

PROVEN VCT PLC
HALF YEARLY FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 AUGUST 2008



SHAREHOLDER INFORMATION

Recent performance summary

	31 Aug 2008 pence	29 Feb 2008 pence	31 Aug 2007 pence
Net asset value per Ordinary Share	77.60	88.50	96.60
Cumulative distributions per Ordinary Share	77.95	74.20	68.20
Total return per Ordinary Share	<u>155.55</u>	<u>162.70</u>	<u>164.80</u>
Net asset value per 'C' Share	81.00	89.60	95.60
Cumulative distributions per 'C' Share	2.75	1.00	-
Total return per 'C' Share	<u>83.75</u>	<u>90.60</u>	<u>95.60</u>

Websites

Latest financial information, including information on recent investment transactions, newsletters and electronic copies of Annual Reports, Half-Yearly Reports and Interim Management Statements can be found on the Company's website: www.provenvcts.com

Dividend history, links to Company announcements and other financial information can be found on Downing's website at www.downing.co.uk by clicking on "VCT Information and Accounts". Shareholders can also check details of their shareholdings using Capita Registrar's website at www.capitaregistrars.com, by clicking on "Shareholders".

Dividends

Forthcoming

	Ordinary Shares	'C' Shares
Pence per share	14.5p	1.0p
Payment date	31 October 2008	31 October 2008
Ex dividend date	15 October 2008	15 October 2008

Historic

Pence per share

	Year ended 28 February								
	2001	2002	2003	2004	2005	2006	2007	2008	Total
Ordinary Shares	2.4	2.3	1.0	3.5	6.5	6.5	46.0	9.75	77.95
'C' Shares	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.75	2.75

Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Mandate forms can be downloaded from www.capitaregistrars.com by clicking on "shareholders" and then "information". Queries relating to dividends should be directed to the Company's registrar, Capita Registrars, whose details are on the back cover of this document.

Share price

The Company's share prices can also be found on various financial websites with the following TIDM/EPIC codes:

	Ordinary Shares "PVN"	'C' Shares "PVNC"
TIDM/EPIC code		
Latest share price (8 October 2008):	68.0p per share	75.0p per share

Selling shares

The Company's shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker. Disposing of your shares may have tax implications so you should consult your independent financial adviser if you have any queries.

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. Downing Management Services Limited is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the Company has bought in shares. Contact details are shown on the back cover of this document.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Registrars, under the signature of the registered holder.

CHAIRMAN'S STATEMENT

As Shareholders will be aware, economic conditions have worsened significantly in recent months to such an extent that even major financial institutions are now vulnerable. With the accompanying unprecedented stockmarket volatility and the fact that the Company's investment valuations are heavily influenced by market comparables, it is not surprising that both share classes have seen some falls in their net asset values over the six months ended 31 August 2008.

Net Asset Values

Ordinary Shares

As at 31 August 2008, the Company's Net Asset Value ("NAV") per Ordinary Share stood at 77.6p, a decrease of 7.15p per share or 8.1% since the year end (after adjusting for the dividends of 3.75p paid in the period).

'C' Shares

The NAV per 'C' Share stood at 81.0p at 31 August 2008, a decrease of 6.85p per share or 7.6% since the year end (after adjusting for the dividends of 1.75p paid in the period).

Venture Capital Investments

Ordinary Share pool

The Company made one significant realisation during the period. The investment in ILG Digital Limited was sold as part of a private equity transaction generating proceeds of £4.4 million against an original cost of £1.3 million. The investment was first made in November 2005. The Board congratulates the Investment Manager on achieving another highly profitable disposal, which is even more impressive considering the short length of time between investment and exit.

The Ordinary Share pool remained active throughout the period in making new investments, investing a total cost of £1.4 million across several companies.

The Board reviewed the valuations of the investments held at the period end and made a number of adjustments. The largest adjustment was to the investment in Espresso Group, being a reduction of £1.5 million to £4.5 million. The decline in valuation results from slowing growth in the company's UK primary school business. The company is however expanding its secondary school and international businesses and remains a good prospect.

The net unrealised movement on the portfolio over the period was a decrease of £3.4 million. Further details are included in the Investment Manager's Report.

'C' Share pool

The 'C' Share pool is still in the process of building its initial investment portfolio and has therefore been an active investor throughout the six months. The pool made four new investments and two significant follow-on investments at a total cost of £1.9 million.

In reviewing the investment valuations at the year end the Board made two significant provisions against investments in businesses which have not been performing to plan. The net unrealised movement on the portfolio was a decrease of £1.2 million for the period.

Further details of the investments and investment management activities are included in the Investment Manager's Report on page 4.

Liquidity Fund Investments

The Company holds a proportion of its surplus funds in AAA rated liquidity funds. At 31 August 2008, the Company held £11.3 million in four such funds. £4.1 million of these funds were in respect of the Ordinary Share pool and £7.2 million in respect of the 'C' Share pool. The Board expects to continue to hold these investments until funds are needed for venture capital investments.

CHAIRMAN'S STATEMENT (continued)

Results

The Income Statement shows a loss on ordinary activities after taxation for the Company for the period of £2,740,000 (£385,000 revenue return and £3,125,000 capital loss). Details of how this is analysed between the share pools is shown on page 6.

Dividends

Ordinary Shares

In view of the profitable realisation of ILG Digital, the Board intends to distribute these gains to Ordinary Shareholders. An interim dividend of 14.5p per Ordinary Share, comprising of 1.0p revenue and 13.5p capital, will be paid on 31 October 2008 to Ordinary Shareholders on the register at 17 October 2008.

Following the payment of this dividend, original Ordinary Shareholders will have received 92.45p per share in dividends on an investment with a net of tax relief cost of 80p per share.

Assuming other targets are also met at the Company's year end, the payment of the above dividend will trigger a performance incentive fee to the Investment Manager and the original promoter, Downing Corporate Finance Limited, of 2.7p per Ordinary Share.

'C' Shares

The Company will also pay an interim dividend of 1.0p per 'C' Share, comprising wholly of revenue. The dividend will be paid on 31 October 2008 to 'C' Shareholders on the register at 17 October 2008. This will bring total dividends paid to 'C' Shareholders to 2p per share.

Fundraising

As reported previously, the small top-up fundraising to the Company's Ordinary Share offer closed on 7 April 2008 having raised £1.1 million net of costs. 1,338,126 Ordinary Shares were issued at a price of approximately 90.48p per share.

Shares buybacks

The Company continues to have a policy of purchasing its own shares that become available in the market in order to help provide liquidity to those Shareholders that need it. The Company currently buys in shares at approximately a 10% discount to the last published net asset value.

During the period, the Company purchased 314,928 Ordinary Shares at an average price of 82.0p per share. These shares were subsequently cancelled. No 'C' Shares were purchased in the period.

Risk and uncertainties

Under the Disclosure and Transparency Directive, the Board is now required in the Company's half year results, to report on principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- (i) investment risk associated with a large proportion of the Company's assets being invested in a single investment;
- (ii) investment risk associated with investing in small and immature businesses;
- (iii) investment risk arising from extremely volatile stockmarket conditions and their potential effect on investment valuation; and
- (iv) failure to maintain approval as a VCT.

Although having a large proportion of the Company's assets invested in a single investment involves additional risks, this situation is not unusual within the venture capital industry and has arisen as a result of strong growth in the value of one investment. The Board regularly reviews the position to ensure that the potential benefits of continuing to hold this investment outweighs the additional risk.

CHAIRMAN'S STATEMENT (continued)

Risk and uncertainties (continued)

In the case of (ii), the Board is also satisfied with the Company's approach. The Investment Manager follows a rigorous process in vetting and careful structuring of new investments and, after an investment is made, close monitoring of the business. In respect of (iii), the Company seeks to hold a diversified portfolio. However, the Company's ability to manage this risk is quite limited, primarily due to the restrictions arising from the VCT regulations.

The Company's compliance with the VCT regulations is continually monitored by the Administrator, who reports regularly to the Board on the current position. The Company also retains PricewaterhouseCoopers to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

Outlook

The uncertain outlook for the economy and severe lack of investor confidence creates a challenging environment for your Company. In order to meet the targets set by the VCT regulations, the Company needs to continue to achieve a good rate of new investments, with the 'C' Share pool having a significant level of funds to invest by 28 February 2010.

The Investment Manager reports that dealflow remains strong and that further opportunities may arise as a result of the lack of funds available from banks and other sources of finance. Although investing in this type of climate is more risky than in more stable times, the ultimate rewards can be greater.

A handwritten signature in black ink, appearing to read "A. Davison".

Andrew Davison
Chairman

9 October 2008

INVESTMENT MANAGER'S REPORT

Introduction

The six month period to 31 August 2008 and from 1 September 2008 to the date of this report has seen some of the most volatile and notable stockmarket movements in recent memory. Continued concerns over global liquidity and the financial stability of banks and other financial institutions has seen the radical transformation of the US investment banking industry and government and global central bank intervention in the capital markets on a massive scale. The general economic outlook is increasingly uncertain and, in the UK, economic growth slowed to a standstill in the second quarter of 2008.

The performance of the Company over the period has not escaped these events. The total returns attributable to the Ordinary Shares and 'C' Shares fell by 4.4% and 7.6% respectively in the six month period to 31 August 2008. This compares to a fall in the total return on the FTSE All Share Index of 2.3% over the same period.

The Company has, however, continued its excellent distribution record with dividends of 3.75p per Ordinary Share and 1.75p per 'C' Share paid during the period and further dividends of 14.5p per Ordinary Share (largely from the profit on the sale of ILG Digital) and 1p per 'C' Share to be paid to Shareholders on 31 October 2008.

Portfolio Activity

Ordinary Share pool

The Company invested a further £1.4 million during the period. Investments of more than £50,000 comprised:

Acquisitions	Cost £'000	Description
New		
Optic Vision	500	Security systems
Isango	400	Travel experiences aggregator
Follow on		
SPC International	473	IT repair/refurbishment
	<u>1,373</u>	

The Company also realised its investment in ILG Digital for £4.4 million, 3.2 times the original cost of the investment.

'C' Share pool

Further progress was made on investing the proceeds of the 'C' Share funds raised in 2007. A total of £1.9 million was invested in four new investments and two existing investments:

Acquisitions	Cost £'000	Description
New		
Optic Vision	400	Security systems
Isango	200	Travel experiences aggregator
SPC International *	403	IT repair/refurbishment
Chess Technologies	600	Design/manufacture of defence industry components
Follow-on		
Heritage Partners	100	Image rights ownership, management and distribution
Charterhouse Leisure	165	Restaurants
	<u>1,868</u>	

*SPC International new to the 'C' Share portfolio

Portfolio Valuation

Ordinary Share pool

At 31 August 2008, the Company's unquoted and quoted Ordinary Share portfolio comprised seventeen investments with a cost of £12.5 million and a valuation of £10.3 million. In addition, the Ordinary Share pool held cash and liquidity funds of £7.9 million.

Espresso Group continues to account for a significant proportion of the NAV of the Ordinary Share fund, approximately 24% at 31 August 2008. Espresso has consolidated its position as the leading provider of educational content to the primary school sector with a UK market share of over 60%. The company launched a product for secondary schools in September 2007. This has been well received and in its first year has been purchased by over 10% of UK secondary schools.

INVESTMENT MANAGER'S REPORT (continued)

The company has also started to expand into international markets. The decline in valuation since 29 February 2008 reflects slowing growth in the UK primary school business. The UK secondary school market and international sales have taken over as the engines of the company's growth.

SPC International now accounts for 9% of the Ordinary Share NAV following an additional investment at the beginning of the financial year. The new investment in SPC was made alongside the ProVen VCT 'C' Share fund and ProVen Growth & Income VCT ("the ProVen funds"). This enabled SPC to refinance its existing bank facilities, with the ProVen funds taking a charge over the company's freehold properties. The company has established an operation in Slovakia which is expected to increase overall group profitability.

The Company's investments in Campden Media, Optima Data Intelligence Services and Donatantonio have suffered declines in valuation relative to the investment cost. These reductions are due to a combination of challenging trading conditions and/or a fall in market comparables.

'C' Share pool

At 31 August 2008, the unquoted and quoted 'C' Share investment portfolio comprised twelve investments valued at £4.5 million against an original investment cost of £6.5 million. In addition, the 'C' Share pool held cash and liquidity funds of £7.3 million.

The majority of the investments are valued at or above cost, either having been made recently and meeting investment expectations or, as in the case of Steak Media, performing better than our initial expectations. The overall decline in valuation relative to investment cost is due largely to the decrease in valuations for The Vending Corporation ("TVC"), Donatantonio and Heritage Partners. Full provision was made against TVC in the last financial year. Donatantonio is a long established business but, shortly after the Company's investment, was hit by rising commodity prices and adverse exchange rate movements which impacted trading. Following significant input from our investment managers and the company's management team, the position has now stabilised. Heritage Partners has struggled to achieve its forecast revenues and is seeking to reduce its cost base before developing new revenue streams.

Outlook

General economic uncertainty means that trading conditions are likely to remain challenging for many businesses for some time. During this period our investment managers will be working closely with existing portfolio companies to provide additional support where necessary. Periods of economic stress can, however, create opportunities for alert investors and we expect to see some attractive propositions over the next 12 months. We continue to see a good flow of attractive investment opportunities and more realism in the pricing.

We continue to adopt the same rigorous investment decision making process and investment management procedures which have made the performance of the Ordinary Shares one of the best of all VCT funds.

Beringea Limited

9 October 2008

INCOME STATEMENT

for the six months ended 31 August 2008

	Six months ended		
	31 Aug 2008		
	Revenue £'000	Capital £'000	Total £'000
Company Total			
Income	801	-	801
(Losses)/gains on investments	-	(2,917)	(2,917)
	<u>801</u>	<u>(2,917)</u>	<u>(2,116)</u>
Investment management fees	(73)	(218)	(291)
Performance incentive fees	(56)	(121)	(177)
Other expenses	(142)	(14)	(156)
	<u>530</u>	<u>(3,270)</u>	<u>(2,740)</u>
Return/(loss) on ordinary activities before taxation			
Taxation	(145)	145	-
	<u>385</u>	<u>(3,125)</u>	<u>(2,740)</u>
Return/(loss) attributable to equity Shareholders			
Return per Ordinary Share	0.9p	(8.1p)	(7.2p)
Return per 'C' Share	1.1p	(8.1p)	(7.0p)
Ordinary Shares			
Income	451	-	451
(Losses)/gains on investments	-	(1,763)	(1,763)
	<u>451</u>	<u>(1,763)</u>	<u>(1,312)</u>
Investment management fees	(42)	(127)	(169)
Performance incentive fees	(56)	(121)	(177)
Other expenses	(62)	(9)	(71)
	<u>291</u>	<u>(2,020)</u>	<u>(1,729)</u>
Return/(loss) on ordinary activities before taxation			
Taxation	(73)	73	-
	<u>218</u>	<u>(1,947)</u>	<u>(1,729)</u>
Return attributable to equity Shareholders			
'C' Shares			
Income	350	-	350
(Losses)/gains on investments	-	(1,154)	(1,154)
	<u>350</u>	<u>(1,154)</u>	<u>(804)</u>
Investment management fees	(31)	(91)	(122)
Other expenses	(80)	(5)	(85)
	<u>239</u>	<u>(1,250)</u>	<u>(1,011)</u>
Return/(loss) on ordinary activities before taxation			
Taxation	(72)	72	-
	<u>167</u>	<u>(1,178)</u>	<u>(1,011)</u>
Return/(loss) attributable to equity Shareholders			

	Six months ended 31 Aug 2007		Year ended 29 Feb 2008
Revenue £'000	Capital £'000	Total £'000	Total £'000
583	-	583	1,406
-	1,531	1,531	285
583	1,531	2,114	1,691
(103)	(308)	(411)	(871)
(46)	(653)	(699)	(929)
(99)	(2)	(101)	(204)
335	568	903	(313)
(101)	101	-	-
234	669	903	(313)
0.2p	3.0p	3.2p	1.0p
1.4p	(0.2p)	1.2p	(3.9p)
249	-	249	695
-	1,531	1,531	1,190
249	1,531	1,780	1,885
(67)	(202)	(269)	(573)
(46)	(653)	(699)	(929)
(61)	(2)	(63)	(127)
75	674	749	256
(23)	23	-	-
52	697	749	256
334	-	334	711
-	-	-	(905)
334	-	334	(194)
(36)	(106)	(142)	(298)
(38)	-	(38)	(77)
260	(106)	154	(569)
(78)	78	-	-
182	(28)	154	(569)

UNAUDITED SUMMARISED BALANCE SHEET

as at 31 August 2008

	As at 31 Aug 2008			As at 31 Aug 2007	As at 29 Feb 2008
	Ordinary Shares £'000	'C' Shares £'000	Total £'000	Total £'000	Total £'000
Investments	10,275	4,456	14,731	18,664	18,773
Net current assets	8,463	7,377	15,840	17,707	14,796
Net assets	<u>18,738</u>	<u>11,833</u>	<u>30,571</u>	<u>36,371</u>	<u>33,569</u>
Capital and reserves					
Called up share capital	1,208	3,654	4,862	4,814	4,811
Capital redemption reserve	156	1	157	138	141
Special reserve	6,308	-	6,308	12,863	8,836
Share premium account	4,836	10,159	14,995	13,920	13,918
Capital reserve - realised	8,198	(97)	8,101	2,214	3,567
Capital reserve - unrealised	(2,244)	(2,059)	(4,303)	2,097	1,668
Revenue reserve	276	175	451	325	628
Equity shareholder's funds	<u>18,738</u>	<u>11,833</u>	<u>30,571</u>	<u>36,371</u>	<u>33,569</u>
Net asset value per:					
Ordinary Share	77.6p	-	77.6p	96.6p	88.5p
'C' Share	-	81.0p	81.0p	95.6p	89.6p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Aug 2008			31 Aug 2007	29 Feb 2008
	Ordinary Shares £'000	'C' Shares £'000	Total £'000	Total £'000	Total £'000
Opening Shareholders' funds	20,469	13,100	33,569	25,249	25,249
Issue of shares	1,210	-	1,210	14,620	14,621
Share issue costs	(66)	-	(66)	(804)	(804)
Repurchase of own shares	(260)	-	(260)	(100)	(150)
Total recognised (losses)/gains for the period	(1,729)	(1,011)	(2,740)	903	(313)
Distributions paid in period	(886)	(256)	(1,142)	(3,497)	(5,034)
Closing Shareholders' funds	<u>18,738</u>	<u>11,833</u>	<u>30,571</u>	<u>36,371</u>	<u>33,569</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 31 August 2008

	Six months ended 31 Aug 2008 £'000	Six months ended 31 Aug 2007 £'000	Year ended 29 Feb 2008 £'000
Cash outflow from operating activities and returns on investments	1	<u>(174)</u>	<u>(758)</u>
Capital expenditure			
Purchase of investments	(3,274)	(4,422)	(7,443)
Sale of investments	4,366	2,918	4,985
Net cash inflow/(outflow) from capital expenditure	<u>1,092</u>	<u>(1,504)</u>	<u>(2,458)</u>
Equity distributions paid	(1,142)	(3,497)	(5,034)
Management of liquid resources			
Purchase of current investments held as liquidity funds	-	(11,250)	(14,550)
Withdrawal from liquidity funds	1,100	2,500	6,950
Net cash inflow/(outflow) from liquid resources	<u>1,100</u>	<u>(8,750)</u>	<u>(7,600)</u>
Net cash inflow/(outflow) before financing	876	(14,509)	(15,752)
Financing			
Proceeds from share issue	1,004	10,130	10,336
Share issue costs	(66)	(804)	(804)
Purchase of own shares	(309)	(118)	(118)
Net cash inflow from financing	<u>629</u>	<u>9,208</u>	<u>9,414</u>
Increase/(decrease) in cash	2	<u>1,505</u>	<u>(5,301)</u>
Notes to the cash flow statement:			
1 Cash flow from operating activities and returns on investments			
Revenue return on ordinary activities before taxation	530	335	956
Expenses charged to capital	(353)	(963)	(1,554)
Decrease/(increase) in prepayments and accrued income	1	(85)	(290)
(Decrease)/increase in accruals and deferred income	(352)	(45)	228
Net cash outflow from operating activities	<u>(174)</u>	<u>(758)</u>	<u>(660)</u>
2 Analysis of net funds			
Beginning of period	2,371	8,709	8,709
Net cash inflow/(outflow)	1,505	(5,301)	(6,338)
End of period	<u>3,876</u>	<u>3,408</u>	<u>2,371</u>

SUMMARY OF INVESTMENT PORTFOLIO

as at 31 August 2008

	Cost £'000	Valuation £'000	% of portfolio by value	Movement in the period £'000
Ordinary Share pool				
Top ten venture capital investments				
Espresso Group Limited	2,048	4,513	24.9%	(1,502)
SPC International Limited	1,619	1,707	9.4%	223
Eagle Rock Entertainment Limited	420	648	3.6%	82
Ashford Colour Press Limited	875	605	3.3%	(223)
Optic Vision Limited	500	500	2.8%	-
Saffron Media Group Limited	480	480	2.6%	-
Optima Data Intelligence Services Limited	900	417	2.3%	(483)
Isango Limited	400	400	2.2%	-
UBC Media plc*	1,101	311	1.7%	-
Campden Media Limited	975	272	1.5%	(700)
	<u>9,318</u>	<u>9,853</u>	<u>54.3%</u>	<u>(2,603)</u>
Other venture capital investments	<u>3,202</u>	<u>422</u>	<u>2.4%</u>	<u>(800)</u>
Total investments	<u>12,520</u>	<u>10,275</u>	<u>56.7%</u>	<u>(3,403)</u>
Net current assets (including cash and liquidity funds)		<u>7,857</u>	<u>43.3%</u>	
Ordinary Share pool - Total		<u>18,132</u>	<u>100.0%</u>	
'C' Share pool				
Path Group Limited	1,000	1,000	8.5%	-
Chess Technologies Limited	600	600	5.1%	-
Charterhouse Leisure Limited	535	535	4.6%	-
SPC International Limited	403	418	3.6%	15
Optic Vision Limited	400	400	3.4%	-
Steak Media Limited	275	368	3.1%	(17)
Heritage Partners Limited	900	329	2.8%	(571)
Donatantonio Limited	885	274	2.4%	(612)
Isango Limited	200	200	1.7%	-
Breeze Tech Limited	175	175	1.5%	-
Dianomi Limited	126	157	1.3%	31
The Vending Corporation Limited	1,016	-	-	-
	<u>6,515</u>	<u>4,456</u>	<u>38.0%</u>	<u>(1,154)</u>
Net current assets (including cash and liquidity funds)		<u>7,269</u>	<u>62.0%</u>	
'C' Share pool - Total		<u>11,725</u>	<u>100.0%</u>	
Company Total		<u>29,857</u>		

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 31 August 2008

Additions

	£'000
Ordinary Share Portfolio	
Optic Vision Limited	500
Isango Limited	400
SPC International Limited	472
Coolabi plc	17
Donatantonio Limited	7
	<u>1,396</u>
'C' Share Portfolio	
Chess Technologies Limited	600
Optic Vision Limited	400
SPC International Limited	403
Isango Limited	200
Charterhouse Leisure Limited	165
Heritage Partners Limited	100
Donatantonio Limited	10
	<u>1,878</u>

Disposals

	Cost £'000	Market value at 1 March 2008 £'000	Disposal Proceeds £'000	Gain/(loss) against cost £'000	Realised gain/(loss) in period £'000
Ordinary Share Portfolio					
ILG Digital Limited	1,345	2,760	4,400	3,055	1,640

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. The unaudited half yearly results cover the six months to 31 August 2008 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 29 February 2008 which were prepared under UK Generally Accepted Accounting Practice ("UK GAAP") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" revised December 2005 ("SORP").
2. All revenue and capital items in the Income Statement derive from continuing operations.
3. There are no recognised gains or losses other than those disclosed in the Income Statement.
4. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
5. The comparative figures were in respect of the period ended 31 August 2007 and the year ended 29 February 2008 respectively.

6. Net Asset Value per share calculations are based on the following:

	Ordinary Shares	'C' Shares
Net Assets (£'000)	<u>18,738</u>	<u>11,833</u>
Number of shares in issue at period end	<u>24,161,446</u>	<u>14,617,777</u>

7. Return per share calculations are based on the following:

	Ordinary Shares	'C' Shares
Revenue return per Share based on:		
Net revenue profit after taxation (£'000)	<u>218</u>	<u>167</u>
Weighted average number of shares in issue	<u>24,104,436</u>	<u>14,617,777</u>
Capital return per Share based on:		
Net capital loss after taxation (£'000)	<u>(1,947)</u>	<u>(1,178)</u>
Weighted average number of shares in issue	<u>24,104,436</u>	<u>14,617,777</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

8. Dividends

	31 Aug 2008			31 Aug 2007			29 Feb 2008
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Ordinary Share dividends							
Paid in period							
2008 Final	306	-	306	-	-	-	-
2008 Second interim	-	580	580	-	-	-	-
2008 First interim	-	-	-	-	-	-	1,391
2007 Second interim	-	-	-	233	3,264	3,497	3,497
2007 First interim	-	-	-	-	-	-	-
	<u>306</u>	<u>580</u>	<u>886</u>	<u>233</u>	<u>3,264</u>	<u>3,497</u>	<u>4,888</u>
'C' Share dividends							
Paid in period							
2008 Final	256	-	256	-	-	-	-
2008 Interim	-	-	-	-	-	-	146
	<u>256</u>	<u>-</u>	<u>256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146</u>

9. Reserves

	Capital redemption reserve £'000	Special reserve £'000	Share premium account £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
At 1 March 2008	141	8,836	13,918	3,567	1,668	628
Issue of new shares	-	-	1,143	-	-	-
Share issue costs	-	-	(66)	-	-	-
Shares repurchased	16	(260)	-	-	-	-
Expenses capitalised	-	-	-	(353)	-	-
Tax relief on capital expenses	-	-	-	145	-	-
Gains/(losses) on investments	-	-	-	1,640	(4,557)	-
Realisation of revaluations from previous years	-	-	-	1,414	(1,414)	-
Distributions paid	-	-	-	(580)	-	(562)
Transfer between reserves	-	(2,268)	-	2,268	-	-
Retained net revenue	-	-	-	-	-	385
At 31 August 2008	<u>157</u>	<u>6,308</u>	<u>14,995</u>	<u>8,101</u>	<u>(4,303)</u>	<u>451</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

9. Reserves (continued)

Analysed as:	Capital redemption reserve	Special reserve	Share premium account	Capital reserve - realised	Capital reserve - unrealised	Revenue reserve
Ordinary Shares	£'000	£'000	£'000	£'000	£'000	£'000
At 1 March 2008	140	8,836	3,759	3,640	2,573	364
Issue of new shares	-	-	1,143	-	-	-
Share issue costs	-	-	(66)	-	-	-
Shares repurchased	16	(260)	-	-	-	-
Expenses capitalised	-	-	-	(257)	-	-
Tax relief on capital expenses	-	-	-	73	-	-
Gains/(losses) on investments	-	-	-	1,640	(3,403)	-
Realisation of revaluations from previous years	-	-	-	1,414	(1,414)	-
Distributions paid	-	-	-	(580)	-	(306)
Transfer between reserves	-	(2,268)	-	2,268	-	-
Retained net revenue	-	-	-	-	-	218
At 31 August 2008	156	6,308	4,836	8,198	(2,244)	276
'C' Shares	£'000	£'000	£'000	£'000	£'000	£'000
At 1 March 2008	1	-	10,159	(73)	(905)	264
Expenses capitalised	-	-	-	(96)	-	-
Tax relief on capital expenses	-	-	-	72	-	-
Losses on investments	-	-	-	-	(1,154)	-
Distributions paid	-	-	-	-	-	(256)
Retained net revenue	-	-	-	-	-	167
At 31 August 2008	1	-	10,159	(97)	(2,059)	175

The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

10. Contingent liability

The Company has guaranteed bank borrowings of one of its investments, Donatantonio Limited, amounting to £225,000. A third party has provided a guarantee to the Company amounting to £112,500 in respect of the above guarantee such that the Company's net exposure is £125,000.

11. The unaudited financial statements set out herein 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 figures for the year ended 29 February 2008 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 was unqualified.
12. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
13. Copies of the unaudited half-yearly results will be sent to Shareholders shortly. Further copies can be obtained from the Company's Registered Office and will be available for download from www.provencts.com and www.downing.co.uk.

Directors

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Barry Dean
Nicholas Lewis
Malcolm Moss

Secretary and Administrator

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(calls cost 10p per minute plus network extras)