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# ProVen Media VCT PLC

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## **INTERIM REPORT**

**For the six months ended**

**31 August 2002**

# ProVen Media VCT PLC



## DIRECTORS AND ADVISERS

### Directors

Tom Sooke  
Andrew Davison  
Nicholas Lewis  
Gordon Power  
James Stewart  
Marc Vlessing

### Company Secretary

Hutton Corporate Services Limited

### Registered Office

42 Craven Street  
London WC2N 5NG

### Investment Manager

ProVen Private Equity Limited  
42 Craven Street  
London WC2N 5NG  
(Regulated by the FSA)

### Fixed Income Securities Adviser

Investec Asset Management  
2 Gresham Street  
London EC2V 7QP

### Auditor

Deloitte & Touche  
Chartered Accountants & Registered Auditors  
LONDON

### VCT Adviser

PricewaterhouseCoopers  
1 Embankment Place  
London WC2N 6NN

### Registrar

Northern Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

### Solicitor

Howard Kennedy  
19 Cavendish Square  
London W1A 2AW

### Financial Adviser

Downing Corporate Finance Limited  
69 Eccleston Square  
London SW1V 1PJ  
020 7416 7780

## FINANCIAL SUMMARY

	<b>Six months ended 31 August 2002</b>	Period from 14 December 2000 to 31 August 2001	Period from 14 December 2000 to 28 February 2002
Revenue return per share	1.2p	0.6p	1.8p
Total return per share	(1.1)p	0.4p	(1.3)p
Dividend per share	1.0p	–	1.4p
Cumulative dividend per share	2.4p	–	1.4p
Net asset value per share	90.4p	95.3p	92.4p
Net asset value plus cumulative dividend per share	92.8p	95.3p	93.8p
Shareholders' funds (£000)	6,444	6,590	6,568
Mid-market price per share	100p	100p	100p

## INVESTMENT OBJECTIVE

ProVen Media 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 the 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

This interim report covers the six months ended 31 August 2002. During this period UK equity markets continued to show considerable volatility and the domestic economy slowed. Past experience has shown that such a backdrop can be positive for venture capital investment as the flow of opportunities increases and investment prices fall.

Your board is encouraged by the progress made by the investment manager during the period in building the portfolio of qualifying venture capital investments in your Company's target sectors. The investment strategy was broadly defined in the prospectus to include companies that have ownership of media assets, content, copyright, brands or trademarks, or technology that can enable or enhance this type of asset, including all forms of communication and broadcasting. The portfolio now includes investments within each of these categories, but it is pleasing to note that it is also quite widely diversified across a number of business sectors.

The VCT qualifying investment portfolio at the period end had a qualifying value equivalent to 33% of total investments, compared to the target of 70% that is required by the Venture Capital Trust regulations to be achieved by 28 February 2004 and the investment manager is confident that your Company is on target to achieve this objective.

### Investment Portfolio

During the period the investment manager added four new investments to the venture capital portfolio. Five follow-on investments were made in portfolio companies in the period, in the main reflecting positive developments within the companies. Total investment in the six months amounted to some £1.4 million. Investment activity has continued since the end of August, and a further £588,000 has been invested in two qualifying holdings. Completion of these investments has brought our qualifying investments total to 42%.

At the balance sheet date, your Company had a portfolio of twelve companies with a total cost of £2.8 million and a value of £2.6 million. Nine of the portfolio companies were qualifying for VCT purposes. During the period our AiM portfolio fell in value by 26% compared to a fall in the AiM index of 21%. Whilst this is disappointing, it has been offset by an increase in the valuation of the unquoted portfolio. Against a difficult economic background, the unquoted portfolio companies appear to be progressing well. Nevertheless, there remain a few companies in the portfolio which are at an early stage in their development and will take time to mature, and the coming year will provide a better measure of their achievements and prospects.

### Net Asset Value and Interim Dividend

The unaudited net asset value per share at 31 August 2002 was 90.4p, after provision for the payment of an interim dividend of 1p per share. This represents a decline of 2.0p in net asset value per share over the six months to 31 August 2002, or some 2.2%. Over the same period, the FTSE AiM index fell 21% and the FTSE All Share index by 17%.

The portfolio of unquoted investments (including AiM stocks) is continuing to increase as a proportion of the Company's total assets. These investments will normally have a lower yield than the portfolio of fixed income investments and shareholders should not expect the total dividend for the current financial year to match the total dividend paid last year.

## Share Buy Backs

In order to enable the board to exercise its authority to purchase the Company's own shares where this is in the interests of shareholders, the Company sought, and on 10 July 2002 received, the consent of the High Court to the cancellation of its share premium account and the creation of a Special Reserve which can be utilised to purchase shares in the market for cancellation. Any shareholder wishing to sell shares should contact Downing Corporate Finance Limited in the first instance. Contact details are provided at the front of this interim report.

## Board Change

It was announced in the last annual report that Marc Vlessing had resigned from the board of ProVen Media VCT plc because of his appointment as a consultant to the investment manager. This consultancy has now come to an end, and I am pleased to announce that Mr Vlessing has been invited, and has agreed, to re-join your board with effect from today's date. Mr Vlessing's experience in your Company's target investment sector will be particularly appropriate in the coming months as the VCT continues to seek out suitable opportunities for investment.

## Allotment of Shares

Due to the strong progress made in investing the available capital in our first 18 months of operations, the board intends to use the powers granted to it in the last Annual General Meeting to allot up to 710,300 shares in the company.

## Prospects

The investment manager is focused on finding and converting new investment opportunities for your Company at a time when investment in venture capital would appear to be particularly attractive. Both your board and the investment manager are aware of the need for a sustained effort to ensure that the investment target will be met by February 2004. The economic outlook remains uncertain, but your board is cautiously optimistic that the Company's longer-term objectives will be met, with the generation of tax-free capital and income returns to shareholders over the years ahead.

Tom Sooke  
18 October 2002

## INVESTMENT MANAGER'S REVIEW

### Introduction

This review covers the six-month period ended 31 August 2002, during which the climate for venture capital investment at the smaller end showed signs of improvement. ProVen Private Equity Limited ('ProVen') continued to attract a strong flow of investment opportunities during the period and four new investments were added to the VCT's portfolio. Investment activity in the existing portfolio also increased, reflecting in the main new opportunities being generated.

### Investment and Portfolio Activity

In the six months, the VCT invested £1.1 million in four new investments and £0.3 million in follow-on investments in five portfolio companies. In each case, ProVen Media VCT co-invested alongside other funds advised or managed by ProVen as part of a larger overall investment. The VCT also had its first realisation, with the partial repayment of a loan stock by Copyright Promotions Group, an investment made in July 2001.

This level of investment brings the total unquoted portfolio to twelve companies with a cost of £2.8 million. Investments in VCT qualifying holdings comprise nine companies at a total cost of £2.2 million, representing 33% of total investments at VCT valuation, compared to the target of 70% by 28 February 2004 that the Company is required to meet under the Venture Capital Trust legislation. Investment activity has continued since the end of the half-year with one new investment of £550,000 and a follow-on investment of £38,000. Further details on new investments made in the period are given below.

#### UBC Media plc

*Analogue and digital radio producer and broadcaster*

In April 2002, AiM-listed UBC Media plc ('UBC') raised £5.4 million in a placing and open offer to fund the further development of its digital business. UBC is a market leader in the supply of content to radio, internet and digital television industries in the UK, and owns the Classic Gold Digital radio stations. ProVen Media VCT invested alongside ProVen VCT and Guinness Flight VCT, each of whom was an existing investor in UBC.

#### Loch Fyne Restaurants plc

*Chain of branded seafood restaurants*

In May 2002, Loch Fyne Restaurants ('LFR') raised £2.7 million from existing and new investors to fund a roll-out programme that will increase the number of restaurants from 16 to 30 over a two year period. The company is well-managed and had performed ahead of business plan since its original fund-raising in 2000. Amongst others, ProVen Media VCT invested alongside Guinness Flight VCT, which is also managed by ProVen and has been an investor in LFR since 2000.

#### Cardpoint plc

*Owner and operator of independent automated teller machines*

ProVen Media VCT invested in Cardpoint plc upon its admission to AiM in June 2002. Cardpoint raised £2.5 million in a placing to fund the expansion of its estate of automated teller machines ('ATMs'). The company's strategy is to own and manage an estate of ATMs that are located in sites that are not traditionally serviced by other ATM providers and with potential for high transaction volumes, such as motorway service stations. Cardpoint's ATMs are branded under the LINK banner.

## Nectar Taverns PLC

*Investment company in freehold pub sector*

In August 2002, ProVen Media VCT invested alongside ProVen VCT and other institutional investors in a £10 million fund-raising by Nectar Taverns, which was a new company set up to buy and build a portfolio of freehold, managed pubs, initially in the North-West of England. The pubs will be managed by AiM-listed Honeycombe Leisure plc.

## Other portfolio companies

Proven Media VCT made additional investments in five portfolio companies in the period:

	<b>Follow-on Investment Cost £000</b>	<b>Total Cost at 31 August 2002 £000</b>	<b>Purpose of funding</b>
Pilat Media Global plc*	28	91	Balance of original commitment
Espresso Broadband Limited	50	288	Balance of original commitment
mergermarket Limited	114	317	Balance of original commitment
Baby Innovations S.A.	41	185	Revised business plan
Spotting Media (UK) Limited	100	250	Expansion

\* AiM Listed

## Portfolio Valuation

In overall terms the portfolio value fell by 4% in the six-month period, compared to a decline in the AiM index of 21%. The overall value decline was made up of a fall of 26% in the AiM portfolio and an increase of 9% in the unquoted investments, the latter due to the uplift in valuation of the investment in Copyright Promotions Group to reflect the performance to date – during the period this company also repaid part of its loan stock. Other portfolio companies have been valued at cost or written down value brought forward, in line with British Venture Capital Association Guidelines. Generally we consider the portfolio companies to have responded well to the difficult trading conditions that have emerged in the last year or so and particularly encouraging has been the approach to managing costs.

## Prospects

We are encouraged by the range and quality of investment opportunities that we are seeing in the Company's target sectors and the progress being made in building the VCT's portfolio of qualifying investments. Nevertheless, the UK equity markets remain volatile and the slowdown in economic activity in the UK means that we remain cautious in our approach to investing. We have seen the benefit in the investment rate of the additional investment resource applied to the VCT in the last six months and we expect this to continue in the second half of this year.

ProVen Private Equity Limited  
18 October 2002

## INVESTMENT PORTFOLIO

At 31 August 2002

	Book cost £000	Valuation £000	% of net assets
<b>Qualifying holdings</b>			
Loch Fyne Restaurants plc	351	351	5.4
mergermarket Limited	317	317	4.9
Nectar Taverns PLC	300	300	4.7
Cardpoint plc *	250	206	3.2
UBC Media Group plc *	200	193	3.0
Espresso Broadband Limited	288	188	2.9
Oasis Healthcare plc *	170	136	2.1
The Sport Entertainment & Media Group plc*	260	117	1.8
Pilat Media Global plc*	91	86	1.3
Total qualifying holdings	2,227	1,894	29.3
<b>Non-qualifying holdings</b>			
Copyright Promotions Group Limited	112	271	4.2
Spotting Media (UK) Limited	250	250	3.9
Baby Innovations S.A. (t/a Steribottle)	185	185	2.9
Total non-qualifying holdings	547	706	11.0
<b>Total unquoted investments</b>	2,774	2,600	40.3
<b>Listed fixed interest investments</b>	3,096	3,024	46.9
<b>Unlisted fixed interest investments (Certificates of Deposit)</b>	300	301	4.7
<b>Total investments</b>	<b>6,170</b>	<b>5,925</b>	<b>91.9</b>
<b>Net current assets</b>		519	8.1
<b>Shareholders' funds</b>		<b>6,444</b>	<b>100.0</b>

\* Investment traded on the Alternative Investment Market ('AiM')

## UNAUDITED STATEMENT OF TOTAL RETURN (incorporating the Revenue Account)

for the six months ended 31 August 2002

	Six months ended 31 August 2002		Total £000
	Revenue £000	Capital £000	
Losses on investments			
– realised	–	(34)	(34)
– unrealised	–	(112)	(112)
Income	195	–	195
Investment management fee	(8)	(23)	(31)
Other expenses	(76)	–	(76)
<b>Return on ordinary activities before taxation</b>	<b>111</b>	<b>(169)</b>	<b>(58)</b>
Tax (charge)/credit on ordinary activities	(22)	4	(18)
<b>Return on ordinary activities after tax</b>	<b>89</b>	<b>(165)</b>	<b>(76)</b>
Dividends	(71)	–	(71)
<b>Transfers to/(from) reserves</b>	<b>18</b>	<b>(165)</b>	<b>(147)</b>
<b>Return per share</b>	<b>1.2p</b>	<b>(2.3)p</b>	<b>(1.1)p</b>

The Company was incorporated on 14 December 2000 and commenced trading on 6 March 2001.

The revenue column of this statement is the profit and loss account of the Company. All revenue and capital items in the above statement are from continuing operations. Other than shown above, the Company had no recognised gains or losses. The Company has only one class of business and derives its income from investments made in shares and securities and from bank deposits.

Period from 14 December 2000 to 31 August 2001			Period from 14 December 2000 to 28 February 2002		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
–	–	–	–	(11)	(11)
–	(1)	(1)	–	(134)	(134)
127	–	127	318	–	318
(5)	(15)	(20)	(21)	(64)	(85)
(76)	–	(76)	(154)	–	(154)
46	(16)	30	143	(209)	(66)
(11)	4	(7)	(28)	13	(15)
35	(12)	23	115	(196)	(81)
–	–	–	(100)	–	(100)
35	(12)	23	15	(196)	(181)
0.6p	(0.2)p	0.4p	1.8p	(3.1)p	(1.3)p

## UNAUDITED BALANCE SHEET

At 31 August 2002

	<b>31 August 2002 £000</b>	31 August 2001 £000	28 February 2002 £000
<b>Fixed assets</b>			
Investments – unquoted	<b>1,862</b>	342	773
Investments – AiM quoted	<b>738</b>	437	517
Fixed interest	<b>3,325</b>	5,353	5,093
	<b>5,925</b>	6,132	6,383
<b>Net current assets</b>	<b>519</b>	458	185
<b>Net assets</b>	<b>6,444</b>	6,590	6,568
<b>Capital and reserves</b>			
Share capital	<b>71</b>	69	71
Reserves	<b>6,373</b>	6,521	6,497
<b>Equity shareholders' funds</b>	<b>6,444</b>	6,590	6,568
<b>Net asset value per share</b>	<b>90.4p</b>	95.3p	92.4p

### Notes

1. The unaudited interim financial statements for the six months ended 31 August 2002 and the period from 14 December 2000 to 31 August 2001 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 results for the period from 14 December 2000 to 28 February 2002 have been extracted from the financial statements for that period, which have been delivered to the Registrar of Companies; the auditors' report on those financial statements under Section 235 of the Companies Act 1985 was unqualified.
2. The financial information contained in this interim report has been prepared on the basis of the accounting policies set out in the Annual Report 2002.
3. Returns per ordinary share are based on 7,112,338 ordinary shares, being the weighted average number of shares in issue during the period. There were 7,128,978 ordinary shares in issue at 31 August 2002.
4. The interim dividend of 1.0p per share will be paid on 29 November 2002 to shareholders on the register on 1 November 2002.
5. Earnings for the period should not be taken as a guide to the results for the full year.
6. Copies of the Interim Report will be mailed to shareholders and are available from the Registered Office of the company at 42 Craven Street, London WC2N 5NG.

## UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 August 2002

<b>Six months ended 31 August 2002</b>	Period from 14 December 2000 to 31 August 2001	Period from 14 December 2000 to 28 February 2002	
<b>£000</b>	£000	£000	
<b>Net revenue from operating activities</b>			
Net revenue from ordinary activities before tax	111	46	143
Decrease/(increase) in debtors	2	(249)	(89)
(Decrease)/increase in creditors	(22)	82	107
Management fees charged to capital	(24)	(15)	(64)
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	67	(136)	97
<b>Financial investment</b>			
Purchase of investments	(1,434)	(6,559)	(13,704)
Sales of investments	1,747	425	7,176
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) from financial investment	313	(6,134)	(6,528)
	<hr/>	<hr/>	<hr/>
<b>Equity dividends paid</b>	(100)	–	–
	<hr/>	<hr/>	<hr/>
<b>Net cash inflow/(outflow) before financing</b>	280	(6,270)	(6,431)
<b>Financing</b>			
Gross proceeds from share issue	23	6,913	7,160
Issue expenses paid	–	(346)	(355)
Redemption of redeemable preference shares	–	–	(50)
Buy-back of 6,000 ordinary shares	–	–	(6)
	<hr/>	<hr/>	<hr/>
Net cash inflow from financing	23	6,567	6,749
	<hr/>	<hr/>	<hr/>
<b>Increase in cash in period</b>	303	297	318
<b>Analysis of cash balance</b>			
At start of period	318	–	–
Net cash inflow for the period	303	297	318
	<hr/>	<hr/>	<hr/>
<b>At end of period</b>	621	297	318
	<hr/>	<hr/>	<hr/>

# INDEPENDENT REVIEW REPORT TO PROVEN MEDIA VCT PLC

## Introduction

We have been instructed by the company to review the financial information for the six months ended 31 August 2002 which comprises the statement of total return, the balance sheet, the cash flow statement and related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review Work Performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2002.

Deloitte & Touche  
Chartered Accountants & Registered Auditors  
LONDON

18 October 2002

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# ProVen Media VCT PLC



