

PROVEN VCT PLC
INTERIM STATEMENT
FOR THE SIX MONTHS ENDED
31 AUGUST 2006



SHAREHOLDER INFORMATION

Recent Performance Summary

	31 Aug 2006 pence	28 Feb 2006 pence	31 Aug 2005 pence
Net asset value per Ordinary share	133.9	111.3	109.3
Cumulative distributions per Ordinary share	22.2	18.7	15.7
Total return per Ordinary share	156.1	130.0	125.0

Dividend History (since launch)

Year end (including interim dividends)	Pence per share	Year end (including interim dividends)	Pence per share
2001	2.4	2004	3.5
2002	2.3	2005	6.5
2003	1.0	2006	6.5
		Cumulative dividends to date	22.2
		2007 interim (Payable 7 December 2006)	31.0

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. Queries relating to dividends and requests should be directed to the Company's registrar, Capita Registrars, on 0870 162 3124, or by writing to them at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA.

Share Price

The share price can also be found on various financial websites with the TIDM/EPIC code "PVN".

Latest share price (13 October 2006):
Ordinary shares
115.0p per share

Selling Shares

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. There may be tax implications in respect of this, therefore you should contact your independent financial adviser if you have any queries.

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a Stockbroker to sell your shares. Downing Management Services Limited is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Contact details are shown on the back cover of this document.

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Registrars, under the signature of the registered holder.

Other Information for Shareholders

Up to date Company information (including financial statements, share price and dividend history) may be obtained from Downing's website at www.downing.co.uk by clicking on "VCT Information and Accounts".

If you have any queries regarding your shareholding in ProVen VCT plc, please contact the Registrar on the above number or visit Capita's website at www.capitaregistrars.com and click on "Shareholders".

CHAIRMAN'S STATEMENT

Introduction

It is very pleasing to report to you the results of ProVen VCT plc for the six months ended 31 August 2006. The sale of Mergermarket Limited, which was agreed in August and completed in September, has given rise to a substantial increase in the Company's net asset value and now places it comfortably in the top ten best performing VCTs (based on total return since launch).

Net Asset Value

As at 31 August 2006, the Company's net asset value per share ("NAV") stood at 133.9p and the total return (NAV plus cumulative dividends) stood at 156.1p, an increase of 26.1p (23.5%) since the last year end of 28 February 2006 (after adding back the 3.5p per share dividend paid in the period).

Venture Capital Investments

Following the agreement with Pearson Plc, owner of the Financial Times Group, to acquire Mergermarket Limited, the Company's investment was revalued upwards from £4.7 million to £10.7 million, equivalent to an increase of 25.2p in the NAV. This is a very satisfactory result for an initial investment of £780,000 and the Board congratulates the Investment Manager on the active role it has

played in delivering this excellent outcome. The transaction completed in September and most of the cash proceeds were received at the same time. Further details are included in the Investment Manager's Report.

In addition to the above, there has been other positive news from the portfolio, including gains by some of the Company's AIM investments and encouraging developments from some of the unquoted companies. As is to be expected with a venture capital portfolio of this type, some investments have underperformed and provisions against their valuations have been necessary. However, over the period, the investment portfolio showed total net unrealised gains of £6.3 million.

Liquidity Fund Investments

The Company holds a proportion of its surplus funds in AAA rated liquidity funds. At the period end the Company held £4.7 million in three such funds. The Board expects to continue to hold these investments until funds are needed for venture capital investments.

Results

The return on ordinary activities after taxation for the period was £6.2 million (£110,000 revenue return and £6.1 million capital return).

CHAIRMAN'S STATEMENT (continued)

Dividend

As a result of the successful completion of the Mergermarket sale, the Board is pleased to announce the payment of a special dividend of 31p per share. This dividend will be paid on 7 December 2006 to shareholders on the register at 3 November 2006. This will bring total dividends paid since launch to 53.2p. The total return, on the basis of the 31 August 2006 results but after payment of the dividend and accruing for the related performance incentive fee, will be 150.1p.

Repurchase of Shares

The Directors are conscious that the market in the Company's shares is relatively illiquid as a result of there being no upfront income tax relief for investors purchasing second-hand shares in the market. The Company, therefore, has a policy of purchasing its own shares to help provide liquidity to those shareholders that need it.

During the period the Company purchased 283,957 shares at an average price of 104.2p per share. These shares were subsequently cancelled.

Outlook

A review of the portfolio following the sale of Mergermarket reveals that a number of the other investments are developing well. In particular, Espresso Broadband continues to grow rapidly and is currently valued at approximately 2.5 times the cost. ILG Digital, a company operating in the high-growth on-line advertising sector, has already doubled in value less than one year from the date of our investment. Given the proven expertise of the Investment Manager in extracting value from the portfolio, the Board continues to have confidence regarding the Company's future performance.



Andrew Davison
Chairman

17 October 2006

INVESTMENT MANAGER'S REPORT

Introduction

This review covers the Company's six month period ended 31 August 2006. It is very pleasing to be able to report a 20.1% increase in the total return, following the agreement to dispose of the Company's investment in Mergermarket for more than twice the previous valuation. The rest of the portfolio continued to make satisfactory overall progress and the Company continued to comply with the VCT regulations throughout the period.

Portfolio Activity

On 8 August 2006, the Financial Times Group signed a conditional agreement to purchase Mergermarket for over £110 million. This valued the Company's investment in Mergermarket at £10.7 million, an increase of 130% compared to 28 February 2006. The valuation represents a return on investment of almost 14 times the cost of the Company's investment, which dates originally from 2001. The sale was completed on 29 September 2006. This outstanding result is the culmination of several years' exceptional performance by the Mergermarket management team and staff, with board level support from our investment management team.

In March, we arranged a further investment of £681,000 in Espresso Broadband. This investment was to support the acquisition of Netmedia, a complementary business in the education sector. The number of UK primary schools subscribing to Espresso's video-rich educational content continues to grow rapidly and now stands at around 8,500 schools, representing c. 45% of the total market. We are working actively with the company to help it maximise other opportunities to increase shareholder value.

In the quoted portfolio, we took the opportunity to rationalise the portfolio by realising the remaining holdings in VI Group and Miva, both at losses to the original purchase cost.

Portfolio Valuation

At 31 August 2006, the Company's unquoted and quoted portfolio comprised 18 investments with a cost of £14.7 million and a valuation of £24.5 million. Further details are shown on page 9.

Espresso Broadband, which after the sale of Mergermarket is the largest investment by value in the portfolio, continues to perform in line with expectations and we remain

INVESTMENT MANAGER'S REPORT (continued)

Portfolio Valuation (continued)

confident about the potential for a successful exit. One of the most recent investments, ILG Digital (formerly i-Level), a digital media agency, has performed exceptionally well and the valuation has been increased from £1 million to £2.1 million. A number of other investments in the portfolio are also making good progress.

We are, however, disappointed to report that both Linguaphone and Zenith Group are in administration despite the best efforts of both the management teams and ourselves to generate value for the businesses. We do not expect any return from either of these investments. This does not have any effect on the net asset value in the current period as both investments were fully provided against in February 2006.

Additionally, we have prudently written down the investments in JVTV (to £nil) and Steribottle (to £114,000) given our concern over the development of the businesses. We nevertheless remain committed to maximising value from these investments.

Outlook

The sale of Mergermarket demonstrates the scale of the returns that can potentially be generated from venture capital investing. In this case an exceptionally talented and focussed management team, backed by supportive investors, executed a well thought out business plan. Supported by favourable market conditions, the company has delivered excellent returns for its shareholders. Clearly not all companies will be as successful as Mergermarket and, in some cases, businesses will fail despite the best efforts of those involved. However, by taking a portfolio approach, opportunities exist for experienced and skilful venture capital investment managers to generate attractive overall returns.

We continue to work closely with the other companies in the Company's investment portfolio and given favourable economic conditions we remain optimistic about the future performance of the Company and the ability to deliver strong returns to its shareholders.

Beringea Limited

17 October 2006

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 August 2006

	31 Aug 2006	31 Aug 2005 (restated)	28 Feb 2006
	£'000	£'000	£'000
Investments	24,472	18,955	17,653
Net current assets	7,323	7,743	9,080
Net assets	<u>31,795</u>	<u>26,698</u>	<u>26,733</u>
Capital and reserves			
Called up share capital	1,187	1,221	1,201
Capital redemption reserve	110	76	96
Special reserve	13,780	15,846	15,468
Share premium account	3,759	3,759	3,759
Capital reserve - realised	2,918	1,689	2,287
Capital reserve - unrealised	9,806	3,970	3,319
Revenue reserve	235	137	603
Equity shareholders' funds	<u>31,795</u>	<u>26,698</u>	<u>26,733</u>
Net asset value per Ordinary share	133.9p	109.3p	111.3p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Aug 2006	31 Aug 2005 (restated)	28 Feb 2006
	£'000	£'000	£'000
Opening shareholders' funds	26,733	24,785	24,785
Issue of shares	-	2,961	2,961
Repurchase of own shares	(297)	(899)	(1,276)
Total recognised gains for the period	6,196	638	1,782
Distributions paid in period	<u>(837)</u>	<u>(787)</u>	<u>(1,519)</u>
Closing shareholders' funds	<u>31,795</u>	<u>26,698</u>	<u>26,733</u>

INCOME STATEMENT

for the six months ended 31 August 2006

	Six months ended 31 Aug 2006		
	Revenue £'000	Capital £'000	Total £'000
Income	303	-	303
Gains on investments	-	6,282	6,282
	<u>303</u>	<u>6,282</u>	<u>6,585</u>
Investment management fees	(74)	(221)	(295)
Other expenses	(94)	-	(94)
Return on ordinary activities	<u>135</u>	<u>6,061</u>	<u>6,196</u>
Taxation	<u>(26)</u>	<u>26</u>	<u>-</u>
Return attributable to equity shareholders	<u>109</u>	<u>6,087</u>	<u>6,196</u>
Return per Ordinary share	0.5p	25.1p	25.6p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the six months ended 31 August 2006

	Six months ended 31 August 2006		
	Revenue £'000	Capital £'000	Total £'000
Return attributable to equity shareholders	<u>109</u>	<u>6,087</u>	<u>6,196</u>
Total recognised gains since last report	<u>109</u>	<u>6,087</u>	<u>6,196</u>

Six months ended 31 Aug 2005 (restated)			Year ended 28 Feb 2006
Revenue £'000	Capital £'000	Total £'000	Total £'000
286	-	286	1,030
-	827	827	1,694
<u>286</u>	<u>827</u>	<u>1,113</u>	<u>2,724</u>
(95)	(286)	(381)	(765)
(94)	-	(94)	(177)
<u>97</u>	<u>541</u>	<u>638</u>	<u>1,782</u>
<u>(14)</u>	<u>14</u>	<u>-</u>	<u>-</u>
<u>83</u>	<u>555</u>	<u>638</u>	<u>1,782</u>
0.3p	2.3p	2.6p	7.4p

Six months ended 31 Aug 2005			Year ended 28 Feb 2006
Revenue £'000	Capital £'000	Total £'000	Total £'000
83	555	638	1,782
<u>83</u>	<u>555</u>	<u>638</u>	<u>1,782</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 August 2006

	Note	Six months ended 31 Aug 2006 £'000	Six months ended 31 Aug 2005 £'000	Year ended 28 Feb 2006 £'000
Cash (outflow)/inflow from operating activities and returns on investments	1	(270)	(36)	170
Capital expenditure				
Purchase of investments		(681)	-	(2,483)
Sale of investments		114	3,076	8,202
Net cash inflow from capital expenditure		(567)	3,076	5,719
Equity distributions paid		(841)	(787)	(1,519)
Management of liquid resources				
Purchase of current investments held as liquidity funds		-	-	(3,900)
Withdrawal from liquidity funds		950	-	900
Net cash (outflow)/inflow before financing		(728)	-	1,370
Financing				
Proceeds from share issue		-	3,097	3,097
Share issue costs		-	(136)	(136)
Purchase of own shares		(225)	(944)	(1,276)
Net cash outflow from financing		(225)	2,017	1,685
(Decrease)/increase in cash	2	(953)	4,270	3,055

Notes to the cash flow statement:

1 Cash flow from operating activities and returns on investments

Revenue return on ordinary activities before taxation	135	97	662
Expenses charged to capital	(221)	(286)	(574)
(Increase)/decrease in prepayments and accrued income	(64)	146	72
(Decrease)/increase in accruals and deferred income	(120)	7	10
Net cash (outflow)/inflow from operating activities	(270)	(36)	170

2 Analysis of net funds

Beginning of period	3,484	429	429
Net cash (outflow)/inflow	(953)	4,270	3,055
End of period	2,531	4,699	3,484

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 August 2006

	Cost £'000	Valuation £'000	% of portfolio by value	Movement in the period £'000
Top ten venture capital investments				
Mergermarket Limited	780	10,711	29.3%	6,048
Espresso Broadband Limited	2,048	4,583	12.5%	63
ILG Digital Limited (formerly i-Level Limited)	1,000	2,052	5.6%	1,052
SPC International Limited	1,146	1,397	3.8%	158
Campden Media Limited	975	975	2.7%	-
Ma Potter's Limited	700	974	2.7%	(338)
Ashford Colour Press Limited	1,000	867	2.4%	(147)
UBC Media plc*	1,100	709	1.9%	(37)
Oasis Healthcare plc*	670	679	1.9%	384
Pilat Media Global plc*	250	672	1.9%	199
	<u>9,669</u>	<u>23,619</u>	<u>64.7%</u>	<u>7,382</u>
Other venture capital investments	<u>4,996</u>	<u>853</u>	<u>2.3%</u>	<u>(1,073)</u>
Total investments	<u>14,665</u>	<u>24,472</u>	<u>67.0%</u>	<u>6,309</u>
Net current assets (including cash and liquidity funds)		<u>7,323</u>	<u>33.0%</u>	
Total		<u>31,795</u>	<u>100.0%</u>	

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The Company has prepared its financial statements under UK Generally Accepted Accounting Practice ("UK GAAP"). Where presentation guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised December 2005 ("SORP") is inconsistent with the requirements of UK GAAP, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

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

Presentation of Income Statement

In order to better reflect the activities of a venture capital trust and in accordance with guidance issued by the AIC (formerly AITC), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. The net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988.

Investments

Listed fixed income investments and investments quoted on the Alternative Investment Market ("AIM") are designated as "fair value through profit or loss" assets and are initially measured at cost, in accordance with Financial Reporting Standard 26 "Financial Instruments: Measurement". Thereafter the investments are measured at subsequent reporting dates at fair value, which is the bid price with illiquidity discounts applied where deemed appropriate.

In respect of unquoted instruments, fair value is established by using the International Private Equity and Venture Capital Valuation Guidelines. Where no reliable fair value can be estimated for such unquoted equity investments they are carried at cost, subject to any provision for impairment. Where an investee company has gone into receivership or liquidation the investment, although not physically disposed of, is treated as being realised.

Gains and losses arising from changes in fair value are included in the income statement for the year as a capital item and transaction costs on acquisitions or disposals of investments are charged to capital reserves as a deduction from proceeds or an addition to costs.

It is not the Company's policy to exercise either significant or controlling influence over investee companies. Therefore the results of these companies are not incorporated into the revenue account except to the extent of any income accrued.

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 timely basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Expenses

All expenses are accounted for on 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 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 and accordingly the investment management fee and finance costs have 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.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

- All revenue and capital items in the Income Statement derive from continuing operations.
- The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
- The comparative figures were in respect of the period ended 31 August 2005 and the year ended 28 February 2006 respectively.
- Return per share for the period has been calculated on 24,223,532 shares, being the weighted average number of shares in issue during the period.

6. Dividends

	31 August 2006			31 August 2005			28 Feb 2006
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in year							
2006 Second interim	478	359	837	-	-	-	-
2006 First interim	-	-	-	-	-	-	732
2005 Final	-	-	-	281	506	787	787
	<u>478</u>	<u>359</u>	<u>837</u>	<u>281</u>	<u>506</u>	<u>787</u>	<u>1,519</u>
Proposed							
2007 First interim	-	7,361	7,361	-	-	-	-
2006 Second interim	-	-	-	-	-	-	837
2006 First interim	-	-	-	-	732	732	-
	<u>-</u>	<u>7,361</u>	<u>7,361</u>	<u>-</u>	<u>732</u>	<u>732</u>	<u>837</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

7. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
At 1 March 2006	96	15,468	3,759	2,287	3,319	603	25,532
Shares repurchased	14	(297)	-	-	-	-	(283)
Expenses charged to capital	-	-	-	(196)	-	-	(196)
Realised losses in year	-	-	-	(27)	-	-	(27)
Increase in unrealised appreciation	-	-	-	-	6,309	-	6,309
Realisation of revaluations from previous years	-	-	-	(178)	178	-	-
Distributions paid	-	-	-	(359)	-	(478)	(837)
Transfer between reserves	-	(1,391)	-	1,391	-	-	-
Retained net revenue	-	-	-	-	-	110	110
At 31 August 2006	110	13,780	3,759	2,918	9,806	235	30,608

The Special Reserve, Capital Reserve – realised and Revenue Reserve are all distributable reserves.

8. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The figures for the year ended 28 February 2006 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the auditors' report on those financial statements was unqualified.
9. Copies of the unaudited interim results will be sent to shareholders shortly. Further copies can be obtained from the Company's Registered Office.

Directors

Andrew Davison (Chairman)
Barry Dean
Nicholas Lewis
Alexander Spiro Jr.

Secretary and Administrator

Grant Whitehouse
Downing Management Services Limited
69 Eccleston Square
London SW1V 1PJ
www.downing.co.uk
Tel: 020 7416 7780

Registered Office

39 Earlham Street
London WC2H 9LT
Registered No. 3911323

Investment Manager

Beringea Limited
39 Earlham Street
London WC2H 9LT
www.provenvets.co.uk
Tel: 020 7845 7820

Registrar

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA
www.capitaregistrars.com
Tel: 0870 162 3124