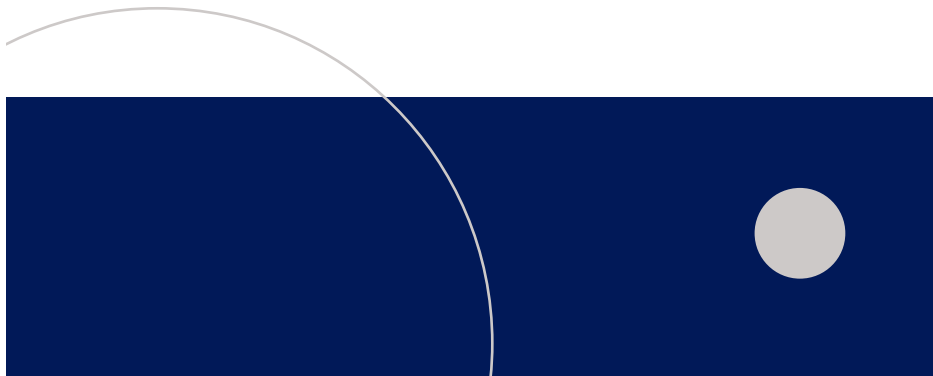


ProVen VCT plc

Interim Report

For the six months ended
31 August 2004



Managed by Beringea



DIRECTORS AND ADVISERS

Directors

Andrew Davison
Nicholas Lewis
Ernest Sharp
Alexander Spiro Jr.

Company Secretary

C L Whitten, FCIS

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Beringea Limited is authorised and regulated
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FINANCIAL SUMMARY

	Six months ended 31 August 2004	Six months ended 31 August 2003	Year ended 29 February 2004
Revenue return per share	0.6p	0.1p	0.2p
Total return per share	5.4p	13.2p	30.8p
Dividend per share	3.0p	–	3.5p
Cumulative dividends per share	12.2p	5.7p	9.2p
Net asset value per share	100.8p	84.6p	98.7p
Net asset value plus cumulative dividends per share	113.0p	90.3p	107.9p
Mid-market price per share	88.0p	65.0p	70.0p
Shareholders' funds (£000)	22,908	18,488	21,521

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

Introduction

I have pleasure in presenting the interim report for the six months ended 31 August 2004. The period has seen continued geopolitical uncertainty in the Middle East which has undoubtedly affected world and UK stock markets. In the UK, there are signs that the economy is starting to experience a relative slowdown after rapid growth in the first half of 2004.

Investment Portfolio

During the period, your company made one new investment of £200,000 and a further £243,000 was invested in two existing portfolio companies. In addition, your company made a number of realisations. Further details are provided in the accompanying Investment Manager's Review.

At the balance sheet date, your company's unquoted and listed portfolio comprised 24 investments at a total cost of £17.0 million and a valuation of £20.5 million. In addition, the company had net current assets of £2.4 million. Full details are shown on page 7. In total, your company's unquoted and listed portfolio increased in value by 7% over the six months to 31 August 2004, compared to falls of 1% and 7% in the FTSE All-Share and FTSE AIM indices respectively over the same period. The outperformance of the portfolio relative to the indices is due largely to increased valuations of a number of the unquoted companies reflecting their continued strong or improving performance.

Your company continued to comply with the VCT legislative requirements in the period.

The merger of portfolio company Esporting Media UK with US NASDAQ listed FindWhat.com was finally concluded on 1 July 2004. The total valuation of the cash and FindWhat shares received at the date of the merger was over £1.4 million, a return of 3.6 times the original investment. The transaction was also shortlisted for "Exit of the Year" at the recent Investor Allstars awards in London. At the date of this report, your company had realised approximately 40% of its FindWhat shareholding.

Net Asset Value & Dividends

The net asset value per share at 31 August 2004 before taking into account the proposed dividend was 103.8p. This represents an increase of 5% over the net asset value at 29 February 2004 and an increase of 9% over the initial net asset value at launch of 95p per share. In addition, your company had paid cumulative dividends, since inception and prior to the proposed dividend, of 9.2p per share.

In line with your company's objective of maximising tax free returns to its shareholders, your company will be paying an interim dividend of 3p per share for the period. This will be paid on 30 November 2004 to shareholders on the register at 19 November 2004.

Share Capital Issues & Buy Backs

During the period your company issued a further 1,110,732 shares representing the net proceeds of the offer for subscription earlier in the year.

Your company also purchased 169,580 shares in the market at a total cost of £149,000, representing a discount of 10% to the net asset value at 29 February 2004. Shareholders are reminded that if they wish to sell their shares in the company they should contact Downing Corporate Finance, details of whom are provided at the front of this Interim Report.

Prospects

The investment portfolio of your company continues to perform well, reflecting the underlying quality of the portfolio companies' products and services, their management teams and the contribution made to the companies by the investment manager. The aim over the coming months will be to continue to identify and develop exit opportunities so as to provide further tax-free dividends to shareholders. The success of this activity depends to a large extent on a favourable economic environment but overall, your board has reason to be confident of the future prospects for your company.

Andrew Davison
29 October 2004

INVESTMENT MANAGER'S REVIEW

Introduction

This review covers the six month period ended 31 August 2004, during which the general economic climate was favourable for smaller UK companies. Having reached a level of VCT qualifying investments comfortably above the 70% target required by the VCT regulations, the emphasis has been primarily on maximising value from the existing portfolio. We have also taken opportunities to realise capital gains where these have arisen.

Portfolio Activity

One new investment of £200,000 was completed during the period and a further £243,000 was invested in two existing portfolio companies. These investments are discussed below.

JTV

Operator of plasma screen network in student union bars

In May 2004, ProVen VCT invested £200,000 alongside ProVen Media VCT to support the roll out of this company's plasma screen network. JTV provides a point-of-sale advertising solution for brands and organisations seeking to target the student market.

Espresso Broadband

Provision of multi-media educational resources to schools

ProVen VCT invested a further £127,000 in March 2004 to support the continued development of Espresso. The company has made substantial progress over the period under review, which has resulted in a significant uplift in valuation.

Baby Innovations S.A. (t/a Steribottle)

Design and development of pre-sterilised baby feeding bottles

The company raised £3 million in 2004 to finance the capital investment required to produce the Mark 3 Steribottle of which ProVen VCT invested £116,000. During the period the company also repaid £37,000 of our prior investment.

Realisations

On 1 July 2004, investee company Espotting Media was acquired by NASDAQ listed FindWhat.com in a cash and shares deal valued at over \$170 million. ProVen VCT received £78,000 in cash and FindWhat shares valued at £1,359,000 at completion. The total value represented a return, largely unrealised, of 3.6 times ProVen VCT's original investment.

Between 1 July and the period end, we realised 11% of ProVen VCT's shares in FindWhat, generating a capital gain of £58,000 based on the original investment cost of Espotting Media. Since the period end, we have sold a further 29% of the holding, generating a further capital gain, on the same basis, of £207,000.

We took the opportunity provided by strength in the respective share prices to realise part of the company's shareholdings in Cardpoint and Pilat Media and to sell the remainder of the holding in Centurion Electronics. These sales generated average gains of 103%, 72% and 162% respectively. Losses were incurred when we reduced the company's position in VI Group and disposed of the company's shareholding in Transcomm when it was acquired by BT.

Portfolio Valuation

At 31 August 2004 the company's unquoted and listed portfolio comprised 24 investments at a total cost of £17.0 million and a valuation of £20.5 million. In addition, the company had net current assets of £2.4 million. Full details are shown on page 7.

In total, the company's unquoted and listed portfolio increased in value by 7% over the six months to 31 August 2004, compared to falls of 1% and 7% in the FTSE All-Share and FTSE AIM indices respectively over the same period. This outperformance is due largely to the increased valuations of several of the unquoted portfolio companies, notably Espresso Broadband, Chiaros Holdings, SPC International, Mergermarket and Ma Potters. This follows continued strong or improving performance from these companies. It is pleasing to see our faith in companies' products and services and their management teams, and the contribution of our investment executives, being rewarded by this performance. We have prudently reduced the valuations of the company's investments in Zenith Group and LFR but remain cautiously optimistic about the longer term future for these two companies.

Prospects

The emphasis in the coming months will be on continuing to work closely with the portfolio companies to ensure their continued growth and development and to identify suitable exit opportunities. These exits will form the basis of future distributions to shareholders and, together with funds raised from investors earlier in the year, the opportunity for further venture capital investment. We continue to see a reasonable flow of investment opportunities but at increased prices relative to the earlier investments, reflecting increased confidence in stock markets generally, and private equity and venture capital investment in particular.

In summary, the portfolio continues to perform well and gives us grounds to be optimistic for the prospects of the company and for the returns to its shareholders.

Beringea Limited
29 October 2004

INVESTMENT PORTFOLIO

At 31 August 2004

	Book Cost £000	Valuation £000	% of net assets
Qualifying holdings			
Espresso Broadband Limited	1,365	2,275	9.9
SPC International Limited	950	2,195	9.6
Cardpoint plc *	705	2,128	9.3
Notability Solutions Limited	1,000	2,055	9.0
Mergermarket Limited	780	1,661	7.2
Ashford Colour Press Limited	1,000	1,418	6.2
Nectar Taverns plc	1,000	1,404	6.1
Ma Potter's Limited	700	1,263	5.5
Chiaros Holdings Limited (t/a TMI)	800	835	3.6
UBC Media Group plc *	1,101	802	3.5
LFR plc (t/a Loch Fyne Restaurants)	1,000	711	3.1
Linguaphone plc	605	500	2.2
Pilat Media Global plc *	250	433	1.9
Oasis Healthcare plc *	670	262	1.1
JVTV Limited	200	200	0.9
Sports Holdings Limited	800	131	0.6
VI Group plc *	207	104	0.5
Zenith Group Limited	800	91	0.4
Horncastle Industries Limited	1,001	–	0.0
Bond-iT Limited	500	–	0.0
Total qualifying holdings	15,434	18,468	80.6**
Non-qualifying holdings			
Findwhat.com #	332	770	3.4
Baby Innovations S.A. (t/a Steribottle)	673	673	2.9
Copyright Promotions Group Limited	249	561	2.4
I D Data plc *	262	13	0.1
Total non-qualifying holdings	1,516	2,017	8.8
Total investment portfolio	16,950	20,485	89.4
Net current assets		2,423	10.6
Shareholders' funds		22,908	100.0

* Investment traded on the Alternative Investment Market ('AIM')

Investment traded on the US NASDAQ Market

** Expressed as a percentage of the company's net assets at 31 August 2004 as distinct from total investments (as defined in the Venture Capital Trust regulations) which are the basis for the calculation of the qualifying investment totals referred to in the Chairman's Statement.

UNAUDITED STATEMENT OF TOTAL RETURN (incorporating the Revenue Account)

For the six months ended 31 August 2004

	Six months ended 31 August 2004		
	Revenue	Capital	Total
	£000	£000	£000
Gains/(losses) on investments			
– realised	–	254	254
– unrealised	–	1,026	1,026
Income	328	–	328
Investment management fee	(73)	(218)	(291)
Other expenses	(96)	–	(96)
			<hr/>
Return on ordinary activities before taxation	159	1,062	1,221
Tax (charge)/credit on ordinary activities	(28)	28	–
			<hr/>
Return on ordinary activities after taxation	131	1,090	1,221
Dividends	(227)	(455)	(682)
			<hr/>
Transfers (from)/to reserves	(96)	635	539
			<hr/>
Return per ordinary share			
Basic and fully diluted	0.6p	4.8p	5.4p

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 2003			Year ended 29 February 2004		
Revenue	Capital	Total	Revenue	Capital	Total
£000	£000	£000	£000	£000	£000
–	(81)	(81)	–	607	607
–	3,078	3,078	–	6,363	6,363
181	–	181	356	–	356
(43)	(130)	(173)	(97)	(290)	(387)
(114)	–	(114)	(213)	–	(213)
24	2,867	2,891	46	6,680	6,726
–	–	–	(9)	6	(3)
24	2,867	2,891	37	6,686	6,723
–	–	–	–	(763)	(763)
24	2,867	2,891	37	5,923	5,960
0.1p	13.1p	13.2p	0.2p	30.6p	30.8p

UNAUDITED BALANCE SHEET

At 31 August 2004

	31 August 2004 £000	31 August 2003 £000	29 February 2004 £000
Fixed Assets			
Investments – unquoted	15,973	11,474	13,918
Investments – AIM quoted	3,742	5,280	5,823
Investments – other listed	770	–	–
Fixed interest	–	1,431	–
	20,485	18,185	19,741
Net current assets	2,423	303	1,780
Net assets	22,908	18,488	21,521
Capital & reserves			
Share capital	1,137	1,092	1,090
Reserves	21,771	17,396	20,431
Equity shareholders' funds	22,908	18,488	21,521
Net asset value per share	100.8p	84.6p	98.7p

UNAUDITED CASH FLOW STATEMENT

For the six months ended 31 August 2004

	Six months ended 31 August 2004 £000	Six months S ended 31 August 2003 £000	Year ended 29 February 2004 £000
Net revenue from operating activities			
Net revenue from ordinary activities before tax	159	24	46
(Increase)/decrease in debtors	(31)	47	82
Increase/decrease in creditors	30	(23)	17
Management fees charged to capital	(218)	(130)	(290)
Net cash outflow from operating activities	<u>(60)</u>	<u>(82)</u>	<u>(145)</u>
Financial investment			
Purchases of investments	(443)	(3,662)	(5,023)
Sales of investments	1,410	3,479	6,992
Net cash inflow/(outflow) from financial investment	<u>967</u>	<u>(183)</u>	<u>1,969</u>
Corporation tax paid	–	–	(3)
Equity dividends paid	<u>(760)</u>	–	–
Net cash inflow/(outflow) before financing	147	(265)	1,821
Financing			
Issue of ordinary shares	1,054	–	–
Share issue expenses	(58)	–	–
Purchase of ordinary shares for cancellation	(149)	(41)	(78)
Net cash inflow/(outflow) from financing	<u>847</u>	<u>(41)</u>	<u>(78)</u>
Increase/(decrease) in cash in period	<u>994</u>	<u>(306)</u>	<u>1,743</u>
Analysis of cash balance			
At start of period	2,103	360	360
Net cash inflow/(outflow) for the period	994	(306)	1,743
At end of period	<u>3,097</u>	<u>54</u>	<u>2,103</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

- 1 The unaudited interim financial statements for the six months ended 31 August 2003 and 31 August 2004 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 29 February 2004 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the auditors' report on those financial statements under Section 235 of the Companies Act 1985 was unqualified.
- 2 **True and fair override**
The company is no longer an investment company within the meaning of Section 266 of the Companies Act 1985, having revoked investment company status on 15 July 2004 in order to pay a capital dividend. However, the company continues to conduct its affairs as a venture capital trust for taxation purposes under s842AA of the Income and Corporation Taxes Act 1988.
The financial statements are prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP). This is consistent with the presentation adopted in previous periods. Ordinarily, the absence of Section 266 status would require the company to adopt a different presentation of the accounts than that recommended by the SORP. However, the directors consider it appropriate to continue to present the accounts in accordance with the SORP. The departure has no effect on the total return or balance sheet.
- 3 The financial information contained in this interim report has been prepared on the basis of the accounting policies set out in the Annual Report 2004 except as noted in 2 above. Unquoted investments are valued in accordance with British Venture Capital Association (BVCA) valuation guidelines. AIM quoted investments are valued at mid market prices discounted, where necessary, to reflect any lack of liquidity.
- 4 Returns per ordinary share are based on 22,676,036 ordinary shares, being the weighted average number of shares in issue during the period. There were 22,736,887 ordinary shares in issue at 31 August 2004.
- 5 Earnings for the period should not be taken as a guide to the results for the full year.
- 6 The directors will be paying a dividend of 3p per share for the period ended 31 August 2004 to be paid on 30 November 2004 to shareholders on the register at 19 November 2004.
- 7 Copies of the Interim Report will be mailed to shareholders and are available from the Registered Office of the company at 17-18 Henrietta Street, London WC2E 8QH.

