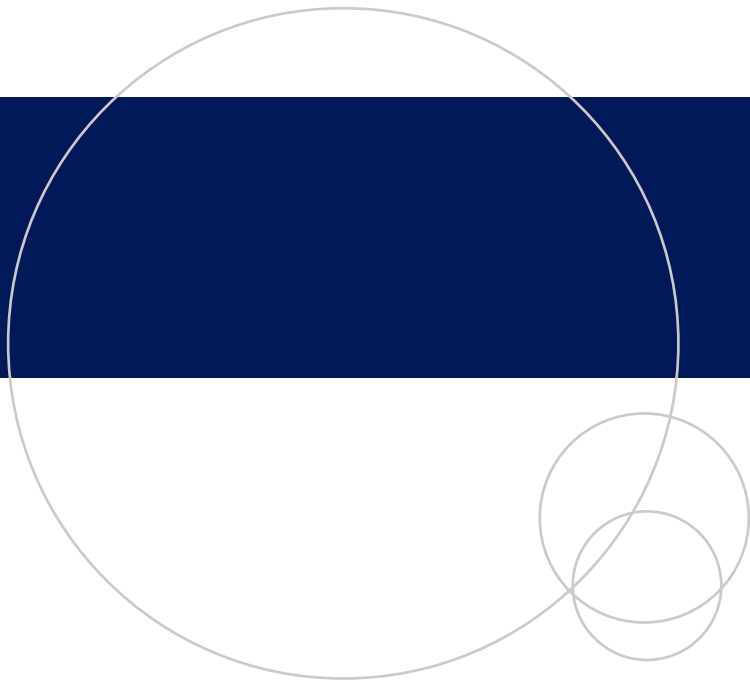


# ProVen VCT plc

## Interim Report

For the six months ended  
31 August 2002





## DIRECTORS AND ADVISERS

### Directors

Andrew John Davison  
Nicholas Peter Lewis  
Gordon Robert Power  
Ernest Henry Sharp  
Thomas Peter Sooke

### 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

### Financial Adviser

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

## FINANCIAL SUMMARY

	Six months ended 31 August 2002	Six months ended 31 August 2001	Year ended 28 February 2002
Revenue return per share	<b>1.0p</b>	1.4p	2.4p
Total return per share	<b>(8.3)p</b>	(2.4)p	(5.2)p
Dividend per share	<b>1.0p</b>	1.0p	2.3p
Cumulative dividend per share	<b>5.7p</b>	3.4p	4.7p
Net asset value per share	<b>79.1p</b>	92.6p	88.4p
Net asset value plus cumulative dividend per share	<b>84.8p</b>	96.0p	93.1p
Mid-market price per share	<b>40p</b>	90p	90p
Shareholders' funds (£000)	<b>17,358</b>	20,313	19,406

## INVESTMENT OBJECTIVE

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 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 investing, as the flow of opportunities increases and investment prices fall, and your board is encouraged by the progress made by the investment manager during the period in building the portfolio of qualifying venture capital investments. The VCT qualifying investment portfolio at the period end had a qualifying value equivalent to 54% of total investments, compared to the target of 70% that is required by the Venture Capital Trust regulations to be achieved by 28 February 2003.

### Investment Portfolio

During the period, the investment manager increased the rate of investment by the VCT, and added four new investments to its venture capital portfolio. There was also significant activity in the existing portfolio, with seven follow-on investments completed in the period. Total investment in the six months amounted to some £4.7 million. Investment activity has continued since the end of August, and a further £1.1 million has been invested in two qualifying holdings. Completion of these investments has brought the qualifying investments total to 59%.

At the balance sheet date, your company had a portfolio of nineteen companies with a total cost of £12.0 million and a value of £9.3 million. Sixteen of the portfolio companies were qualifying for VCT purposes. The value of the portfolio fell during the period by £1.8 million and, whilst disappointing, this fall in value mirrors in large part the continuing declines in the public markets that we have seen in this calendar year. The value of our AiM portfolio fell by £1.1 million or 23% during the period, which compares with the fall of 21% in the AiM market as a whole.

The unquoted portfolio fell in value by a net amount of £650,000, or 10%. The investment in Bond iT, with a cost of £500,000, was written off completely when the company was placed in receivership and the investment in Keen Group has been reduced to a value that reflects an indicative offer that the investment manager anticipates will be realised in the second half of this year. The provision against the investment in Chiaros Holdings was increased to reflect its underperformance against plan and the cost of £800,000 is now fully provided against. These reductions have been offset by an increase in the valuation of Copyright Promotions Group, which is performing well. Against a difficult economic background, the remainder of the unquoted portfolio companies are performing satisfactorily.

### Net Asset Value and Interim Dividend

The unaudited net asset value per share at 31 August 2002 was 79.1p, after provision for the payment of an interim dividend of 1.0p per share. This represents a decline of 9.3p in net asset value per share over the six months to 31 August 2002, or some 10%. Over the same period, the FTSE AiM index fell 21% and the FTSE All Share 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 exceed the interim dividend.

### **Share Price**

Shareholders will be aware of the recent fall in the Company's share price, which has resulted from four trades undertaken since 27 August 2002, covering a total of 24,000 shares at prices ranging from 30p to 45p. The current mid-market price of the shares is 50p, at which level the shares are trading on a 37% discount to the NAV at 31 August 2002. Your board considers this discount to be unrepresentative of the Company's value, given that the cash and fixed interest portfolio in the balance sheet at 31 August 2002 were together worth 36.5p. Shareholders are reminded that the Company is authorised to make market purchases of its own shares, and 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.

### **Prospects**

As anticipated at the last year-end, the rate of investment in qualifying holdings has increased markedly. The objective for the remainder of the year is clearly the achievement of the VCT investment target and your board intends to ensure this target is met. The economic outlook remains uncertain beyond the period of our financial year, but there are grounds for hope that the Company's longer-term objectives will be met, with the generation of tax-free capital and income returns to shareholders over the next five to ten years.

Andrew Davison  
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 part new opportunities being generated and in part the impact of the economic slowdown on the companies' activities.

### New Investment and Portfolio Activity

In the six months, the VCT invested £3.2 million in four new investments and £1.5 million in follow-on investments in seven portfolio companies. In every case, ProVen 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 (including AiM stocks) at cost to £12.0 million. Investments in VCT qualifying holdings comprise sixteen companies at a total cost of £10.9 million, representing 54% of total investments at VCT valuation, compared to the target of 70% by 28 February 2003 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 £1 million and a follow-on investment of £100,000. Further details on new investments made in the period are given below.

### 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 VCT invested alongside Guinness Flight VCT, which is also managed by ProVen and has been an investor in LFR since 2000.

### VI Group plc

Supplier of CAD/CAM software for industrial applications

VI Group is listed on the Alternative Investment Market. In May 2002, ProVen VCT invested alongside Guinness Flight VCT, which was an existing shareholder in VI Group, in a £3.1 million placing to raise funds for expansion. The company is one of the leading suppliers of CAD/CAM software to the mould and die sector and has a track record of turnover and profits growth.

### Cardpoint plc

Owner and operator of independent automated teller machines

ProVen VCT invested alongside ProVen Media VCT 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. The company's strategy is to own and manage an estate of ATMs which 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.

## INVESTMENT MANAGER'S REVIEW

### Nectar Taverns PLC

Investment company in freehold pub sector

In August 2002, ProVen VCT invested alongside ProVen Media VCT and other institutional investors in a £10 million fundraising 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.

### Follow-on investments in portfolio Companies

Proven VCT made additional investments in seven portfolio companies in the period:

Company	Follow-on Investment Cost £000	Total Cost at 31 August 2002 £000	Purpose of funding
Pilat Media Global plc*	92	314	Balance of original commitment
UBC Media plc*	600	1,101	Expansion
Linguaphone Group plc	104	604	Revised business plan
Espresso Broadband Limited	132	752	Balance of original commitment
mergermarket Limited	280	780	Balance of original commitment
Baby Innovations S.A.	119	535	Revised business plan
Esporting Media (UK) Limited	133	333	Expansion

\*AiM listed

### Portfolio Valuation

During the period the portfolio fell in value overall by 16% compared to the decline of 21% in the AiM index. The overall value decline was made up of reductions of 23% in the AiM portfolio and 10% in the unquoted investment portfolio. The key changes in the unquoted portfolio were outlined in the Chairman's Statement and included the investment in Bond iT Limited, which was written down to nil when the company was placed in receivership. In addition, we have taken a further provision against the investment in The Keen Group to reflect the value indicated by an offer that we anticipate will be realised in the second half, and have increased the provision against the investment in Chiaros Holdings to 100% to reflect its shortfall to date against the original plan. The investment in Copyright Promotions Group has been written up to reflect its good 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 of the various management teams to the control of overheads. Nevertheless, there remain a few companies in the portfolio, which are at an early stage in their development, and the coming year will provide a better measure of their achievements and prospects.

### Prospects

The continuing volatility in the UK equity markets and the slowdown in economic activity in the UK mean that we remain cautious in our approach to investing; nevertheless, we have seen the benefit in the investment rate of the additional investment personnel focusing on 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

	<b>Book Cost £000</b>	<b>Valuation £000</b>	<b>% of net assets</b>
<b>Qualifying holdings</b>			
UBC Media Group plc *	1,101	1,120	6.5
Loch Fyne Restaurants plc	1,000	1,000	5.7
Nectar Taverns PLC	1,000	1,000	5.7
Cardpoint plc *	997	823	4.7
mergermarket Limited	780	780	4.5
Oasis Healthcare plc *	670	776	4.5
Linguaphone Group plc	604	604	3.5
Espresso Broadband Limited	752	490	2.8
The Sport Entertainment & Media Group Plc*	800	361	2.1
Pilat Media Global plc*	314	296	1.7
VI Group plc*	250	227	1.3
Transcomm plc*	380	135	0.8
The Keen Group Limited	495	66	0.4
ID Data plc*	420	18	0.1
Chiaros Holdings Limited (t/a TMI)	800	-	-
Bond iT Limited	500	-	-
Total qualifying holdings	<u>10,863</u>	<u>7,696</u>	<u>44.3</u>
<b>Non-qualifying holdings</b>			
Copyright Promotions Group plc	319	769	4.4
Baby Innovations S.A. (t/a Steribottle)	535	535	3.1
Spotting Media (UK) Limited	333	333	1.9
Total non-qualifying holdings	<u>1,187</u>	<u>1,637</u>	<u>9.4</u>
<b>Total unquoted investments</b>	<b>12,050</b>	<b>9,333</b>	<b>53.7</b>
<b>Listed fixed interest investments</b>	<b>5,565</b>	<b>5,434</b>	<b>31.3</b>
<b>Unlisted fixed interest investments (Certificates of Deposit)</b>	<b>1,100</b>	<b>1,103</b>	<b>6.4</b>
<b>Total investments</b>	<u><b>18,715</b></u>	<u><b>15,870</b></u>	<u><b>91.4</b></u>
<b>Net current assets</b>		<u><b>1,488</b></u>	<u><b>8.6</b></u>
<b>Shareholders' funds</b>		<u><b>17,358</b></u>	<u><b>100.0</b></u>

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



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

	Six months ended 31 August 2002		
	Revenue	Capital	Total
	£000	£000	£000
Losses on investments			
– realised	–	(628)	(628)
– unrealised	–	(1,275)	(1,275)
Income	440	–	440
Investment management fee	(57)	(171)	(228)
Other expenses	(119)	–	(119)
<b>Return on ordinary activities before taxation</b>	<b>264</b>	<b>(2,074)</b>	<b>(1,810)</b>
Tax (charge)/credit on ordinary activities	(53)	34	(19)
<b>Return on ordinary activities after taxation</b>	<b>211</b>	<b>(2,040)</b>	<b>(1,829)</b>
Dividends			
– interim	(219)	–	(219)
– final	–	–	–
<b>Transfers to/(from) reserves</b>	<b>(8)</b>	<b>(2,040)</b>	<b>(2,048)</b>
<b>Return per share</b>	<b>1.0p</b>	<b>(9.3)p</b>	<b>(8.3)p</b>

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 and losses. The Company has only one class of business and derives its income from investments made in shares and securities and from bank deposits.

Six months ended 31 August 2001			Year ended 28 February 2002		
Revenue	Capital	Total	Revenue	Capital	Total
£000	£000	£000	£000	£000	£000
–	(10)	(10)	–	(137)	(137)
–	(685)	(685)	–	(1,289)	(1,289)
564	–	564	1,060	–	1,060
(62)	(186)	(248)	(122)	(365)	(487)
(112)	–	(112)	(219)	–	(219)
390	(881)	(491)	719	(1,791)	(1,072)
(90)	49	(41)	(197)	118	(79)
300	(832)	(532)	522	(1,673)	(1,151)
(219)	–	(219)	(219)	–	(219)
–	–	–	(286)	–	(286)
81	(832)	(751)	17	(1,673)	(1,656)
1.4p	(3.8)p	(2.4)p	2.4p	(7.6)p	(5.2)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>5,577</b>	2,984	3,535
Investments – AiM quoted	<b>3,756</b>	2,540	2,960
Fixed Interest	<b>6,537</b>	14,874	12,792
	<b>15,870</b>	20,398	19,287
<b>Net current assets/(liabilities)</b>	<b>1,488</b>	(85)	119
<b>Net assets</b>	<b>17,358</b>	20,313	19,406
<b>Capital &amp; reserves</b>			
Share capital	<b>1,097</b>	1,097	1,097
Reserves	<b>16,261</b>	19,216	18,309
<b>Equity shareholders' funds</b>	<b>17,358</b>	20,313	19,406
<b>Net asset value per share</b>	<b>79.1p</b>	92.6p	88.4p

### Notes

1. The unaudited interim financial statements for the six months ended 31 August 2002 and 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 year ended 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 21,944,502 ordinary shares, being the number of shares in issue throughout the period and 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

	<b>Six months ended 31 August 2002 £000</b>	Six months ended 31 August 2001 £000	Year ended 28 February 2002 £000
<b>Net revenue from operating activities</b>			
Net revenue from ordinary activities before tax	265	390	719
Decrease/(increase) in debtors	36	(100)	84
(Decrease)/increase in creditors	(38)	33	41
Management fees charged to capital	(171)	(186)	(365)
Net cash inflow from operating activities	<u>92</u>	<u>137</u>	<u>479</u>
Corporation tax paid	–	–	(138)
<b>Financial investment</b>			
Purchases of investments	(5,957)	(5,027)	(23,229)
Sales of investments	6,720	5,105	23,686
Net cash inflow from financial investment	<u>763</u>	<u>78</u>	<u>457</u>
<b>Equity dividends paid</b>	<u>(285)</u>	<u>(527)</u>	<u>(747)</u>
<b>Net cash inflow/(outflow) before financing</b>	<u>570</u>	<u>(312)</u>	<u>51</u>
<b>Financing</b>			
Purchase of ordinary shares for cancellation	–	(20)	(22)
<b>Increase/(decrease) in cash in period</b>	<u>570</u>	<u>(332)</u>	<u>29</u>
<b>Analysis of cash balance</b>			
At start of period	497	468	468
Net cash inflow/(outflow) for the period	<u>570</u>	<u>(332)</u>	<u>29</u>
<b>At end of period</b>	<u>1,067</u>	<u>136</u>	<u>497</u>

## **INDEPENDENT REVIEW REPORT TO PROVEN 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 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.