ProVen VCT plc

Interim Report

For the six months ended 31 August 2003

ProVen VCT plc

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Ernest Sharp
Alexander Spiro Jr.
Thomas Sooke

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Beringea Limited is authorised and regulated by the Financial Services Authority

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FINANCIAL SUMMARY

	Six months ended 31 August 2003	Six months ended 31 August 2002	Year ended 28 February 2003
Revenue return per share	**0.1p**	1.0p	1.2p
Total return per share	**13.2p**	(8.3)p	(16.1)p
Dividend per share	**–**	1.0p	1.0p
Cumulative dividend per share	**5.7p**	5.7p	5.7p
Net asset value per share	**84.6p**	79.1p	71.4p
Net asset value plus cumulative dividend per share	**90.3p**	84.8p	77.1p
Mid-market price per share	**65p**	40p	65p
Shareholders' funds (£000)	**18,488**	17,358	15,639

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.

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to financial statements since first published.

These changes are the responsibility of the directors but no control procedures can provide absolute assurance in this areas.

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

CHAIRMAN'S STATEMENT

I have pleasure in presenting the interim report for the six months ended 31 August 2003. During this time, UK stock markets made significant gains from their low point during March and venture capital activity showed signs of continued improvement. Beringea, the investment manager, continued to attract a strong flow of investment opportunities and to work closely with existing portfolio companies.

At 31 August 2003, the Company had a qualifying investment total of 87%, comfortably ahead of the 70% required by the Venture Capital Trust regulations.

Investment Portfolio

During the period your Company made two new investments to the portfolio and made follow-on investments in two existing companies, totalling £2.1 million. Since the end of August, a further follow-on investment of £92,000 has been made. In addition, the Company realised £307,000, at cost, of its AIM investments. Further details of these investments and realisations are provided in the investment manager's review.

During the period to 31 August 2003, the value of funds under management increased by 18% compared to rises of 28% in the FTSE AIM Index and 17% in the FTSE All Share Index. At 31 August 2003, the Company's unquoted and AIM portfolio comprised 25 companies at a total cost of £17.5 million and a valuation of £16.8 million. During the period the AIM portfolio rose in value by 79%. All AIM investments, with one exception, performed strongly ahead of the AIM Index. The value of the unquoted portfolio rose by 6% which is largely the result of recent investments being valued at cost.

The Company benefited from a revaluation of its unquoted investment in Espotting Media, following the company agreeing terms to merge with FindWhat.com, a US NASDAQ listed company. Even allowing for the risk that the transaction does not proceed, Espotting has made significant progress since our investment which, the directors believe, justifies its valuation in this report. In addition, the board accepted the investment manager's recommendations and increased the valuations for Espresso Broadband, Ashcol, Linguaphone and Copyright Promotions Group, and made a further provision against Horncastle Industries.

Net Asset Value and Interim Dividend

The unaudited net asset value per share at 31 August 2003 was 84.6p. This represents an increase of 18% over the net asset value at 28 February 2003.

As I mentioned in my statement in the Annual Report, future dividends are likely to be substantially dependent upon future realised capital profits. Given the relatively small realisations to date, the board does not recommend the payment of a dividend for the period under review.

Share Buy Backs

Shareholders are reminded that the Company is authorised to make market purchases of its own shares. In the period under review, the Company purchased 69,300 shares in the market at a cost of £41,000, representing a discount of 17% to the net asset value at 28 February 2003. Any shareholder wishing to sell shares should contact Downing Corporate Finance, details of whom are provided at the front of this interim report.

Board Change

On 16 May 2003, Gordon Power resigned from the board. Gordon has had a very positive effect on both our new and existing investments and we are fortunate that he is to continue to take an interest in some of our investments. Alexander Spiro Jr. was appointed a non-executive director of the Company at the same time. Mr Spiro is a senior managing director of Beringea LLC, the investment manager's US parent company.

Prospects

ProVen VCT is effectively fully invested with cash resources being used largely to fund developments in portfolio companies and meet running costs of the Company where these are not met through income from portfolio companies. Future new investments, and dividends as outlined earlier, are likely to be dependent upon successful realisations of existing investments, the timing of which cannot be predicted with any certainty. However, the upswing in the markets and improving hopes for the economy are reflected in the portfolio and the board retains its positive view on the future prospects for the Company and the generation of tax free returns for its shareholders.

Andrew Davison
14 November 2003

INVESTMENT MANAGER'S REVIEW

Introduction

This review covers the six month period ended 31 August 2003 during which the climate for venture capital activity showed continued signs of improvement. As we stated in our annual report to 28 February 2003, our focus has been on maximising value from the existing portfolio of companies, although we have taken the opportunity to complete new and follow-on investments where opportunities have arisen. The qualifying investment total at 31 August 2003 was 87%, and at the date of this report 86%, providing comfortable headroom over the 70% required by the Venture Capital Trust regulations.

New Investment and Portfolio Activity

In the six months under review, a total of £1.75 million was invested in two new companies and a further £344,000 in follow-on investments. These investments are discussed below.

Zenith Group Limited
Television production company

In March 2003, ProVen VCT invested £800,000 alongside other Beringea managed funds in the management buyout of this leading independent television production company. Zenith's successes include *Inspector Morse, Byker Grove and SM:tv Live/CD:uk.*

SPC International Limited
Hardware support services

SPC specialises in the repair and refurbishment of electronic equipment in the IT, banking and retail sectors. ProVen VCT invested £950,000 in June 2003 in a secondary buyout from another private equity company.

Cardpoint plc
Independent ATM operator

ProVen VCT invested a further £250,000 in the heavily oversubscribed Placing & Open Offer in June 2003. This raised funds of £6 million to enable Cardpoint to acquire the ATM estate of Securicor Corporation.

Espresso Broadband Limited
Development & delivery of educational material to schools

Proven VCT invested a further £94,000 as part of its ongoing commitment to Espresso. The company has made substantial progress in the last year. A further £92,000 was invested in September 2003.

Realisations

We took the opportunity to take profits from part of the Company's holdings in Cardpoint and Centurion Electronics. A loss was made on the disposal of part of the Company's holding in ID Data.

In June 2003, the management of Sport Entertainment & Media Group (SEM) offered 27.5p to existing shareholders to take SEM into private ownership. The transaction was concluded in July 2003 and ProVen VCT converted its holding into ordinary shares in the new company, Sports Holdings Limited.

Since 31 August 2003, we have taken advantage of further rises in the share prices of Cardpoint and Centurion Electronics and taken additional profits. In total, the VCT has now realised capital profits of almost £200,000 in Centurion Electronics and over £130,000 in Cardpoint whilst still holding 40% and 83% respectively of its original holdings in these companies.

Portfolio Valuation

At 31 August 2003, the Company's unquoted and AIM portfolio comprised 25 companies at a total cost of £17.5 million and a valuation of £16.8 million. In addition, the Company had listed fixed interest investments of £1.4 million. Full details are shown on page 7.

In total, the Company's unquoted and AIM portfolio increased in value by 23% over the six months to 31 August 2003, compared to a rise of 28% in the FTSE AIM index over the same period.

The Company's AIM portfolio increased in value by £2.5 million or 79%. All the Company's AIM stocks, with one exception, performed strongly ahead of the AIM index.

The Company's unquoted portfolio increased in value by £600,000 or 6%. This in part reflects the increase in stock markets which has affected quoted PE multiples, and therefore the value of investments valued on this basis, and also the strong performance of specific portfolio companies. Many investments are, however, relatively recent and valued at cost.

The Company benefited from a revaluation of its investment in Espotting Media as outlined in the Chairman's Statement. The board of directors have also accepted our recommendations to increase the value of the Company's investments in Espresso Broadband, Ashcol, Linguaphone, and Copyright Promotions Group following improved performance. Offsetting this, we have taken a further provision against the Company's investment in Horncastle Industries to reflect continued underperformance from one of its divisions.

Prospects

We continue to invest time in our existing portfolio companies and seek attractive exit/investment opportunities, whilst at the same time ensuring continued compliance with the Venture Capital Trust regulations. Whilst it is too early to predict an outcome for individual investments, the progress made by stock markets in general and our portfolio companies in particular, gives us grounds to be cautiously optimistic about the long term prospects for the Company as a whole.

Beringea Limited
14 November 2003

ProVen VCT plc

INVESTMENT PORTFOLIO

At 31 August 2003

	Book Cost £000	Valuation £000	% of net assets
Qualifying holdings			
Cardpoint plc *	1,136	1,893	10.2
UBC Media Group plc *	1,101	1,389	7.5
Ashcol Limited	1,000	1,127	6.1
LFR plc (t/a Loch Fyne Restaurants)	1,000	1,000	5.4
Nectar Taverns Plc	1,000	1,000	5.4
Notability Solutions Limited	1,000	1,000	5.4
SPC International Limited	950	950	5.1
Espresso Broadband Limited	1,146	885	4.8
Zenith Group Limited	800	800	4.3
mergermarket Limited	780	780	4.2
Oasis Healthcare plc *	670	740	4.0
Ma Potter's Limited	700	700	3.8
Linguaphone Group plc	605	605	3.3
Horncastle Industries Limited	1,001	600	3.3
Pilat Media Global plc*	315	585	3.2
Centurion Electronics plc*	137	369	2.0
Sports Holdings Limited	800	361	2.0
Chiaros Holdings Limited (t/a TMI)	800	280	1.5
VI Group plc*	250	180	1.0
Transcomm plc*	380	97	0.5
ID Data plc*	262	27	0.1
Bond iT Limited	500	0	0.0
Total qualifying holdings	16,333	15,368	83.1**
Non-qualifying holdings			
Espotting Media (UK) Limited	333	626	3.4
Copyright Promotions Group Limited	266	582	3.1
Baby Innovations S.A. (t/a Steribottle)	594	178	1.0
Total non-qualifying holdings	1,193	1,386	7.5
Total venture capital investments	17,526	16,754	90.6
Listed fixed interest investments	1,434	1,431	7.8
Total investments	18,960	18,185	98.4
Net current assets		303	1.6
Shareholders' funds		18,488	100.0

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

** *Expressed as a percentage of the Company's net assets at 31 August 2003 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 2003

	Six months ended 31 August 2003		
	Revenue	**Capital**	**Total**
	£000	**£000**	**£000**
Gains/(losses) on investments			
– realised	**–**	**(81)**	**(81)**
– unrealised	**–**	**3,078**	**3,078**
Income	**181**	**–**	**181**
Investment management fee	**(43)**	**(130)**	**(173)**
Other expenses	**(114)**	**–**	**(114)**
Return on ordinary activities before taxation	**24**	**2,867**	**2,891**
Tax (charge)/credit on ordinary activities	**–**	**–**	**–**
Return on ordinary activities after taxation	**24**	**2,867**	**2,891**
Dividends	**–**	**–**	**–**
Transfers to/(from) reserves	**24**	**2,867**	**2,891**
Return per ordinary share **Basic and fully diluted**	**0.1p**	**13.1p**	**13.2p**

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

Six months ended 31 August 2002			Year ended 28 February 2003		
Revenue	Capital	Total	Revenue	Capital	Total
£000	£000	£000	£000	£000	£000
–	(628)	(628)	–	(761)	(761)
–	(1,275)	(1,275)	–	(2,790)	(2,790)
440	–	440	662	–	662
(57)	(171)	(228)	(105)	(315)	(420)
(119)	–	(119)	(222)	–	(222)
264	(2,074)	(1,810)	335	(3,866)	(3,531)
(53)	34	(19)	(67)	67	–
211	(2,040)	(1,829)	268	(3,799)	(3,531)
(219)	–	(219)	(219)	–	(219)
(8)	(2,040)	(2,048)	49	(3,799)	(3,750)
1.0p	(9.3)p	(8.3)p	1.2p	(17.3)p	(16.1)p

UNAUDITED BALANCE SHEET

At 31 August 2003

	31 August 2003 £000	31 August 2002 £000	28 February 2003 £000
Fixed Assets			
Investments – unquoted	**11,474**	5,577	8,671
Investments – AIM quoted	**5,280**	3,756	3,213
Fixed interest	**1,431**	6,537	2,629
	18,185	15,870	14,513
Net current assets	**303**	1,488	1,126
Net assets	**18,488**	17,358	15,639
Capital & reserves			
Share capital	**1,092**	1,097	1,096
Reserves	**17,396**	16,261	14,543
Equity shareholders' funds	**18,488**	17,358	15,639
Net asset value per share	**84.6p**	79.1p	71.4p

Notes

1. The unaudited interim financial statements for the six months ended 31 August 2003 and 31 August 2002 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The results for the year ended 28 February 2003 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. The financial information contained in this interim report has been prepared on the basis of the accounting policies set out in the Annual Report 2003. Unquoted investments are valued in accordance with British Venture Capital Association (BVCA) valuation guidelines. New guidelines were issued by the BVCA in June 2003. AIM quoted investments are valued at mid market prices discounted, where necessary, to reflect any lack of liquidity. The directors do not believe that a discount is appropriate at this time.
3. Returns per ordinary share are based on 21,893,566 ordinary shares, being the weighted average number of shares in issue during the period. There were 21,848,155 ordinary shares in issue at 31 August 2003.
4. Earnings for the period should not be taken as a guide to the results for the full year.
5. 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.

UNAUDITED CASH FLOW STATEMENT

For the six months ended 31 August 2003

	Six months ended 31 August 2003 £000	Six months ended 31 August 2002 £000	Year ended 28 February 2003 £000
Net revenue from operating activities			
Net revenue from ordinary activities before tax	**24**	265	335
Decrease in debtors	**47**	36	43
Decrease in creditors	**(23)**	(38)	(55)
Management fees charged to capital	**(130)**	(171)	(315)
Net cash (outflow)/inflow from operating activities	**(82)**	92	8
Financial investment			
Purchases of investments	**(3,662)**	(5,957)	(12,549)
Sales of investments	**3,479**	6,720	13,003
Net cash (outflow)/inflow from financial investment	**(183)**	763	454
Corporation tax paid	**–**	–	(78)
Equity dividends paid	**–**	(285)	(504)
Net cash (outflow)/inflow before financing	**(265)**	570	(120)
Financing			
Purchase of ordinary shares for cancellation	**(41)**	–	(17)
Net cash outflow from financing	**(41)**	–	(17)
(Decrease)/increase in cash in period	**(306)**	570	(137)
Analysis of cash balance			
At start of period	**360**	497	497
Net cash (outflow)/inflow for the period	**(306)**	570	(137)
At end of period	**54**	1,067	360

INDEPENDENT REVIEW REPORT TO PROVEN VCT PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 August 2003 which comprises the statement of total return, the balance sheet, the cash flow statement and related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

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

Review Work Performed

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

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2003.

Deloitte & Touche LLP
Chartered Accountants

14 November 2003

ProVen VCT plc