payable quarterly in arrears.

ProVen also provides administrative and secretarial services to the company under the terms of an administration agreement dated 9 February 2000 for an annual fee of £50,000 (plus VAT). Out of this fee, ProVen pays to Downing Corporate Finance Limited (Downing) an annual fee of £20,000 (plus VAT) (increased by increases in the Retail Price Index) in consideration for services to the company relating to its communications with shareholders and their financial advisers. This arrangement will remain in place until the investment management agreement is terminated.

Under the terms of the investment management and administration agreements described above, ProVen and Downing are potential beneficiaries of the company's performance incentive arrangements. These arrangements are described in more detail in Note 18.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

3 Other Expenses

	Period ended 28 February 2001 £000
Administrative and secretarial services	48
Directors' remuneration (see note 4)	55
Auditors' remuneration	
– for audit services	9
– for non-audit services	5
Irrecoverable VAT	26
Other expenses	71
	<u>214</u>

Irrecoverable VAT attributable to the management fee is disclosed in Note 2 and is not included in the figure for irrecoverable VAT stated above.

4 Directors' Remuneration

	Period ended 28 February 2001 £000
Fees paid to directors	10
Amounts paid to third parties in consideration for the services of directors	45
	<u>55</u>
The fees paid in respect of directors during the period were as follows:	£
A J Davison (Chairman)	13,219
S P Edwards	10,575
N P Lewis	10,575
E H Sharp	10,575
T P Sooke	10,575

N P Lewis is a director of and shareholder in Downing, which acted as promoter in relation to the company's share offers between February and April 2000. Downing received a fee of 5% of the gross proceeds of the offers for provision of these services, from which it paid other costs and expenses of the offers.

S P Edwards is a director of ProVen.

ProVen and Downing are potential beneficiaries under the performance incentive arrangements referred to in Note 18.

Except as noted above, or as otherwise disclosed in these accounts, none of the directors received any other remuneration or benefit during the period.

5 Tax Charge/(Credit) on Ordinary Activities

	Revenue £000	Period ended 28 February 2001 Capital £000
Corporation tax payable at 25.5%	<u>221</u>	<u>(84)</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

6 Dividends

	Period ended 28 February 2001 £000
Final proposed – 2.4p per share	<u>527</u>

7 Return per Ordinary Share

The revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £575,000 and on 20,720,492 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The capital return per ordinary share is based on net realised and unrealised capital profits of £164,000 and on 20,720,492 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

8 Fixed Asset Investments

	28 February 2001 £000
Unquoted investments	2,212
AiM traded investments	2,024
Listed fixed interest investments	14,026
Unlisted fixed interest investments	<u>2,908</u>
	<u>21,170</u>

Movements in investments during the period are summarised as follows:

	Unquoted £000	AiM traded £000	Listed fixed interest £000	Unlisted fixed interest £000	Total £000
Purchases at cost	2,212	1,801	20,372	30,410	54,795
Disposal – proceeds	–	–	(6,424)	(27,539)	(33,963)
– realised gain on disposal	–	–	90	29	119
Increase/(decrease) in unrealised appreciation	<u>–</u>	<u>223</u>	<u>(12)</u>	<u>8</u>	<u>219</u>
Valuation at 28 February 2001	<u>2,212</u>	<u>2,024</u>	<u>14,026</u>	<u>2,908</u>	<u>21,170</u>
Book cost at 28 February 2001	2,212	1,801	14,038	2,900	20,951
Unrealised appreciation at 28 February 2001	<u>–</u>	<u>223</u>	<u>(12)</u>	<u>8</u>	<u>219</u>
	<u>2,212</u>	<u>2,024</u>	<u>14,026</u>	<u>2,908</u>	<u>21,170</u>

All investments traded on AiM are equity shares.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

8 Fixed Asset Investments *continued*

The overall gain on investments for the period shown in the Statement of Total Return is analysed as follows:

	Period ended 28 February 2001 £000
Net realised profits on disposal	119
Increase in unrealised appreciation	<u>219</u>
	<u>338</u>

9 Unlisted Investments

The costs and carrying value of investments in unquoted companies and those whose shares are traded on AiM were as follows:

	Cost £000	28 February 2001 Carrying value £000
Chiaros Holdings Limited (trading as TMI)		
Ordinary shares	240	240
Secured loan stock	<u>560</u>	<u>560</u>
	<u>800</u>	<u>800</u>
Bond iT Limited		
Ordinary shares	59	59
Preference shares	<u>441</u>	<u>441</u>
	<u>500</u>	<u>500</u>
Linguaphone Group plc		
Ordinary shares	<u>500</u>	<u>500</u>
The Keen Group Limited		
Ordinary shares	165	165
Secured loan notes	<u>247</u>	<u>247</u>
	<u>412</u>	<u>412</u>
UBC Media Group plc*		
Ordinary shares	<u>501</u>	<u>681</u>
Oasis Healthcare plc*		
Ordinary shares	<u>500</u>	<u>620</u>
I D Data plc*		
Ordinary shares	<u>420</u>	<u>376</u>
Tardis Transcommunication plc*		
Ordinary shares	<u>380</u>	<u>347</u>

*Investments traded on the AiM market

There were no write-downs of unquoted investments during the period.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

10 Significant Interests

Details of shareholdings in those companies where the company's holding represents (1) more than 10% of the allotted equity share capital of any class, (2) more than 10% of the total allotted share capital or (3) more than 10% of the assets of the investee company itself, are given below. All of the companies named are incorporated in Great Britain.

Company	Class of shares	Number held	Proportion of class held
Chiaros Holdings Limited	'A' ordinary shares (50p)	239,986	53.3%
Bond iT Limited	'B' ordinary shares (£1)	50,000	100.0%
	'C' preferred ordinary shares (£1)	8,750	100.0%
	Preference shares (10p)	441,250	25.0%
The Keen Group Limited	'A' ordinary shares (£1)	33,990	33.0%

The results of these companies have not been incorporated in the revenue account.

Unless stated to the contrary, all classes of ordinary shares and none of the classes of preference shares have voting rights.

11 Debtors

	28 February 2001
	£000
Accrued income	<u>279</u>

12 Creditors

	28 February 2001
	£000
Trade creditors and accruals	169
Corporation tax payable	137
Proposed dividend	<u>527</u>
	<u>833</u>

13 Contingent Liabilities

Following changes in the legislation dealing with the taxation of profits on fixed income securities and other loan relationships, the venture capital trust industry is currently seeking confirmation from the Inland Revenue that the taxation treatment of these profits in venture capital trusts will follow that for other investment trusts, so that those gains accounted for as capital are not taxable. For the period to 28 February 2001, the company's additional potential tax liability if such gains were taxable would be approximately £38,000.

14 Share Capital

	28 February 2001
	£000
Authorised	
25,000,000 ordinary shares of 5p each	<u>1,250</u>
Allotted, called up and fully paid	
21,970,502 ordinary shares of 5p each	<u>1,099</u>

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

14 Share Capital *continued*

The authorised share capital of the company on incorporation was £1,050,000 divided into 20,000,000 ordinary shares of 5p each, of which two ordinary shares were issued, fully paid, to the subscribers to the Memorandum of Association, and 50,000 redeemable preference shares of £1 each. On 8 February 2000 the company issued 50,000 redeemable preference shares of £1 at par for cash; the preference shares were redeemed on 29 March 2000 out of the proceeds of ordinary share issues and redesignated as 1,000,000 ordinary shares of 5p, in accordance with the Articles of Association. On 8 February 2000 the authorised share capital of the company was increased to £1,250,000 by the creation of a further 4,000,000 ordinary shares of 5p. Between 13 March 2000 and 12 April 2000, the company issued a total of 21,945,500 ordinary shares of 5p for cash at a premium of 95p per share; a further 25,000 ordinary shares of 5p were issued on 21 July 2000 for cash at a premium of 95p.

15 Reserves

	Share premium account £000	Capital reserve – realised £000	Capital reserve – unrealised £000	Revenue reserve £000
At 18 January 2000	–	–	–	–
Premium on issue of ordinary shares	20,872	–	–	–
Share issue expenses	(1,099)	–	–	–
Realised on disposal of investments	–	119	–	–
Net increase in unrealised appreciation	–	–	219	–
Management fee capitalised	–	(258)	–	–
Tax effect of capital items	–	84	–	–
Net revenue retained for the period	–	–	–	48
At February 2001	<u>19,773</u>	<u>(55)</u>	<u>219</u>	<u>48</u>

16 Reconciliation of Movements in Shareholders' Funds

	Period ended 28 February 2001 £000
At 18 January 2000	–
Total return after tax and dividends	212
Net proceeds of share issues	19,773
At 28 February 2001	<u>19,985</u>

17 Net Asset Value per Share

Net asset value per share is based on net assets at 28 February 2001 of £21,084,000 and on 21,970,502 ordinary shares in issue at that date.

18 Performance Incentive Arrangements

Under the terms of the investment management agreement and the administration agreement outlined in Note 2, ProVen Private Equity Limited and Downing Corporate Finance Limited are potential beneficiaries of the company's performance incentive arrangements. ProVen is entitled to receive between 90% and 95% of any performance incentive paid, and Downing between 5% and 10%.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

18 Performance Incentive Arrangements *continued*

The performance incentive will not be triggered until the company's profits available for distribution are equivalent to a return of not less than 7% per annum (compound) on each share and net assets per share are £1.00 or more. This incentive will be equal to 20% of the company's profits (derived from both investment income and capital profits) available for distribution in excess of 7p per share in each accounting period, before taking into account such incentive. The performance incentive will first be calculated in respect of the period to 28 February 2003 and annually thereafter. The incentive (if any) will be payable following approval of the relevant audited accounts by shareholders and will be in the form of cash, shares or share options in the company.

In the event that ProVen or Downing elects to receive such incentives by way of share options, the value per option will be calculated by subtracting the exercise price per share from the net asset value per share at the date on which the options become exercisable. The maximum number of options that may be issued without shareholder approval is capped at 15% of the issued share capital of the company from time to time. ProVen and Downing will be entitled to cash compensation in the event that the value of the incentive exceeds the amount in respect of which the company is capable of granting share options.

19 Risk Management and Financial Instruments

In order to achieve its stated objectives the company will invest its funds primarily in qualifying holdings in unlisted companies and companies traded on AiM, which by their nature may entail a higher degree of risk than investments in large listed companies. The company has not entered into any derivative transactions, and does not expect to do so in the foreseeable future. As a venture capital trust, the company invests in securities for the long term, and it is the company's policy that no trading in investments or other financial instruments shall be undertaken.

Investment risk

The main risk arising from the company's investing activities is investment risk, representing the uncertain realisation values of the company's investments. The directors aim to limit the risk attaching to the portfolio as a whole by careful selection and monitoring of investments and by maintaining a wide spread of investments in terms of financing stage, industry sector and geographical location.

Interest rate risk

The company finances its activities through retained profits including realised and unrealised capital profits, and through the issue of equity shares. The company has not entered into any borrowings. The company holds a portfolio of fixed-interest securities that is managed by external managers in accordance with policy guidelines laid down and regularly reviewed by the Board. The value of this portfolio is subject to the risk associated with changes in interest rates. Details of interest bearing assets are given below under Financial Assets.

Liquidity risk

There is liquidity risk associated with unquoted investments, which are not readily realisable. At present the majority of the company's assets are held in its fixed interest portfolio, primarily in UK government securities and short term certificates of deposit, which are readily realisable.

Credit risk

Credit risk is the risk of a borrower defaulting on either an interest payment or the capital sum of a loan. The credit risk associated with the company's fixed-interest investments in unquoted companies is controlled as part of the investment process outlined under market price risk above, and wherever possible, the company will take security for such advances. Details of the loans outstanding to investee companies is shown below.

NOTES TO THE FINANCIAL STATEMENTS *continued*

for the period from 18 January 2000 to 28 February 2001

19 Risk Management and Financial Instruments *continued*

Currency risk

All of the company's assets and liabilities are denominated in sterling.

Financial assets

The interest rate profile of the company's investments is set out below:

	28 February 2001 £000
UK Treasury	
7% 6/11/01	10,935
9.75% 28/08/02	<u>3,091</u>
	<u>14,026</u>
Certificates of Deposit	
Halifax 5.8% 10/12/01	1,003
Bank of Scotland 5.95% 27/11/01	903
Dresdner Bank 5.96% 21/11/01	501
Rabobank 5.8% 20/12/01	<u>501</u>
	<u>2,908</u>
Loans to investee companies	
Chiaros Holdings Limited:	
10% secured loan notes 2005	560
The Keen Group Limited:	
Secured loan notes 2005 – LIBOR +2%	<u>248</u>
	<u>808</u>

Investments subject to fixed interest rates total £17.5 million, and investments subject to floating interest rates total £248,000.

Fair values

The investments of the company are valued by the directors in accordance with the guidelines issued by the British Venture Capital Association, and the carrying values are considered to approximate the fair value of the investments.

20 Related Party Transactions

ProVen VCT is managed by ProVen Private Equity Limited, and has entered into a co-investment agreement with, amongst others, Guinness Flight VCT plc and ProVen Media VCT plc, for whom ProVen Private Equity Limited acts as adviser and manager respectively. Certain directors of ProVen VCT plc serve on the boards of these companies. Tom Sooke is Chairman of ProVen Media VCT plc, whilst Andrew Davison, Nicholas Lewis and Stephen Edwards are non-executive directors of that company. Ernest Sharp is a non-executive director of Guinness Flight VCT plc.

SHAREHOLDER INFORMATION

The Company

ProVen VCT plc was incorporated on 18 January 2000. In April 2000, the company obtained a listing on the London Stock Exchange, having raised approximately £22 million (before expenses) through an offer for subscription of new ordinary shares at 100p. The company has been provisionally approved as a Venture Capital Trust by the Inland Revenue.

The Manager

ProVen VCT plc is managed by ProVen Private Equity Limited, an independent fund management company based in London, which currently manages or advises venture capital trusts with net assets of £55 million, including Guinness Flight Venture Capital Trust plc and ProVen Media VCT plc.

Venture Capital Trusts

Venture Capital Trusts (VCTs) were introduced in the Finance Act 1995 and are intended to provide a means whereby individual investors can invest in small unquoted trading companies in the UK and, subject to their personal tax position, with incentives in the form of a number of potential tax benefits. The range of benefits available to investors includes:

- Income tax relief at 20% on new subscriptions
- Deferral of tax on certain chargeable gains to the extent the gain is re-invested in new shares in a VCT
- Tax-free income from dividends and capital distributions
- Exemption of capital gains tax on disposals of shares in VCTs

ProVen VCT has been provisionally approved as a VCT by the Inland Revenue. In order to maintain its approval the company must comply with certain requirements on a continuing basis; in particular, within three years from the date of provisional approval at least 70% by value of the company's investments must comprise "qualifying holdings", of which at least 30% by value must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company which is carrying on a qualifying trade and whose gross assets do not exceed £15 million at the time of investment. For the purposes of these criteria, unquoted companies include companies whose shares are traded on the Alternative Investment Market.

As with investment trusts, capital gains accruing to VCTs are not chargeable gains for Corporation Tax purposes.

Financial Calendar

The company's financial calendar is as follows:

Annual General Meeting 2001	28 June 2001
Final dividend paid	29 June 2001
Interim report for six months to 31 August 2001 published	October 2001
Interim dividend paid	November 2001
Preliminary announcement of results for the year to 28 February 2002	May 2002
Annual General Meeting 2002	June 2002

Share Price

The mid-market price of shares in ProVen VCT plc is reported daily in the Financial Times and appears under the heading "Investment Companies".

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

THIS INFORMATION IS IMPORTANT. If you have sold or transferred all or part of your ordinary shares in ProVen VCT plc, you should forward this document, together with the form of proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Resolutions will be proposed as special business at the annual general meeting:

- To renew the authority for directors to allot shares (Resolution 9)
- That these allotments may be for cash and not necessarily offered to existing members of the company (Resolution 10)
- To renew the authority for the company to purchase its own shares, up to a maximum number representing 5 per cent of the total number of shares currently in issue. The maximum price which may be paid for an ordinary share will be an amount which is not more than 5 per cent above the average of the mid-market quotations of the ordinary shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase, and in any event may not exceed the most recently reported net asset value per share. The minimum price which may be paid for an ordinary share will be its nominal value, i.e. 5p.

The purchase of shares will involve a stamp duty cost to the company of approximately 0.5% of the purchase price. Shares which are purchased will be cancelled.

Purchases will be made within guidelines established from time to time by the Board. They will be funded from the use of distributable reserves but so that the use of such reserves will not adversely impact on the company's stated policy of maximising tax free distributions to shareholders.

The authority comes to an end at the conclusion of the next annual general meeting or upon the expiry of fifteen months from the passing of this resolution whichever is the later (Resolution 11).

Directors' recommendation

The directors of the company believe that shareholders should vote in favour of the proposals described above, as they intend to do in respect of their own beneficial holdings amounting to 68,500 ordinary shares (representing 0.3 per cent of the issued share capital of the company) and that they are in the best interests of shareholders.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the first annual general meeting of ProVen VCT plc will be held at 42 Craven Street, London WC2N 5NG on 28 June 2001 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the financial statements for the period from 18 January 2000 to 28 February 2001 and the directors' and auditors' reports thereon.
2. To declare a final dividend in respect of the period from 18 January 2000 to 28 February 2001.
3. To re-elect A J Davison as a director.
4. To re-elect N P Lewis as a director.
5. To re-elect E H Sharp, who attained the age of 70 years on 16 January 2001, as a director, special notice having been given, pursuant to sections 293 and 379, Companies Act 1985.
6. To re-elect T P Sooke as a director.
7. To re-elect S P Edwards as a director.
8. To re-appoint Deloitte & Touche as auditors of the company and to authorise the directors to agree their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, pass the following Resolutions.

As an Ordinary Resolution

9. THAT the directors be and they are hereby authorised generally and unconditionally in accordance with Section 80 of the Companies Act 1985 to exercise all powers of the company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £2,197,050 such authority to expire at the conclusion of the next annual general meeting of the company after passing this resolution (unless previously revoked, varied or extended by the company in general meeting) but so that such authority allows the company to make offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority; and

As a Special Resolution

10. THAT subject to the passing of Resolution 9 set out in the Notice of Meeting, the directors be and they are hereby empowered to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to the authority conferred by the said Resolution 9 as if the provisions of section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of 10 per cent of the issued ordinary share capital of the company.

As a Special Resolution

11. THAT the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 5p each in the company ("ordinary shares") provided that:
 - (a) the maximum number of ordinary shares so authorised to be purchased is 1,098,525;
 - (b) the minimum price which may be paid for an ordinary share shall be 5p;
 - (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

NOTICE OF ANNUAL GENERAL MEETING *continued*

- (d) the authority conferred comes to an end at the conclusion of the next annual general meeting of the company or upon the expiry of 15 months from the passing of this resolution, whichever is the later; and
- (e) that the company may enter into a contract to purchase its ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

By Order of the Board
Hutton Corporate Services Limited
Secretary

42 Craven Street
London
WC2N 5NG

16 May 2001

Notes

- (a) A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member.
- (b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the company, Northern Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA so as to be received by no later than 48 hours before the time the annual general meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the annual general meeting.

