
ProVen Media VCT PLC

REPORT & ACCOUNTS

FOR THE PERIOD ENDED

28 FEBRUARY 2002

ProVen Media VCT PLC



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SHAREHOLDER INFORMATION

The Company

ProVen Media VCT plc was incorporated on 14 December 2000. In May 2001, the company obtained a listing on the London Stock Exchange. A total of £7.1 million was raised (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 Investment Manager

ProVen Media VCT plc is managed by ProVen Private Equity Limited, an independent fund management company based in London. ProVen Private Equity is part of the Beringea Group, which currently manages or advises venture capital funds totalling £225 million, including Guinness Flight Venture Capital Trust plc, and ProVen 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, with incentives in the form of a number of 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
- Exemption from income tax on dividends paid by VCTs (such dividends may include the VCT's capital gains as well as its income)
- Exemption of capital gains tax on disposals of shares in VCTs

ProVen Media 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 ("AiM").

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

Financial Calendar

Annual General Meeting 2002	12 June 2002
Final dividend paid	13 June 2002
Interim report for six months to 31 August 2002 published	October 2002
Interim dividend paid	November 2002
Preliminary announcement of results for the year to 28 February 2003	May 2003
Annual General Meeting 2003	July/August 2003

Share Price

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

Share Dealing

As with all venture capital trusts there are very few dealings in the securities of the company. However, shareholders should be able to sell their shares in the market at any time.

FINANCIAL SUMMARY

	Period ended 28 February 2002
Revenue return per share	1.8p
Total return per share	(1.3)p
Dividend per share	1.4p
Cumulative dividend per share	1.4p
Net asset value per share	92.4p
Net asset value plus cumulative dividend per share	93.8p
Shareholders' funds (£000)	6,568
Mid-market price per share	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

I am pleased to present to shareholders ProVen Media VCT's first annual report, covering the period from 14 December 2000 to 28 February 2002. During the period, the VCT raised a total of approximately £7.1 million from investors, and has made an encouraging start to the process of building its portfolio of qualifying venture capital investments.

The Board took the decision to close the Offers on 28 September 2001 with the total amount raised at a relatively modest level of £7.1 million, lower than our original target. It is your Board's view that the conditions in the VCT market since then have not been favourable to a further round of fund-raising. The most recent estimates suggest the funds raised by VCTs in the year ended 5 April 2002 reached only £125 million compared with £432 million in 2001. The Board and investment manager will continue to monitor market conditions in order to assess the possibility of raising further funds for the VCT in the future.

In the meantime, I am pleased to report that, through the co-investment arrangement that Proven Media VCT has with other funds managed by ProVen Private Equity Limited (ProVen), the company's investment portfolio is beginning to develop, with investments across a wide range of businesses of varying sizes and stages of development. These investments have been primarily in companies that own or can access all forms of intellectual property rights across media, brands and enabling technologies.

New Investments

During the period the investment manager invested £934,000 in five qualifying venture capital investments and £433,000 in three non-qualifying unquoted investments. At the balance sheet date, the value of the qualifying portfolio as a percentage of total investments was approximately 14%, compared to the target of 70% by 28 February 2004 that is required by the Venture Capital Trust regulations. This relatively high proportion of non-qualifying investments will naturally decline as the qualifying portfolio is increased during the next two years. Investment activity has continued since the year-end, with a further £247,000 invested in qualifying holdings.

Revenue and Dividends

Net revenue before taxation for the period was £143,000, and the revenue return per share was 1.8p. The directors are pleased to recommend a final dividend of 1.4p per share, which will be paid on 13 June 2002 to shareholders on the register on 24 May 2002. Shareholders should expect the annual dividend to reduce in the coming year, as the fixed interest portfolio is progressively realised to fund investment in the qualifying portfolio. Investments in unquoted companies will normally have a lower yield than the portfolio of fixed income investments.

Net Asset Value

Shareholders' funds as at 28 February 2002 stood at £6.6 million. The net asset value per share (NAV) at 28 February 2002 was 92.4p after deducting the proposed dividend, compared to the opening NAV of 95.0p, net of issue expenses. This decline is equivalent to 1.3% over the period after adding back the effect of the dividend, and compares well to the drop in the FTSE AiM index of 36% in the year to 28 February 2002. Details of the changes in the NAV over the year are summarised in the Report and Accounts on pages 19 to 30 and the Investment Manager's Review on pages 8 to 13.

Share Buy Backs

The Board is not aware of any trading in the shares to date. During the year your company purchased 6,000 shares in the market for cancellation, for a total consideration of £6,000. The purchase was made out of a fresh issue of shares and was therefore made at cost. In order to maintain the company's ability to purchase its own shares where this is in the interests of shareholders, the Board will at the forthcoming annual general meeting be seeking shareholder approval to renew its authority to purchase shares in the market. We also intend during the current financial year to seek Court consent to a reduction in the company's share premium account, so enabling us to credit an equivalent amount to a new reserve that can be utilised to purchase shares in the market for cancellation.

Board Changes

During the second half of the year, Marc Vlessing was appointed as a consultant to the investment manager. In view of this and in the interests of good corporate governance he has today resigned from the Board of your company. The Board is pleased that the company will continue to receive the benefit of his contribution through his relationship with the investment manager.

Stephen Edwards resigned from the Board on 14 March 2002. This change is linked to the developments within the management company reported by the investment manager.

Prospects

The company's first investment period has been characterised by economic uncertainty and volatile stock markets. Nevertheless, progress has been made in building the qualifying portfolio, and the environment for investment in businesses that own intellectual property rights appears recently to have improved. The investment manager has reported evidence of more realistic pricing expectations in investment opportunities, and the reduction in stock market volatility generally should provide a better economic background against which to invest.

The emphasis over the next two years will be the development of a balanced portfolio of qualifying investments able to generate tax free capital and income returns to shareholders over a five to ten year period. 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 venture capital companies to mature to the point that exits can be achieved at a premium value.

Annual General Meeting

The annual general meeting will be held at 4.00p.m. on 12 June 2002 at 42 Craven Street, London WC2N 5NG. I very much look forward to meeting those shareholders that are able to attend.

Tom Sooke
Chairman

17 May 2002

MANAGEMENT AND ADMINISTRATION

VCT Adviser

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6NN

Registered Office & Registered Number

42 Craven Street
London WC2N 5NG
Registered in England & Wales No. 4125326
Tel: 020 7451 6500
info@proven.co.uk

Registrar

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

Investment Manager

ProVen Private Equity Limited
42 Craven Street,
London WC2N 5NG

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

Auditor

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

DIRECTORS

Tom Sooke MA MBA FCA (Chairman), aged 57, is a Director of ProVen VCT plc, on the Board of Quester 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 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.

Andrew Davison FCA (59) is chairman of ProVen VCT plc, 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. 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 County NatWest Ventures Limited, which specialised in unquoted investments. He is a former council member of the BVCA.

Nicholas Lewis MA MSc (46) 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 VCT plc, which have raised over £130 million. He was formerly with County NatWest Ventures Limited and before that with Apax Partners and Co. Limited.

Gordon Power (49) is chief executive of ProVen. In March 1998, he led the management buy-out of ProVen from Guinness Mahon Group Limited. He has had extensive experience in investing in the Media Sector, serving as a director on the board of Britt Allcroft Group plc for 10 years and assisting in the strategic development of its children's brands (including Thomas the Tank Engine).

James Stewart MA MBA (53) was formerly managing director of Creditanstalt Investment Bank AG's subsidiary in London, where he had previously established Creditanstalt Bankverein's development capital activity. He is, and has been, a non-executive director of a number of quoted and unquoted companies and is on the board of Guinness Flight VCT plc. He now works as an independent venture capitalist.

All directors are non-executive.

Audit Committee: Tom Sooke, Andrew Davison, Nicholas Lewis, James Stewart.

INVESTMENT MANAGER'S REVIEW

This review covers the company's first period of operation from 14 December 2000 to 28 February 2002, during which £7.1 million was raised 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 2004.

Performance

The Net Asset Value per share (NAV) at 28 February 2002 was 92.4p which, together with the proposed dividend of 1.4p per share, resulted in a total return to shareholders of 93.8p, compared to an opening NAV of 95.0p, net of issue expenses.

The Venture Capital Portfolio

During the period ProVen Media VCT made steady progress, investing £1.4 million in eight new investments. The majority of the new investments were made as part of a syndicate of other funds, including those managed by ProVen. As anticipated, the co-investment arrangement between ProVen Media VCT and other ProVen funds has enabled your company to begin building a portfolio of investments in larger companies than would otherwise have been possible on its own.

Five of the new investments comprise VCT qualifying holdings whose aggregate VCT valuation of £934,000 is equivalent to 14% of total investments. Whilst this represents a modest start to the qualifying portfolio, the proportion has risen with new investments completed since the year end to 18%.

Name	Activity	Cost £000	Value £000
AiM Listed Companies			
The Sport Entertainment & Media Group plc	Sports talent management	260	262
Oasis Healthcare plc	Branded dentistry	170	191
Pilat Media Global plc	Broadcast management systems	64	64
Unquoted Companies			
mergermarket Limited	M&A intelligence and information service	203	203
Spotting Media (UK) Limited*	Web based internet sales tools	150	150
Baby Innovations S.A. (t/a Steribottle)*	Branded baby products	144	144
Copyright Promotions Group Limited*	Licensing and merchandising brands	139	139
Espresso Broadband Limited	Educational products for primary schools	237	137
Total Investment		1,367	1,290

* *non-qualifying holdings*

In accordance with the valuation guidelines of the British Venture Capital Association, investments completed within the last twelve months are held at cost unless there has been an unsatisfactory performance. In the case of Espresso, an early stage business supplying broadband educational content to schools, the company significantly under-estimated the time it would take to market its products and whilst its contract renewal rate is good, the board has accepted the investment manager's recommendation that a provision is taken against cost. In the case of all other new investments the manager is pleased with progress and expects to see the full potential in the coming years.

The portfolio includes businesses of varying sizes and stages of development, primarily in companies that own or can access all forms of intellectual property rights across media, brands and enabling technologies:

Sector	%
Support services	36.3
Media & IPR	29.7
Healthcare	23.0
Information technology	11.0

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, commencing on 16 July 2001. This portfolio will be realised progressively over the course of the next two financial years to fund investment in qualifying holdings. During the period from 16 July 2001 to 28 February 2002, the yield achieved on the fixed interest portfolio was approximately 2.9% (net of management fees). At 28 February 2002, the company's fixed interest portfolio managed by Investec totalled some £5.1 million.

Developments in the Management Company

During the year ProVen merged its operations with a US-based fund management and investment banking group, Beringea LLC. The newly-formed Beringea Group has funds under management of £225 million, with particular expertise in the media, PR and healthcare sectors. As part of this merger Gordon Power, who is Chief Executive of ProVen, returned from the USA to oversee the investment activities for the UK operations of ProVen Private Equity Limited and Stephen Edwards resigned to pursue his career elsewhere. The UK investment team has also been strengthened by the addition of specialist consultants, Marc Vlessing, an operational manager with wide-ranging media skills who has served on the board of ProVen Media VCT during the period, and Stuart Veale, a venture capitalist with 15 years' experience, most recently with Lloyds Development Capital.

After the year-end ProVen increased further the investment management resources available to ProVen Media VCT by entering into a resource-sharing agreement with Inflexion Managers Limited, a private equity investment management company headed by Simon Turner (ex Daiwa Structured Finance) and John Hartz (ex Apax Private Equity).

Prospects

Since the turn of the calendar year we have experienced an increase in the volume of attractive investment opportunities in your company's target sectors. We are also encouraged by the reduction in stock market volatility, which we believe contributes to a better economic background against which to invest the remaining qualifying portfolio. To meet the target of 70% of total investment in qualifying investments by the end of the 2004 financial year, ProVen Media VCT has an investment rate of approximately £3.8 million over the next two years. We are committing additional resources to the investment area which, combined with qualifying investments completed since the balance sheet date at a cost of £247,000 and the current level of opportunities, lead us to believe we will be able to build an attractive portfolio of investments within the required timescale.

Proven Private Equity Limited

17 May 2002

INVESTMENT PORTFOLIO

At 28 February 2002

	Cost £000	Valuation £000	% of net assets
Qualifying holdings (see pages 11 to 13)			
The Sport Entertainment & Media Group plc*	260	262	4.0%
mergermarket Limited	203	203	3.1%
Oasis Healthcare plc*	170	191	2.9%
Espresso Broadband Limited	237	137	2.1%
Pilat Media Global plc*	64	64	1.0%
	<u>934</u>	<u>857</u>	<u>13.1%</u>
Non-qualifying holdings (see pages 11 to 13)			
Spotting Media (UK) Limited	150	150	2.3%
Baby Innovations S.A. (t/a Steribottle)	144	144	2.2%
Copyright Promotions Group Limited	139	139	2.1%
	<u>433</u>	<u>433</u>	<u>6.6%</u>
Total unquoted investments	<u>1,367</u>	<u>1,290</u>	<u>19.7%</u>
Listed fixed interest investments			
£4,400,000 UK Treasury 8% 10/06/03	4,650	4,593	69.9%
Unlisted fixed interest investments (Certificates of Deposit)			
£500,000 Nationwide 4.43% 26/02/03	500	500	7.6%
Total investment portfolio	<u>6,517</u>	<u>6,383</u>	<u>97.2%</u>
Net current assets		<u>185</u>	<u>2.8%</u>
Shareholders' funds		<u>6,568</u>	<u>100.0%</u>

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

PORTFOLIO OF VENTURE CAPITAL INVESTMENTS

The Sport Entertainment & Media Group plc* *Middlesex*

Sports management in the UK and Europe

The Sport Entertainment & Media Group plc is a leading UK based sports management group, predominantly football focused, with recent expansion into other sports, notably boxing, Formula 1 motor racing and golf. The company manages, represents and provides services for over 80 football players in the UK and Europe and for several major football clubs including Arsenal, Leeds and Celtic. Additionally, through the recent acquisition of Cloudmanor, the company now represents Lennox Lewis, the heavyweight boxer. The company was admitted to AiM in August 2001, raising approximately £5.0 million to fund the strategic acquisition of complementary businesses. ProVen Media VCT invested alongside other funds managed or advised by ProVen in this equity financing.

Investment date(s):	August 2001
Equity held:	1.4%
Cost:	£260,000
Valuation:	£262,131
Valuation basis:	Mid-market price
Dividends received during the year:	Nil
Next audited accounts:	30 June 2002



mergermarket Limited *London*

Business information services

mergermarket Limited, based in London, England, provides a business development tool for advisers and companies active in mergers and acquisitions ("M&A"). The company provides intelligence data on corporate activity across all economic sectors to clients on a subscription basis over the web. In June 2001, ProVen Media VCT invested £203,000 in a £1.5 million financing, alongside other ProVen funds and a further investment from the company's original backers, New Media Spark. There is a commitment to invest further funds subject to the company achieving certain milestones. To date the company has built up an impressive client base of advisers and companies, and has achieved renewal rates of 80% plus and a steady growth in 12 month rolling sales.

Investment date(s):	June 2001
Equity held:	3.1%
Cost:	£202,995
Valuation:	£202,995
Valuation basis:	Cost
Dividends received during the year:	Nil
First audited accounts:	31 December 2001



Oasis Healthcare plc* *Norwich*

Branded corporate dentistry

Oasis is a provider of dental care services to private and NHS patients in England. The company was admitted to AiM in July 2000, and has raised a total of £8.8 million in two tranches to fund its development, primarily by acquisition, as a leading brand in UK retail dentistry. ProVen Media VCT invested in the second round financing alongside ProVen VCT, Guinness Flight VCT and other investors. Oasis has performed well and is achieving a consolidation of dentist practices under the Oasis brand in line with its original plan.

Investment date(s):	July 2001
Equity held:	0.7%
Cost :	£170,000
Valuation:	£191,250
Valuation basis:	Mid-market price
Dividends received during the year:	Nil
Last audited accounts:	31 March 2001
Net assets:	£7.8 million
Loss before tax:	£(369,000)



PORTFOLIO OF VENTURE CAPITAL INVESTMENTS — continued

Espotting Media (UK) Limited London**

Performance based internet advertising service provider

Espotting Media (UK) is Europe's No 1 performance based advertising medium. Espotting operates a marketplace where advertisers bid against each other for prominence within its search listings. The company is well-established in the UK and subsequent to the fund-raising last December in which ProVen Media VCT invested alongside other funds managed or advised by ProVen, has opened in France and Germany with expectations of opening in other European Countries later in 2002. ProVen Media VCT has invested through a loan stock with conversion rights.

Investment date(s):	December 2001
Equity held:	Nil
Cost :	£150,000
Valuation:	£150,000
Valuation basis:	Cost
Dividends received during the year:	Nil
Next audited accounts:	30 June 2002



Baby Innovations S.A. t/a Steribottle London**

Marketing and distribution of branded disposable baby bottle

The Steribottle is the world's first ready-to-use, disposable, sterile and affordable baby bottle. It was launched into the UK market in autumn 2000 and is now set to grow sales and distribution in the UK and to roll-out internationally. Although an early stage investment, the management team has a strong background in brand management and has organised the company's activities so as to minimise overheads and hence reduce the capital risk. The company raised £2.0 million in January 2002 from existing investors and funds managed or advised by ProVen to fund the next stage of its marketing and distribution strategy.

Investment date(s):	January 2002
Equity held:	0.9% (on conversion of funding units)
Cost:	£144,000
Valuation:	£144,000
Valuation basis:	Cost
Dividends received during the year:	Nil
Next audited accounts:	31 December 2002



Copyright Promotions Group Limited London**

Licensing and merchandising agency

Copyright Promotions Group Limited (CPG) is one of Europe's leading independent licensing and merchandising agencies, acting for copyright owners of well-known characters, brands and rights such as The Simpsons, Star Wars, Shrek, Mister Men and Tomb Raider. Its core skills are a deep understanding of retail marketing and distribution, and the development and implementation of a brand management strategy on behalf of the owners of intellectual property. ProVen Media VCT invested in July 2001 alongside other funds managed or advised by ProVen in a management buyout from the receiver. The investment is showing good potential despite falling behind its plan due to the delay in the launch of the new Star Wars movie.

Investment date(s):	July 2001
Equity held:	4.3%
Cost:	£139,000
Valuation:	£139,000
Valuation basis:	Cost
Dividends received during the year:	Nil
First audited accounts:	31 December 2001



THE COPYRIGHT PROMOTIONS LICENSING GROUP

PORTFOLIO OF VENTURE CAPITAL INVESTMENTS — continued

Espresso Broadband Limited *London*

Development and delivery of educational materials for schools

The company's first product *Espresso for Schools* ("EFS") is a digital media education service for UK primary schools, which was commercially launched in April 2000. In September 2001 ProVen Media VCT invested alongside original investors and other funds managed or advised by ProVen to fund the further development and roll-out of the product. Trading since the investment date has been disappointing and management changes have been made. This is an early stage investment and given the performance to date, the board has accepted the investment manager's recommendation of a provision against the cost of the ordinary equity.

Investment date(s):	September 2001
Equity held:	4.6%
Cost:	£237,460
Valuation:	£137,261
Valuation basis:	Provision
Dividends received during the year:	Nil
First audited accounts:	30 April 2002



Pilat Media Global plc* *Middlesex*

Integrated broadcast management system

The company develops, markets and supports software for the global multi-channel broadcasting market. The principal product of the company is IBMS, which is designed to support broadcasters and content providers in the management of programme content and television channel administration, from content acquisition to transmission. In February 2002 the company was admitted to AiM and raised £3.4 million to fund the continued development of the business. ProVen Media VCT invested in the financing alongside ProVen VCT and Guinness Flight VCT.

Initial investment:	February 2002
Equity held:	0.7%
Cost:	£63,400
Valuation 2002:	£63,400
Valuation basis:	Mid-market
Dividends received during the year:	Nil
Next audited accounts:	31 December 2002



Pilat Media

Notes: Qualifying equity investments in the above companies carry full voting rights. Where stated, references 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 Media VCT.

* *AiM listed investment*

** *Non-qualifying investment*

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from 14 December 2000 to 28 February 2002.

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 May 2001. The company has been granted provisional approval by the Inland Revenue as a Venture Capital Trust. The Chairman's Statement on pages 4 and 5 and the Investment Manager's Review on pages 8 to 13 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 14 December 2000 and commenced trading on 6 March 2001.

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 2008 to seek confirmation from shareholders that it should continue as a VCT.

Results and Dividend

	Period ended 28 February 2002 £000
Net revenue attributable to shareholders	115
Appropriated as follows:	
Final dividend proposed – 1.4p per share	100
Retained in revenue reserve	15
	<u>115</u>

The Board recommends a final dividend of 1.4p per share, which, if approved by shareholders at the forthcoming annual general meeting, will be paid on 13 June 2002 to shareholders registered in the books of the company on 24 May 2002. This represents the company's first dividend since it commenced its activities.

Directors

All the current directors of the company were appointed on 6 February 2001, with the exception of J A Stewart who was appointed on 6 April 2001. Their interests in the issued ordinary shares of 1p of the company are as follows:

As at	28 February 2002 or date of resignation	Date of Listing 2001
T P Sooke	5,000	5,000
A J Davison	5,125	5,125
S P Edwards (resigned 14 March 2002)	5,125	5,125
N P Lewis	10,250	10,250
G R Power	10,250	10,250
J A Stewart	6,000	6,000
M F Vlessing (resigned 17 May 2002)	5,125	5,125

All of the directors' share interests shown above are held beneficially. There have been no changes in the directors' share interests between 28 February 2002 and the date of this report.

A J Hunt and M L Harris were appointed as directors of the company on incorporation on 14 December 2000 and resigned on 16 February 2001. On 17 May 2002 M F Vlessing was appointed as alternate director to G R Power.

Brief biographical notes on the directors are given on page 7. 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.

None of the directors has a contract of service with the company and, except as mentioned below under the heading "Management", there were no contracts that subsisted during the period in which a director was materially interested and which was significant in relation to the company's business.

Directors' and Officers' Liability Insurance

As permitted by section 310(3) of the Companies Act 1985, the company has maintained insurance cover on behalf of the directors and secretary indemnifying them against certain liabilities that may be incurred by them in relation to the company.

Share Capital

During the year the company repurchased and cancelled 6,000 ordinary shares of 1p each for a consideration of £6,000. The purchase was made out of a fresh issue of shares. Since the year end, the company has issued 25,000 ordinary shares of 1p at 100p per share.

Management

ProVen Private Equity Limited ("ProVen") has acted as investment manager to the company since 16 February 2001. 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 the financial statements.

G R Power is and S P Edwards was, until his resignation on 14 March 2002, a director of ProVen and N P Lewis is a director of and shareholder in Downing. Since November 2001 M F Vlessing has acted as a consultant to ProVen.

VCT Status Monitoring

ProVen Media 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 Company.

Substantial shareholdings

So far as the directors are aware, there were no individual shareholdings representing 3% or more of the company's issued share capital during the period under review or at 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. The company's principal expenses such as investment management fees and administration fees are paid quarterly in arrears in accordance with the respective agreements. Accordingly the company had no material trade creditors at the year end.

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
17 May 2002

CORPORATE GOVERNANCE

The company is committed to maintaining high standards in 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 from 14 December 2000 to 28 February 2002 the company has complied with the provisions of Section 1 of the Combined Code, as they relate to venture capital companies, other than as noted below.

The Board

The company has a Board of five non-executive directors, three of whom are independent. 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 adopted a schedule of matters that are required to be brought to it for decision, 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 Trust 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.

Directors' Remuneration

As a Venture Capital Trust with no executive directors, the company is not required to give details of directors' remuneration as required by 12.43A(c) of the FSA Listing Rules. However, details of the fees paid to non-executive directors during the year are given in Note 4 to the accounts.

Audit Committee

The Board appointed an audit committee on 16 October 2001, which comprises four non-executive directors, three of whom are independent of the company. The audit committee meets 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 attend at least one of these meetings.

Relations with Shareholders

The company's first annual general meeting will be held on 12 June 2002 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.

Internal Control

The Board is responsible for the company's system of internal control and for reviewing its effectiveness, at least annually. The system of internal control to be operated should cover all controls including financial, operational and compliance controls and risk management. The objective of these controls is to safeguard shareholders' investment and the company's assets. 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 company has adopted a risk-based approach to the review of internal controls. The applicability and effectiveness of the controls is reviewed at least annually by the Board and reported upon quarterly by exception. This quarterly report is prepared by the investment manager, ProVen Private Equity Limited (ProVen). The Board last reviewed the effectiveness of the internal control system on 22 January 2002.

In accordance with the delegation of the company's investment management and administration to ProVen, the Board has identified in its risk framework those controls operated on its behalf by the investment manager. The Board requires the investment manager to report twice a year on these controls. The Board also requires Hutton Corporate Services to report annually on the operation of its internal controls as they relate to ProVen Media VCT, and Investec, in its capacity as fixed income portfolio manager, to provide the Board annually with a copy of its FRAG 21 report.

The key elements of the internal controls system operated by the Board are as follows:

- 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 Media 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.

The Board receives reports from the company's advisers on internal control matters and does not believe there is scope or necessity for an internal audit function. This matter will be subject to periodic review.

Going Concern

The directors are of the opinion that at the time of approving the financial statements, the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities

United Kingdom 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 control, safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROVEN MEDIA VCT PLC

We have audited the financial statements of Proven Media VCT plc for the period from 14 December 2000 to 28 February 2002 which comprise the statement of total return, the balance sheet, the cash flow statement, the accounting policies and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you 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 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 and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 company's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit 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 circumstances of the company, 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 affairs of the company as at 28 February 2002 and of the total return of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche



Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

17 May 2002

An audit does not provide 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.

ACCOUNTING POLICIES

General

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

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 (BVCA). Unlisted investments are stated at directors' valuation. The directors' policy in valuing unlisted investments is to carry them at cost except in the following circumstances:

- where a company's performance against plan indicates a diminution in the value of the investment: any provision against cost is made as appropriate in bands of 25%;
- 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 between 25% and 50% to reflect the lack of marketability; and
- 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 or received.

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

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

STATEMENT OF TOTAL RETURN (incorporating the Revenue Account)

For the period from 14 December 2000 to 28 February 2002

			Period ended 28 February 2002	
	Notes	Revenue £000	Capital £000	Total £000
Losses on investments	8			
– realised		–	(11)	(11)
– unrealised		–	(134)	(134)
Income	1	318	–	318
Investment management fee	2	(21)	(64)	(85)
Other expenses	3	(154)	–	(154)
Return on ordinary activities before taxation		143	(209)	(66)
Tax (charge)/credit on ordinary activities	5	(28)	13	(15)
Return on ordinary activities after taxation		115	(196)	(81)
Dividends	6	(100)	–	(100)
Transfer to reserves	15	15	(196)	(181)
Return per ordinary share				
Basic and diluted	7	1.8p	(3.1)p	(1.3)p

The notes on pages 23 to 30 form an integral part of these financial statements.

All revenue and capital items in the above statement are from continuing operations. The revenue column represents the profit and loss account of the company. No operations were acquired or discontinued in the period. Other than shown above, the company had no recognised gains or losses.

BALANCE SHEET

At 28 February 2002

	Notes	28 February 2002 £000
Fixed assets		
Investments	8	6,383
Current assets		
Debtors	11	89
Cash at bank and in hand		318
		407
Creditors: amounts falling due within one year	12	(222)
Net current assets		185
Total assets less current liabilities		6,568
Capital and reserves		
Called-up share capital	13	71
Share premium	14	6,678
Capital reserve – realised	14	(62)
Capital reserve – unrealised	14	(134)
Revenue reserve	14	15
Total equity shareholders' funds		6,568
Net asset value per ordinary share	16	92.4p

The financial statements on pages 19 to 30 were approved by the Board of Directors on 17 May 2002 and were signed on its behalf by:



Tom Sooke
Chairman

The notes on pages 23 to 30 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the period from 14 December 2000 to 28 February 2002

	Period ended 28 February 2002 £000
Net revenue from operating activities	
Net revenue from ordinary activities before tax	143
Increase in debtors	(89)
Increase in creditors	107
Management fees charged to capital	(64)
	<hr/>
Net cash inflow from operating activities	97
Financial investment	
Purchase of investments	(13,704)
Sale of investments	7,176
	<hr/>
Net cash outflow from financial investment	(6,528)
Financing	
Issue of redeemable preference shares	50
Issue of ordinary shares	7,110
Share issue expenses	(355)
Redemption of redeemable preference shares	(50)
Buy-back of 6,000 ordinary shares	(6)
	<hr/>
Net cash inflow from financing	6,749
	<hr/>
Increase in cash in period	318
Analysis of cash balance	
At 14 December 2000	–
Net cash inflow for the period	318
	<hr/>
At 28 February 2002	318
	<hr/>

The notes on pages 23 to 30 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 14 December 2000 to 28 February 2002

1. INVESTMENT INCOME

	Period ended 28 February 2002 £000
Income from investments	
UK Treasury stocks	206
Certificates of Deposit	25
	<hr/> 231
Other income	
Bank and deposit interest	87
	<hr/> 318

2. INVESTMENT MANAGEMENT FEE

	Period ended 28 February 2002 £000	
	Revenue £000	Capital £000
Investment management fee	18	54
Irrecoverable VAT thereon	3	10
	<hr/> 21	<hr/> 64

ProVen Private Equity Limited ("ProVen") provides investment management services to the company in respect of the company's portfolio of venture capital investments under an investment management agreement dated 16 February 2001.

Under the terms of the investment management agreement, ProVen will receive a fee (exclusive of VAT), equal to 1.5% per annum in the period ending 28 February 2002, 2.0% per annum in the year ending 28 February 2003 and 2.5% per annum thereafter, of the net assets of the company, subject to a cap on total costs of 3.6% per annum of net assets. The fee is calculated at half-yearly intervals based on the net assets at 31 August and 28 February and is payable quarterly in arrears. During the period to 28 February 2002, the fee payable to Proven equated to 1.1% per annum of net assets.

ProVen also provides administrative and secretarial services to the company under the terms of an administration agreement dated 16 February 2001 for an annual fee of £30,000 (plus VAT & RPI). During the period to 28 February 2002, ProVen waived its right to payment under this agreement. Downing Corporate Finance Limited ("Downing") is entitled to an annual fee of 0.2% of net assets (plus VAT & RPI) subject to a maximum fee of £20,000 (plus VAT & RPI) 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 17.

NOTES TO THE FINANCIAL STATEMENTS — continued
For the period from 14 December 2000 to 28 February 2002

3. OTHER EXPENSES

	Period ended 28 February 2002 £000
Administrative and secretarial services	13
Directors' remuneration (see note 4)	57
Auditors' remuneration	
– for audit services	10
– for non-audit services	–
Irrecoverable VAT	18
Other expenses	56
	<hr/> 154 <hr/>

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 2002 £000
Fees paid to directors	22
Amounts paid to third parties in consideration for the services of directors	35
	<hr/> 57 <hr/>
The fees paid in respect of directors during the period were as follows:	
T P Sooke (Chairman)	13
A J Davison	11
S P Edwards	–
N P Lewis	11
G R Power	–
J A Stewart	11
M F Vlessing	11
	<hr/> 57 <hr/>

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 September 2001. 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.

G R Power is and S P Edwards was, until his resignation on 14 March 2002, a director of ProVen. During the period ProVen waived its entitlement to receive fees in respect of the provision of the services of Messrs. Power and Edwards to the company as non-executive directors.

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

	Period ended 28 February 2002 £000	
	Revenue	Capital
Corporation tax payable at 20%	28	(13)

6. DIVIDENDS

	Period ended 28 February 2002 £000
Final proposed – 1.4p per share	100

7. RETURN PER ORDINARY SHARE

The revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £115,000 and on 6,292,411 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 loss of £196,000 and on 6,292,411 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

8. FIXED ASSET INVESTMENTS

	28 February 2002 £000
Unquoted investments	773
AiM traded investments	517
Listed fixed interest investments	4,593
Unlisted fixed interest investments	500
	<u>6,383</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	873	494	9,124	3,213	13,704
Disposal – proceeds	–	–	(4,463)	(2,713)	(7,176)
– realised loss on disposal	–	–	(11)	–	(11)
(Decrease)/increase in unrealised appreciation	(100)	23	(57)	–	(134)
Valuation at 28 February 2002	<u>773</u>	<u>517</u>	<u>4,593</u>	<u>500</u>	<u>6,383</u>
Book cost at 28 February 2002	873	494	4,650	500	6,517
Unrealised depreciation at 28 February 2002	(100)	23	(57)	–	(134)
	<u>773</u>	<u>517</u>	<u>4,593</u>	<u>500</u>	<u>6,383</u>

*All investments traded on AiM consist of equity shares.

8. FIXED ASSET INVESTMENTS — continued

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

	Period ended 28 February 2002 £000
Net realised loss on disposal	(11)
Decrease in unrealised appreciation	(134)
	<u>(145)</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 2002 Carrying value £000
The Sport Entertainment & Media Group plc*		
Ordinary shares	260	262
mergermarket Limited		
'B' Ordinary shares	203	203
Oasis Healthcare plc*		
Ordinary shares	170	191
Esporting Media (UK) Limited		
Convertible loan	150	150
Baby Innovations S.A. (t/a Steribottle)		
Funding Units	144	144
Copyright Promotions Group Limited		
Ordinary shares	18	18
Unsecured loan notes	121	121
	<u>139</u>	<u>139</u>
Espresso Broadband Limited		
Ordinary shares	100	—
Loan notes	137	137
	<u>237</u>	<u>137</u>
Pilat Media Global plc*		
Ordinary shares	64	64

**Investments traded on the AiM market.*

Provisions totalling £100,000 have been made against unquoted investments at 28 February 2002. Since the balance sheet date one new investment has been completed at a cost of £200,000 and there has been a partial redemption of loan stock by Copyright Promotions Group Limited. A further £47,000 has been invested in follow-on investments in portfolio companies.

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
mergermarket Limited	'B' ordinary shares (1p)	80,897	13.5%
Espresso Broadband Limited	'A' ordinary share (10p)	910,998	12.6%

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

Unless stated to the contrary, all classes of ordinary shares have voting rights.

11. DEBTORS

	28 February 2002 £000
Debtors and prepayments	11
Accrued income	78
	<hr/> 89 <hr/>

12. CREDITORS

	28 February 2002 £000
Trade creditors and accruals	107
Corporation tax payable	15
Proposed dividend	100
	<hr/> 222 <hr/>

13. SHARE CAPITAL

	28 February 2002 £000
Authorised	
35,000,000 ordinary shares of 1p each	<hr/> 350
Allotted, called up and fully paid	
7,103,978 ordinary shares of 1p each	<hr/> 71 <hr/>

The authorised share capital of the company on incorporation was £50,000 divided into 50,000 ordinary shares of £1.00 each, of which two ordinary shares were issued, fully paid, to the subscribers to the Memorandum of Association. On 6 February 2001 the authorised share capital of the company was increased to £350,000 by the creation of 50,000 redeemable preference shares of £1.00 each and 25,000,000 ordinary shares of 1p each. On 6 February 2001 the company converted each existing issued and unissued ordinary share of £1 into 100 ordinary shares of 1p each and issued 50,000 redeemable preference shares of £1 at par for cash; the preference shares were subsequently redeemed out of the proceeds of ordinary share issues and redesignated as 5,000,000 ordinary shares of 1p, in accordance with the Articles of Association. Between 14 January 2001 and 18 January 2002, the company issued a total of 7,109,978 ordinary shares of 1p for cash at a premium of 99p per share. On 18 January 2002 the company bought back 6,000 shares in the market using the proceeds of a fresh issue of shares in accordance with the Companies Act 1985.

14. RESERVES

	Share premium account £000	Capital reserve- realised £000	Capital reserve- unrealised £000	Revenue reserve £000
At 14 December 2000	—	—	—	—
Premium on issue of ordinary shares	7,039	—	—	—
Share issue expenses	(355)	—	—	—
Share buy-back	(6)	—	—	—
Realised on disposal of investments	—	(11)	—	—
Net decrease in unrealised appreciation	—	—	(134)	—
Management fee capitalised	—	(64)	—	—
Tax effect of capital items	—	13	—	—
Net revenue retained for the period	—	—	—	15
At 28 February 2002	6,678	(62)	(134)	15

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period ended 28 February 2002 £000
At 14 December 2000	—
Total return after tax and dividends	(181)
Net proceeds of share issues	6,749
At 28 February 2002	6,568

16. NET ASSET VALUE PER SHARE

Net asset value per share is based on net assets at 28 February 2002 of £6,568,000 and on 7,103,978 ordinary shares in issue at that date.

17. 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 at least 90% and Downing the balance (up to 10%) of any performance incentive by way of cash, shares or share options.

The performance incentive will not be triggered until the company's profits available for distribution are equivalent to 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 2004 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.

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

A statement of the company's principal objectives is given on page 3. In order to achieve these 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.

Market price risk

The main risks arising from the company's investing activities are market price 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 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.

Currency risk

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

Financial assets

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

	28 February 2002 £000
Listed fixed interest investments	
£4,400,000 UK Treasury 8% 10/06/03	4,593
Unlisted fixed interest investments	
£500,000 Nationwide 4.43% 26/02/03	500
Loans to investee companies	
Copyright Promotions Group Limited:	
10% Unsecured loan July 2006	94
10% Unsecured loan July 2002	27
Espresso Broadband Limited:	
7% Secured loan December 2006	137
Spotting Media (UK) Limited:	
8% Secured loan notes December 2002	150
	408
	5,501

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.

NOTES TO THE FINANCIAL STATEMENTS — continued

For the period from 14 December 2000 to 28 February 2002

19. RELATED PARTY TRANSACTIONS

ProVen Media VCT is managed by ProVen, and has entered into a co-investment agreement with, amongst others, Guinness Flight VCT plc and ProVen VCT plc, for whom ProVen acts as adviser and manager respectively. Certain directors of ProVen Media VCT serve on the boards of these companies. Andrew Davison is Chairman of ProVen VCT plc, whilst Tom Sooke, Nick Lewis, Gordon Power and Stephen Edwards are (or were until their resignation) non-executive directors of that company.

20. CAPITAL COMMITMENTS

Investments approved at the end of the year and since completed amounted to £45,551. There were no approvals at the year-end that relate to investments that have not yet completed.

21. POST BALANCE SHEET EVENT

On 4 April 2002 the company issued a further 25,000 ordinary shares of 1p each at a premium of 99p per share.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the annual general meeting being convened for 12 June 2002 (“AGM”), there will be proposed as special business Resolutions No. 9 as an Ordinary Resolution and Resolutions No. 10, 11 and 12 as Special Resolutions.

1. Resolutions 9 and 10 are to seek authority:
 - To renew the authority for directors to allot shares up to a maximum of £7,103 (which represents 10% of the company’s issued share capital) (Resolution 9).
 - That these allotments may be for cash and not necessarily offered to existing members of the company (Resolution 10).

The directors have no present intention of utilising the authority set out in Resolution 9 to allot shares.

2. Resolution No. 11 is to seek to renew authority to make market purchases of the company’s own shares by utilising distributable reserves of the company.

Background to the proposal

The directors consider that it is in the best interests of the company and its shareholders for the company to be in a position to make occasional market purchases of its shares (which are then automatically cancelled) with the aim of reducing any discount and increasing the net asset value per share of the remaining shares. In the view of the directors, the awareness in the market that the company has such a capability may tend to moderate the scale of any discount that may emerge and the action of buying shares may enable any such discount to be narrowed. The Board has a general authority under its articles of association to make market purchases of its own shares. Accordingly, the Board proposes to seek the authority for the company to make market purchases of its own ordinary shares. A company is permitted to purchase its own shares out of the special reserve created from the cancellation of the company’s Share Premium Account, subject to its Articles of Association (see 2 below), its distributable reserves or from the proceeds of a fresh issue of shares made for the purposes of such purchases. The authority being sought will enable the company to make such occasional purchases out of the special reserve or any distributable reserves.

Purchase of ordinary shares by the company

Purchases of ordinary shares will be made within guidelines established from time to time by the Board, but only if it is considered that such purchases would be to the advantage of the company and its shareholders as a whole. Purchases will only be made in the market for cash at prices below the prevailing net asset value per ordinary share, thereby enhancing the net asset value per ordinary share for the company’s remaining shareholders.

Under the Listing Rules of the Financial Services Authority, the maximum price which can be paid by the company is 5% above the average of the market value of the ordinary shares for the five business days preceding the purchase. Ordinary shares that are purchased will be cancelled. In making purchases, the company will deal only with member firms of the London Stock Exchange. Purchases of ordinary shares 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 dividend distributions to shareholders.

Risk factors

Shareholders who sell their ordinary shares within three years of subscription will lose, and will have to repay, any income tax relief previously given on subscription. Any capital gains deferred on subscription will crystallise at that time.

Any share purchases by the company may result in a reduction of the discount to net asset value at which the ordinary shares trade. However, the effect of market forces cannot be predicted with certainty and this result cannot be guaranteed. Furthermore, even if initially the desired result is achieved, it is possible that the discount may widen further over the medium to long term.

Taxation on company share purchase

The company, when it purchases ordinary shares, will be treated as repaying part or all of the amount of capital which is treated as paid up on each ordinary share for tax purposes. Stamp duty at the rate of 50p per £100 or part thereof of the purchase price of any ordinary share will be payable by the company. **This information is based on the law and practices currently in force in the United Kingdom and is not a complete statement of tax legislation affecting shareholders of venture capital trusts.**

3. Resolution No. 12 is to seek authority to amend its Articles of Association in order that it does not lose its investment company status should confirmation be forthcoming from the Court of cancellation of the share premium account.

Background to the proposal

Following the passing of a Special Resolution on 6 February 2001 the company is seeking Court approval to the cancellation of its share premium account, the purpose of which is to create a reserve, out of which it may purchase its shares in the market. However, under the company's existing articles of association, whilst the company remains an investment company, that reserve may not be used to purchase shares in the company. As it is not proposed to revoke the company's investment company status at this stage, it is proposed to alter the company's articles of association to permit the use of the reserve for making market purchases of shares.

Action to be taken

The AGM is being convened for 12 June 2002 at 4.00 p.m. A form of proxy is enclosed for use at the AGM. Whether or not you intend to be present at the meeting, you are asked to return the enclosed form of proxy in accordance with the instructions printed on it so as to arrive no later than 4.00 p.m. on 10 June 2002. Completion and return of a form of proxy will not preclude you from attending the meeting and voting in person, should you so wish. **Shareholders are urged to seek independent financial advice from a person authorised under the Financial Services Act 1986 when considering whether or not to approve Resolutions No 9, 10, 11 and 12. If you have sold or transferred all or part of your ordinary shares in ProVen Media 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.**

Director's 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 36,625 ordinary shares (representing 0.5% 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 Media VCT plc will be held at 42 Craven Street, London WC2N 5NG on 12 June 2002 at 4.00 p.m. for the following purposes:

Ordinary Business

1. To receive, consider and adopt the financial statements for the period from 14 December 2000 to 28 February 2002 and the directors' and auditors' reports thereon.
2. To declare a final dividend of 1.4p per share, net, in respect of the period from 14 December 2000 to 28 February 2002.
3. To re-elect T P Sooke as a director.
4. To re-elect A J Davison as a director.
5. To re-elect N P Lewis as a director.
6. To re-elect G R Power as a director.
7. To re-elect J A Stewart as a director.
8. To re-appoint Deloitte & Touche as auditors of the company until the conclusion of the next annual general meeting at which accounts for the company are presented and to authorise the directors to agree their remuneration.

Special Business

To consider and, if thought fit, pass Resolution 9 as an Ordinary Resolution and Resolutions 10, 11 and 12 as Special Resolutions:

9. THAT the directors be generally and unconditionally authorised in accordance with Section 80 of the Act to allot shares up to a maximum nominal amount of £7,103, this authority to expire at the later of the conclusion of the Company's annual general meeting next following the passing of this resolution and the expiry of 15 months from the passing of the relevant 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).
10. To empower the directors pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority referred to in resolution 9 as if Section 89(1) of the Act did not apply to any such allotment during the period of such authority up to an aggregate nominal amount of £7,103.
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 1p each in the company ("ordinary shares") provided that:
 - (a) the maximum number of ordinary shares so authorised to be purchased is 710,397;
 - (b) the minimum price which may be paid for an ordinary share shall be 1p;
 - (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105% 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;
 - (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) 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.
12. To amend the company's Articles of Association by:
 - (a) deleting in its entirety the first sentence of sub-clause 140.2 and adding in its place the following wording:

"At any time when the company has given notice in the prescribed form (which has not been revoked) to the registrar of companies of its intention to carry on business as an investment company

("a Relevant Period") distribution of the company's capital profits (within the meaning of Section 266(2)(c) of the Act) otherwise than by way of the redemption or repurchase of any of the company's own shares in accordance with Section 160 or 162 in Chapter VII of Part V shall be prohibited";

(b) deleting from the third sentence of sub-clause 140.2 the words "and all other monies which are considered by the Board to be in the nature of accretion to capital"; and

(c) inserting at the end of the penultimate sentence of sub-clause 140.2 the following words:

"otherwise than by way of the redemption or repurchase of any of the company's own shares in accordance with Section 160 or 162 in Chapter VII of Part V of the Act".

By Order of the Board
Hutton Corporate Services Limited
Secretary

42 Craven Street
London
WC2N 5NG
17 May 2002

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.

PROXY FORM

**ProVen Media VCT plc
Annual General Meeting – 12 June 2002**

I/We (block capitals please)

of

being a member of ProVen Media VCT plc, hereby appoint

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or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the first annual general meeting of the company to be held on 12 June 2002, notice of which was sent to shareholders with the directors' report and the accounts for the period from 14 December 2000 to 28 February 2002, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting:

Resolution number	For	Against
1 To receive, consider and adopt the financial statements for the period from 14 December 2000 to 28 February 2002	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a final dividend in respect of the period from 14 December 2000 to 28 February 2002	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect T P Sooke as a director	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect A J Davison as a director	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-elect N P Lewis as a director	<input type="checkbox"/>	<input type="checkbox"/>
6 To re-elect G R Power as a director	<input type="checkbox"/>	<input type="checkbox"/>
7 To re-elect J A Stewart as a director	<input type="checkbox"/>	<input type="checkbox"/>
8 To re-appoint Deloitte & Touche as auditors and authorise the directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
9 To authorise the directors to allot shares (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>
10 To disapply Section 89(1) of the Companies Act 1985 (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>
11 To authorise the directors to make market purchases of its own shares (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>
12 To amend the company's articles of association as set out in the Notice of meeting (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>

Signed: Dated: 2002

NOTES

1. A member wishing to appoint a person other than the Chairman of the meeting as proxy should insert the name and address of such person in the space provided.
2. Use of the proxy form does not preclude a member from attending and voting in person.
3. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
4. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
5. To be valid, the proxy form must be received by the Registrars no later than 48 hours before the commencement of the meeting.



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BUSINESS REPLY SERVICE
Licence No. HF106

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Northern Registrars
Registrars for ProVen Media VCT plc
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0JQ

1st FOLD

2nd FOLD

ProVen Media VCT PLC



