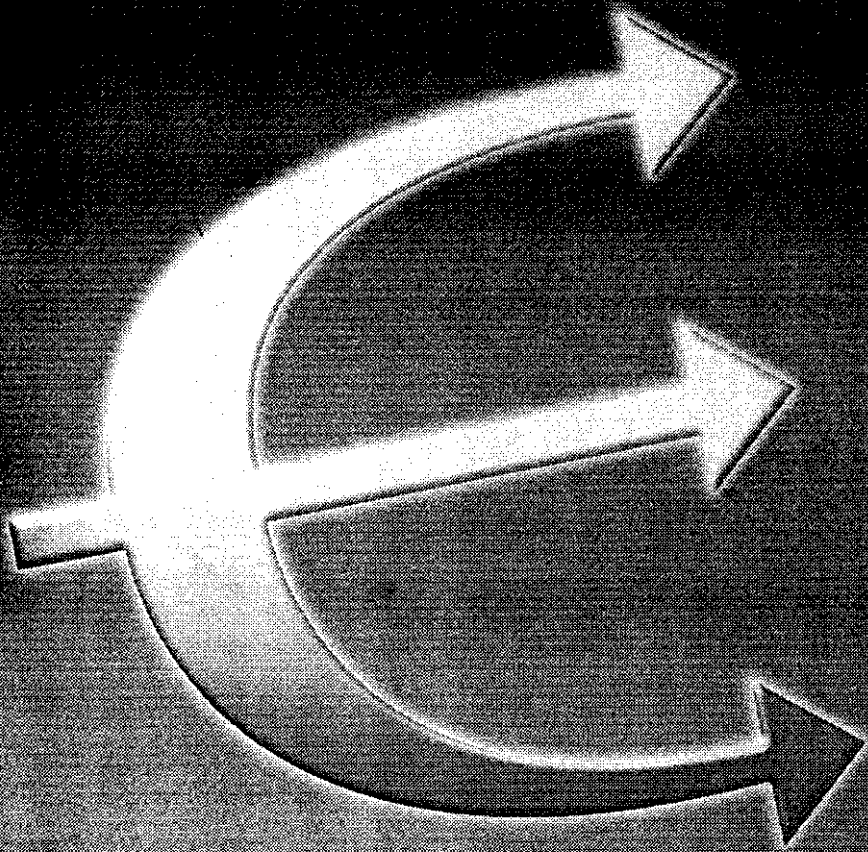


VCT



Annual Report  
for the period ending 31st January 2000



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TriVen VCT plc

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# Company Profile

TriVen VCT plc (TriVen), registered number 3707697, is a Venture Capital Company with three Venture Capital Managers: Elderstreet Investments Limited (Elderstreet), GLE Development Capital Limited (GLE) and LICA Development Capital Limited (LICA).

The objective of TriVen is to provide Shareholders with an attractive investment return, principally by maximising the stream of dividend distributions from the income and capital gains generated by a portfolio of investments in a wide variety of unquoted companies in the UK.

## Directors

David Valentine Atterton CBE (Chairman)\*

Colin Peter Hook\$\*

Gordon James Howe\$

Prudence Margaret Leith OBE

Graeme Andrew Yule MacLennan\$\*

\* Members of the Investment Committee

\$ Members of the Audit Committee

All of whom are non-executive and of:

Gossard House

7-8 Savile Row

London W1X 1AF

## Secretary

Matrix-Securities Limited

Gossard House

7-8 Savile Row

London W1X 1AF

## Fixed Interest Fund Manager

Cazenove Fund Management Limited

3 Copthall Avenue

London EC2R 7BH

## Sponsor

Singer & Friedlander Limited

21 New Street

Bishopsgate

London EC2M 4HR

## Promoter and Administrator

Matrix-Securities Limited

Gossard House

7-8 Savile Row

London W1X 1AF

## Solicitors to the Company and to the Sponsor

Travers Smith Braithwaite

10 Snow Hill

London EC1A 2AL

## Auditors and VCT Status Adviser

PricewaterhouseCoopers

1 Embankment Place

London WC2N 6NN

## Bankers and Custodians

National Westminster Bank Plc

City of London Office

PO Box 12264

Princes Street

London EC3A 7NN

## Stockbroker

Teather & Greenwood Limited

12-20 Camomile Street

London EC3A 7NN

## Registrar

IRG plc

Balfour House

390-398 High Road

Ilford

Essex IG1 1NQ

## Managers

### Elderstreet Investments Limited

32 Bedford Row

London WC1R 4HE

Elderstreet are responsible for selecting investments primarily in the UK information technology, software and computer services sectors

### GLE Development Capital Limited

28 Park Street

London SE1 9EQ

GLE are responsible for selecting investments in a range of industrial and commercial sectors

### LICA Development Capital Limited

102 Jermyn Street

St James's

London SW1Y 6EE

LICA are responsible for selecting investments primarily in industrial and media related businesses

# Chairman's Statement

This is the first Annual Report to be made to shareholders since the Company was launched in March, 1999. A total of £19.1 million was raised during the Offer period from 8th February, 1999 to 30th June, 1999 and the Company commenced trading on 1st April, 1999.

The company's net asset value at 31st January, 2000 was 111.8 pence which compares with an issue price of 100.0 pence and an initial net asset value (after expenses of issue) of 95.25 pence.

I can now report on an extremely active period from that date until 31st January, 2000. Each of our three Venture Capital Managers, Elderstreet, GLE and LICA, has experienced a strong inflow of investment proposals. From a very sizeable figure of potential transactions, they have selected the most promising for consideration by the Investment Committee.

At 31st January, 2000 the Venture Capital portfolio is comprised of twenty one Qualifying Holdings. Shareholders will see from the list of investments together with their descriptions on Pages 5 to 8 of this Report, that a wide diversity of type of investment has been achieved. This exemplifies our benefit of having three rather than just one Venture Capital Manager.

Because of the number of investments approved during the initial accounting period under review, the Company has made more rapid progress in investing in Venture Capital situations, than was originally envisaged. As a result, at the end of January, 2000, the company was three-quarters towards its target of being 80 per cent exposed to Venture Capital investments. We have until February 2002 at the latest to achieve this target.

The positive result of this is that we would hope to see a somewhat accelerated return on our investments. The only negative outcome of that early investment has been to constrain the income which would otherwise have arisen on the Company's liquid assets.

Revenue earnings per share were 1.88 pence and the Board of Directors is recommending a final dividend per ordinary share in respect of the period under review of 1.55 pence. As mentioned in the Prospectus, the Company's income is likely to decline as the portfolio of Qualifying Holdings is built up.

Of the twenty one Qualifying Holdings, three companies were listed on AIM during the period under review. Each of these went to very satisfactory premiums over our original purchase price. In one instance, the strength in the share price allowed us to realise part of our holding at a substantial profit.

I am pleased to report that a number of our other holdings are expected to achieve listings in the not too distant future, subject of course to stockmarket conditions.

In addition, in a number of unlisted companies where we are invested, there have been subsequent share transactions which should allow us to revalue these holdings, in accordance with BVCA guidelines.

Since the end of the period under review, the pace of investment in venture capital investments has continued unabated. Currently, a number of interesting investment propositions are being evaluated.

In future, the net asset value of the Company will be announced on a quarterly basis, as soon as possible after 31st January, 30th April, 31st July and 31st October. This should allow Shareholders to track the progress of their investment in TriVen more closely.

TriVen has made an encouraging start as a Venture Capital Trust company and your Board look forward to the future with confidence.

David Atterton  
19 April 2000

# Portfolio Holdings

Summary	Cost at Acquisition	Valuation at 31.01.2000	Realised in Period
Baron Corporation plc* Leisure industry software	£150,000	£204,125	£188,875
Boxman.com plc (iMVS.com plc) E-tailer of CD's, videos and multi-media titles	£250,000	£250,000	
Cashfac Initiative Limited Virtual banking application software	£250,000	£250,000	
Componentsource Limited Internet software component distributor	£249,973	£249,973	
Conscious Worldwide Limited Online print cost estimating & workflow system	£150,000	£150,000	
ET&T Limited Telecom service integrator	£200,000	£200,000	
Freecom.net plc* (Just Results plc) E-commerce solutions provider	£260,400	£3,530,025	£22,034
Sapphire Group Limited Database software products and services	£128,089	£128,089	
Shopcreator Developments Limited E-commerce software developer	£375,000	£375,000	
Sparesfinder.com plc Industrial spare parts on line	£100,000	£100,000	
Travelstore.com Group plc (Eclipsis) European Internet travel agency	£150,000	£150,000	
21store.com plc On-line retailer of handheld electrical products	£150,000	£150,000	
Connaught plc* Facilities management and services group	£150,000	£213,750	
Glencora Holdings Limited IT systems for engineering companies	£800,000	£800,000	
Higher Nature Limited Health Food supplements and medicines	£750,000	£750,000	
Michco 177 Limited Sandwich making business	£370,000	£370,000	
Caxton Publishing Group Limited Remainder book publishing	£1,000,000	£1,000,000	
HLM Limited (Hampshire Laminating Machinery) Develop and manufacture Heated Vacuum Presses	£550,000	£550,000	
Le Sac Manufacture of plastic packaging	£150,000	£150,000	
Watkins Books Limited Book retailing and publishing	£750,000	£750,000	
Zynergy Group Limited Commercialising new materials for medical devices	£1,000,000	£1,000,000	

## Notes

\*Indicates AIM listed      Names in brackets refer to the name of the original investment

# Investment Managers' Review

TriVen's multi-manager approach has produced a portfolio of diverse investments across a wide range of different business sectors, whilst spreading risk by avoiding over-concentration in any one sector. Twenty-one investments were completed during the financial year under review and already some capital profits have been realised.

Due to the strength of the dealflow that the Managers have seen to date they are confident that they will continue to add good quality investments in the current year.

The complete investment portfolio as at 31 January 2000 is detailed below, under the appropriate Manager.

## ELDERSTREET INVESTMENTS LIMITED

### **Baron Corporation plc**

Baron Corporation plc was formed to buy Baron System Ltd (BSL). BSL's business encompasses the development and sale of computer software designed primarily for the leisure industry, particularly for use by golf, tennis and hotel clubs. The investment is to help finance the purchase of BSL. In December 1999, Baron acquired Club Systems, a supplier of IT systems for golf courses in Ireland. In the third and fourth quarters of 1999, the Baron system was adopted by many prestigious courses (including Roehampton, Walton Heath and St Andrews).

Between 24 November and 8 December, 1999 92,500 shares were sold for TriVen realising £188,875.

### **Boxman.com PLC (formerly iMVS.com plc)**

Boxman is the largest UK based Internet retailer of CD's and videos. The investment is to help build a strong consumer brand. In July 1999, Boxman AB, currently the leading European entertainment e-commerce company, issued a press release announcing a reverse take-over of iMVS. Boxman AB retails a large catalogue, principally made up of music, but also including videos, DVD's and electronic games, through Internet sites.

The company is positioning itself to take advantage of e-commerce opportunities on new platforms such as telephony and digital interactive television.

### **CASHFAC Initiative Limited**

Cashfac develops software which enables corporate entities to operate a banking service for their customers and suppliers. Its product, Cashfac Virtual Banking Technology (VBT), is fully developed and has launched banking services for Virgin Direct and Standard Life. The investment is to develop the sales and marketing function.

The principal development under discussion is the establishment of a US based subsidiary, Assured Payment Exchange (APE), in which CASHFAC technology would be packaged and sold to large, complex organisations, as an alternate, re-engineered means to manage and control supplier relationships. The potential for this business is substantial.

### **Component Source Limited**

Component Source Limited specialises in global software component Internet distribution. Software components are pre-built pieces of software that are capable of being bolted together to build larger applications. The investment is to help provide working capital for the future.

Component Source ended their fiscal year on 31 October with performance ahead of plan and is about to book a revenue plan for 1999/2000 of £5.7 million (100% growth). Trading has continued above budget.

#### **Conscious Worldwide Ltd**

Conscious Worldwide offers a web-based printing cost estimation and workflow management system, primarily aimed at the advertising industry. Founded in April 1998, the company has conducted a "soft" launch of its service over the five-month period from March to July 1999 and signed an agreement to supply its system worldwide to WPP plc. The investment was to enable Conscious to begin the roll out of the WPP contract, and thus develop a global framework of agencies and printers from which further agencies and printers can be added at low marginal cost.

#### **ET & T Limited**

ET & T is a new venture formed from the remnants of a subsidiary, now in liquidation, of an inadequately funded US based telecoms services outsourcing group. The company was established by experienced executives from international telecoms backgrounds as an integrator and reseller of data bandwidth solutions for large multi-national corporations. The funds provided by TriVen are to help finance the company in its first year.

A substantial effort in the first four months of the business has been directed at developing the sales pipeline and order book. The main priorities for 2000 are recruitment of sales staff, conversion of pipeline into orders, and converting the order book into billings.

#### **Freecom.net plc (formerly Just Results plc)**

Freecom is a small, established provider of Internet Services and intends to become a major player in the rapidly emerging e-commerce market by providing hosted turnkey business to business e-commerce solutions to small and medium sized enterprises. The investment is to help finance growth in this area. The company listed on AIM on 1 December 1999, the price rising from an offer price of 130 pence to 290 pence on the first day. Business results are stronger than projected, and customers now include Gestetner, Barnardos, Robin Electronics, Games Workshop and Red House Books.

On 11 January, Freecom announced an offer to the shareholders of Pegasus Group plc to acquire that company. This will expand the range of products and services available to the two companies, consistent with the objective of developing as an applications service provider ("ASP"). TriVen's initial application for shares resulted in a return of £22,034 as a result of oversubscription.

#### **Sapphire Group Limited**

Sapphire is an established business which develops and distributes "DataEase" software, one of the leading PC-based database packages created some ten years ago. While the Company lost its way in the face of competition from Microsoft, it now has new client/server and web-enabled products and services to offer to its existing customer base of over 250,000 active users. Half of the investment is to buy out one of the existing shareholders, Sharp Technology, as the Sharp fund has come to the end of its life and is being wound up. The rest will provide additional working capital. Presently the Board is considering a flotation for the Company.

#### **Shopcreator Developments Limited**

Shopcreator has developed an e-commerce software engine that allows companies to sell products on-line and both direct and indirect sales are being achieved. The funding is to be used to drive sales and marketing, and to assist development and support services within the Company so that it can establish a dominant role in the UK and expand into overseas markets. Business at 1999 year end was strong with three hundred and fifty six stores constructed at that time. Associated Newspapers Ltd (ANL), publishers of the Daily Mail, Evening Standard and METRO are investing £6 million in the Company. The new shares were priced at £14.36 per share, representing an uplift of one hundred and seven per cent and fifteen per cent on TriVen's investments in September and December, respectively. An IPO is planned for second or third quarter of 2000.

#### **SparesFinder.com**

This is a subscription based, business to business model allowing large industrial companies (e.g. gas, oil etc) with mission critical fixed assets to optimise the control of their spare parts. Using either Intranet or Extranet they are able to locate spare parts world-wide and in a matter of a few hours, stock files can be loaded onto the Company's software which, via the Internet, can be made available securely to other subscribers. The intention is to contribute to a significant broadening of the sales team and agency network before considering an early IPO.

This business-to-business e-commerce "vertical" start-up has secured fifty eight active client sites to date.

Aberdeen Shipping Company (ASCo), the dominant player in shipment and parts logistics, has agreed terms to invest up to £1.5 million in Sparesfinder. A major corporate action was completed on 28 January, when the Company acquired Horizon Consultants, the New Zealand-based originators of the Sparesfinder technology.

#### **Travelstore.com Group plc (formerly Eclipsis.com Group plc)**

Travelstore.com Group plc is a European Internet travel agency targeting small and medium sized businesses. The Company has developed the software required to operate its business and its website went on-line on 27 January 1999. The investment is to help finance the marketing of the site.

Travelstore (TS) is developing as the leading provider in Europe of branded on-line travel services; airline tickets, car hire and hotels for independent business travellers (i.e. B2B). Its target market is small to medium businesses which its management believes are poorly served by existing off-line businesses, principally in the UK, Germany, France and Sweden. It currently has twenty five thousand registered users and aims to increase this number to over five hundred thousand by 30 June 2000. An IPO is planned for later this year.

#### **21store.com plc**

21store is an on-line retailer of modern, handheld, digital devices, such as PDA's (personal digital assistants), GPS (global positioning systems) digital cameras and mobile phones. The investment is to help upgrade its website.

In December 1999, sales rose substantially in both the US and UK. Business plans are to attain revenues of £9 million in 2000, rising to fifty four million in 2002, with an increased profit margin.

The company hopes to list on AIM in summer 2000.

## **GLE DEVELOPMENT CAPITAL LIMITED**

#### **Connaught plc**

Connaught is a Facilities Management and Services group which provides a comprehensive range of maintenance, specialist, light refurbishment and commercial fit-out services to owners and occupiers of buildings. TriVen's investment was made to help finance the acquisition of Brompton Cleaning Services in July 1999. Brompton provides commercial and industrial cleaning services in the South East of England. It is planned to expand this business geographically and to cross-sell the services to other clients.

Connaught won the Best Newcomer to AIM Award at the PricewaterhouseCoopers AIM Awards dinner in October 1999.

#### **Glencora Holdings Limited**

Glencora is the holding company for two businesses specialising in the supply, installation and maintenance of IT systems. The group's original subsidiary, Orion Systems, supplies software which automates the process of producing, managing and downloading the control programs required by computerised machine tools.

TriVen's investment financed the acquisition of Hardcat Systems (UK) Limited, a leading supplier of asset management software packages. Hardcat's software uses barcode technology to enable users, typically large financial services businesses, to maintain records of the location, performance and life cycles of assets.

#### **Higher Nature Limited**

Higher Nature Limited was established in 1994 and operates in the growing market for quality food supplements. It sells a range of naturally derived health food supplements and medicines to mail order customers, practitioners, retail health food stores, pharmacies and distributors. It operates from purpose-built premises in East Sussex and employs over 50 staff.

TriVen provided investment for the acquisition of The Natural Medicine Company Limited, which was established to develop and test natural medicine products with a view to applying for licences leading to commercial exploitation and marketing on a world-wide basis.

#### **Michco 177 Limited (trading as Handfuls)**

Michco 177 Limited is based in the West Country and operates in the fast food and snack market, making and selling a selection of sandwiches, rolls and salads to multiple chains of convenience stores, garages, leisure centres, universities and colleges. TriVen's investment was used to finance acquisitions of similar businesses in the region.

Following the first acquisition in 1999 significant integration of operations has taken place enabling substantial cost savings to be made. The company's Exeter factory is being rebuilt and modernised in preparation for a further acquisition.

### **LICA DEVELOPMENT CAPITAL LIMITED**

#### **Caxton Publishing Group Limited**

Caxton Publishing Group Limited is in the reprint and remaindering sector of book publishing. The company specialises in reprinting copyright editions for leading publishers and also controls the copyright on several important editions. The investment financed the buy-out of Caxton Books and provided additional working capital.

In November 1999, Caxton acquired Brockhampton Press for a nominal consideration. The combined group had a turnover of £1.8 million in the first four months of trading, with tangible net assets £2.2 million.

#### **HLM Limited (Hampshire Laminating Machinery)**

HLM design, manufacture and service heated vacuum presses and continuous production processes for all composite components for the aerospace and other industries.

The investment by TriVen has enabled HLM to acquire modern freehold office and manufacturing premises in Andover at a favourable cost. Since investment, HLM has received orders from Alenia and CASA for equipment to manufacture wing spars for the Typhoon Eurofighter, and also from Russia, China and Japan amongst others, with strong interest growing in America.

#### **LeSac Limited**

LeSac Limited is commercialising patented packaging equipment and packaging products offering significant advantages over existing solutions. The technology consists of a polythene bag offering the benefits of space efficiency and flexibility when empty and rigidity when full.

The funding was provided for additional working capital and funding new machines. The company has now commissioned its second ten-litre machine and the installed capacity is now around 2,500,000 bags per annum. Discussions are ongoing with a number of customers regarding long-term contracts.

#### **Watkins Books Limited**

Watkins, founded in 1897, is the leading niche retailer in the world in humanistic studies. Watkins is potentially a global brand, given the leverage that can now be provided on the worldwideweb. It is also planned to re-launch Watkins as an important publishing imprint in its sector, and to distribute titles and content over the web. It has operated from the same premises in London's West End for over one hundred years.

The investment financed the buy-out of Watkins Books and provided working capital for re-launching the publishing imprint. The first list for the re-launch of the Watkins imprint is being commissioned and will launch in autumn 2000. The refurbishment of the existing retail store has commenced with a rejuvenated layout and updated systems.

#### **Zynergy Group Limited**

Zynergy is an important new global medi-tech organisation exploiting its fully developed materials, coatings and other technologies. These revolutionary technologies enable and enhance Zynergy's proprietary products in high value sectors, namely minimally invasive cardiology, balloons, stents, orthopaedics and other critical areas, with respiratory and urology applications set to follow. The investment enabled the acquisition of Zynergy Core Technology. Further funding is being used on applied developments for new products.

Zynergy has obtained CE mark and US FDA 510k approvals for its first generation (non-steerable) catheter products. A conformal catheter capable of mapping the heart in three heartbeats and angioplasty catheters are well-advanced.

# Corporate Governance

Throughout the period under review, the Company has complied with the provisions set out in Section 1 of the Combined Code on Corporate Governance. The Board regularly reviews the independence of its members. The Board consists of 5 non-executive directors all of whom are wholly independent of the Company's investment managers.

## Internal Control

The Company has adopted the transitional approach for the internal control aspects of the Code as set out in the letter from the London Stock Exchange to listed companies at the end of September 1999. The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control Guidance for Directors on the Combined Code".

The Board of Directors acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

It has identified three particular areas of risk to the Company, which require to be addressed by an effective system of internal control. They are compliance risks, financial risks and investment risks.

The Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

## Compliance

Compliance risks are assessed and monitored at each quarterly Board Meeting by the Board as a whole. In particular, the Company's progress towards fulfilling the statutory requirements of a Venture Capital Trust are monitored carefully. In this regard, the advice of PricewaterhouseCoopers, as VCT Status Adviser, is closely followed. In addition, the Board has met with the Compliance Officer of Matrix-Securities Limited to review the effectiveness of its Secretarial services to the Company.

## Investment Committee

The Investment Committee of the Board has assessed and monitored the investment risks to which the Company is exposed. In particular, with regard to proposed new investments, it has issued Investment Guidelines to each of the three Venture Capital Managers, which are shown below:

1. Does the proposed investment fall within the investment remit of the particular Manager, as described in the Prospectus?
2. Does the proposed investment add or detract from the diversity of risk within the overall portfolio?
3. Is the proposed size of the investment appropriate in relation to its potential risks and rewards and in relation to the overall portfolio?
4. Do the terms of the proposed transaction adequately reflect the potential risks and rewards of the investment?

The Investment Committee has maintained a dialogue with the three Venture Capital Managers throughout the period under review. Adherence to the Investment Guidelines has been carefully monitored. In addition, the Board as a whole has interviewed each of the Venture Capital Managers on the progress of their separate portfolios of shares. In particular, the need for investments to continue to qualify as Inland Revenue approved Venture Capital Investments has been emphasised.

The Board has required each of the Managers to value the investments within their portfolios in line with BVCA guidelines and to alert the Board of any likely material change in valuation.

**Audit Committee**

The Audit Committee of the Board has assessed and monitored the financial risks to which the Company is exposed. It has reviewed the draft Accounts of the Company and has met with the Company's Auditors, PricewaterhouseCoopers.

**Remuneration Committee**

The Company has no employees or executive directors and consequently does not have a remuneration committee.

**Going Concern**

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the Company has adequate resources to continue in operational existence for the foreseeable future.

**Investor Relations**

Communications with shareholders are given high priority. All shareholders are welcome to attend the Annual General Meeting.

The Board has reviewed the need for an internal audit function and has decided, in its absence, to apply the other monitoring processes as described above.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 at the end of the financial period and of the total return and cash flow for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# Directors' Report

The directors present their Annual Report and the audited financial statements of the Company for its initial period ended 31 January 2000.

## Business and principal activities

The Company was incorporated as a public limited company on 29 January 1999 and its shares were first listed on the London Stock Exchange on 9 March 1999.

The principal business of the Company during the year was investment in unquoted companies in the United Kingdom. It is an investment company as defined in section 266 of the Companies Act 1985 and has been granted provisional approval by the Inland Revenue under section 842A of the Income and Corporation Taxes Act 1988 as a Venture Capital Trust. The Directors intend to continue to manage the affairs of the Company in compliance with this section.

## Issue of shares

The Company was incorporated on 29 January 1999 with an authorised share capital of £4,000,000 divided into 79,000,000 ordinary shares of 5 pence each (of which 200 were issued fully paid at a subscription price of £1 each to the subscribers to the Memorandum of Association) and 1,000,000 redeemable preference shares of 5 pence each. On 2 February 1999, so as to enable the Company to obtain a certificate under section 117 of the Companies Act 1985, Matrix-Securities Limited was allotted 1,000,000 Redeemable Preference Shares paid up as to one quarter. The Redeemable Preference Shares were paid up in full on 1 April 1999, and redeemed by the Company out of the proceeds of the Offer. The authorised but unissued share capital thereby created was automatically redesignated as ordinary shares pursuant to the Articles of Association. In accordance with the terms of the offer for Subscription dated 8 February 1999 up to 60,000,000 ordinary shares of 5 pence each were offered for subscription. Between 9 March 1999 and 30 June 1999 a total of 19,095,179 ordinary shares were issued at a price of £1 per share raising a total of £19,095,179.

## Results and dividend

Capital return after Investment Advisers and Managers fees, net of taxation, was £3,114,468. The revenue return attributable to equity shareholders for the year was £343,649 after taxation and the Directors will be proposing a dividend to equity shareholders of 1.55 pence per ordinary share at the Annual General Meeting on 18 May 2000 payable in August 2000. This leaves £47,674 for transfer to reserves.

## Directors

On 29 January 1999 David Valentine Atterton CBE (Chairman) and Graeme Andrew Yule MacLennan were appointed the first directors of the Company and on 4 February 1999 Colin Peter Hook, Gordon James Howe and Prudence Margaret Leith OBE were appointed to the Board. David Atterton will be seeking re-election at the forthcoming Annual General Meeting.

The Directors interests in the ordinary shares of 5 pence each of the Company, issued at £1 each, were as follows at 31 January 2000:

### Ordinary shares at 31 January 2000

David V Atterton	50,000
Colin P Hook	10,000
Gordon J Howe	10,000
Prudence M Leith	15,000
Graeme A Y MacLennan	10,000

There have been no changes in the Directors' share interests between the year end and the date of this report. David Atterton, Colin Hook and Graeme MacLennan comprise the Investment Committee and Colin Hook, Gordon Howe and Graeme MacLennan comprise the Audit Committee.

Neither any director has a contract of service with the Company, nor did any contract exist during or at the end of the period in which any director was materially interested and which was significant in relation to the Company's business.

### **Management**

Elderstreet Investments Limited, GLE Development Capital Limited and LICA Development Capital Limited act as investment advisers to the Company. The principal terms of the Company's Investment Services Agreement with the three advisers are set out in note 3 to the Financial Statements. Cazenove Fund Management Limited have entered into a discretionary client agreement to manage the Company's portfolio of gilts and other fixed interest securities. The principal terms of the Company's Management Agreement with Cazenove Fund Management Limited is set out in note 3 to the Financial Statements.

Matrix-Securities Limited provides certain administration and company secretarial services to the Company.

### **VCT status monitoring**

The Company has retained PricewaterhouseCoopers to advise it on compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers review new investments opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

### **Year 2000**

Matrix-Securities Limited are responsible for maintaining the Company's accounting records, which are held on a computer system. The Directors have received assurances from Matrix-Securities Limited that its systems are Year 2000 compliant and have experienced no problems as at the date of publication of this report. Following a complete audit of all hardware and software, the Company's Registrars, IRG plc, have reported that their core registration software was found to be compliant. TriVen will not bear any additional costs associated with ensuring that systems continue to cope with Year 2000 issues. In addition, the Directors intend to monitor the ability of external suppliers and investee companies to handle Year 2000 on an ongoing basis.

### **Substantial shareholdings**

At the date of this report the Company was not aware of any individual shareholdings exceeding 3% of the issued share capital.

### **Creditors payment policy**

The Company's policy is to pay all creditors' invoices within thirty days of the invoice date, or as otherwise agreed. At 31 January 2000 the Company did not have any trade creditors.

### **Annual General meeting**

A notice and a proxy form for the Annual General Meeting, which will be held at 12 noon on 18 May 2000, are set out at the back of this report.

### **Auditors**

PricewaterhouseCoopers were appointed as auditors of the Company on incorporation and have expressed their willingness to continue in office. Resolutions to re-appoint them and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

  
Matrix-Securities Limited  
Secretaries

19 April 2000

# Auditors Report

We have audited the financial statements on pages 14 to 21 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 16.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 10, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 9 and 10 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

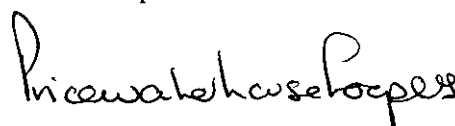
## Basis of opinion

We conducted our audit in accordance with 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 Company's circumstances, 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 the Company's affairs at 31st January 2000 and of its total return and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

19 April 2000

# Statement of Total Return

(incorporating the Revenue Account\*)  
of the Company for the period ended 31st January 2000

	Notes	Revenue (£)	Capital (£)	Total (£)
Realised gains on investments		-	95,638	95,638
Realised losses on fixed interest securities			(65,894)	(65,894)
Unrealised gains and losses on investments		-	3,253,663	3,253,633
Income	2	761,530	-	761,530
Investment management fees	3	(70,391)	(211,174)	(281,565)
Other expenses	4	(231,427)	-	(231,427)
<b>Return on ordinary activities before taxation</b>		459,712	3,072,233	3,531,945
Taxation on ordinary activities	6	(116,063)	42,235	(73,828)
<b>Return attributable to equity shareholders</b>		343,649	3,114,468	3,458,117
Dividend in respect of equity shares		(295,975)	-	(295,975)
<b>Transfers to reserves</b>		47,674	3,114,468	3,162,142
<b>Return per Ordinary Share</b>	7	1.88p	16.99p	18.87p

All revenue and capital items in the above statement are derived from continuing operations

# Balance Sheet

		As at 31st January 2000	
	Notes	£	£
<b>Fixed Assets</b>			
Investments	8		19,480,553
<b>Current Assets</b>			
Debtors and prepayments	9	359,301	
Cash at Bank		1,953,240	
		<u>2,312,541</u>	
<b>Creditors</b>			
Amounts falling due within one year	10	(442,795)	
Net current assets			<u>1,869,746</u>
<b>Net assets</b>			<u><b>21,350,299</b></u>
<b>Capital and reserves</b>			
Called-up share capital	12		954,759
Share premium account	13		17,233,398
Capital reserves	13		3,114,468
Revenue reserves	13		47,674
			<u><b>21,350,299</b></u>
<b>Net asset value per share</b>			
For Ordinary Shares of 5p each			111.8p

*L. M. J. MacLennan, Director.*  
19 April 2000

# Statement of Cash Flow

	Notes	£	£
<b>Operating activities</b>			
Net investment interest - non-qualifying		349,039	
Investment management fees paid		(250,775)	
Other cash payments		(136,034)	
Net cash outflow from operating activities	16		<u>(37,770)</u>
<b>Investing activities</b>			
Acquisition of investments	8	(21,273,697)	
Disposal of investments	8	5,076,550	
Net cash outflow from investing activities			<u>(16,197,147)</u>
Cash outflow before financing and liquid resource management			(16,234,917)
<b>Financing</b>			
Issue of Ordinary Shares			<u>18,188,157</u>
Increase in cash			<u>1,953,240</u>

# Notes to the Accounts

## 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below

### a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies'.

### b) Investments

Listed investments and investments traded on AIM are stated at middle market prices as at 31 January 2000. Unlisted investments are stated at Directors' valuation, in accordance with the British Venture Capital Association ("BVCA") guidelines. The Directors' policy in valuing unlisted investments is to carry them at cost except in the following circumstances:

- Where a company's under performance against plan indicates a diminution in the value of the investment, provision against cost is made as appropriate in bands of 25%;
- Where a company is well-established and profitable, the shares may be valued by applying a suitable price-earnings ratio to that company's historic post-tax earnings (the ratio used being based on a comparable listed company or sector but discounted to reflect lack of marketability);
- Where a value is indicated by a material arms-length transaction by a third party in the shares of a company.

Unquoted investments will not normally be revalued upwards for a period of at least twelve months from the date of acquisition.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

### c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's rights to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Fixed returns on debt securities are recognised on a time-apportioned basis so as to reflect the effective yield.

### d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate, and with the further exception that 75% of the fees payable to the investment managers are charged against capital.

### e) Taxation

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

## 2 Income

	2000 (£)
Interest receivable	
- from fixed interest securities	502,522
- from loan stock	85,499
- from bank deposits	173,509
	<u>761,530</u>

### 3 Investment advisers' and manager's fees

	Revenue 2000	Capital 2000	Total 2000
	£	£	£
LICA Development Capital Limited	25,900	77,702	103,602
GLE Development Capital Limited	25,900	77,702	103,602
Elderstreet Investments Limited	14,651	43,951	58,602
Cazenove	3,940	11,819	15,759
	<b>70,391</b>	<b>211,174</b>	<b>281,565</b>

LICA Development Capital Limited, GLE Development Capital Limited and Elderstreet Investments Limited advise the Company on investments in qualifying companies under an agreement dated 8 February 1999. The agreement is for an initial period of three years and thereafter until their appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period.

Cazenove Fund Management ("Cazenove") manages the Company's portfolio of gilts and other fixed interest securities under an agreement dated 8 February 1999. The agreement may be terminated by either party with immediate effect. Cazenove receives an annual fee of 0.15% of funds under management, with a minimum of £10,000 per annum plus VAT.

### 4 Other expenses

	2000
	£
Directors' remuneration (including NIC)	72,176
IFA trail commission	65,164
Administration fees	46,669
Broker's fees	4,406
Auditors' fees - audit	10,000
- other	12,882
Registrar's fees	4,142
Printing	9,522
Other expenses	6,466
	<b>231,427</b>

### 5 Directors' remuneration

	2000
	£
David Atterton CBE	16,667
Colin Hook	14,583
Gordon Howe	10,417
Prudence Leith OBE	10,417
Graeme MacLennan	14,583
Directors' emoluments	66,667
Employer's NIC	5,509
	<b>72,176</b>

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable.

The Company has no employees other than directors.

## 6 Taxation on ordinary activities

2000  
£

Based on the profit for the period:

UK corporation tax at 23.53% 73,828

Tax relief relating to investment management fees is allocated between Revenue and Capital in the same proportion as such fees.

## 7 Return per Ordinary Share

The revenue return per Ordinary Share is based on the net revenue from ordinary activities after taxation of £343,649 and on 18,330,553 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The capital return per Ordinary Share is based on net realised capital losses of £139,195, after taxation and attributable expenses, on net unrealised capital gains of £3,253,663 and on 18,330,553 Ordinary Shares.

## 8 Investments

Movements in investments during the year are summarised as follows:

	Traded on AIM	Unlisted or traded on OFEX	Preference shares	Loan stock	Fixed interest securities	Total
Purchases at cost	560,400	4,620,113	10,000	2,742,950	13,340,234	21,273,697
Sales - proceeds	(210,153)	-	-	-	(4,866,397)	(5,076,550)
- realised gains/(losses)	95,639	-	-	-	(65,895)	29,744
Unrealised gains/(losses)	3,502,014	-	-	-	(248,352)	3,253,662
Cost/valuation at 31st January 2000	<u>3,947,900</u>	<u>4,620,113</u>	<u>10,000</u>	<u>2,742,950</u>	<u>8,159,590</u>	<u>19,480,553</u>
Book cost at 31st January 2000	445,886	4,620,113	10,000	2,742,950	8,407,942	16,226,891
Unrealised gains/(losses) at 31st January 1999	3,502,014	-	-	-	(248,352)	3,253,662
	<u>3,947,900</u>	<u>4,620,113</u>	<u>10,000</u>	<u>2,742,950</u>	<u>8,159,590</u>	<u>19,480,553</u>

## 9 Debtors

2000  
£

Amounts due within one year

Accrued interest 358,216

Prepayments 1,085

359,301

**10 Creditors: amounts falling due within one year**

	<b>2000</b>
	<b>£</b>
UK Corporation tax	19,552
Accruals	127,268
Proposed dividend	295,975
	<u>442,795</u>

**11 Significant interests**

At 31st January 2000 the Company held significant investments, amounting to 10% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment	Investment in loan stock and	Total investment preference shares (£)	Percentage of investee company's total equity
Caxton Publishing Group Limited	1,000,000	-	1,000,000	49.0%
Watkins Books Limited	112,050	637,950	750,000	42.8%
Glencora Holdings Limited	240,000	560,000	800,000	37.5%
HLM Limited	250,000	300,000	550,000	36.0%
Michco 177 Limited	115,000	255,000	370,000	25.0%
Higher Nature Limited	250,000	500,000	750,000	15.0%

It is considered that, as permitted by FRS9, "Associates and Joint Ventures", the above investments are held as part of an investment portfolio, and that, accordingly, their value to the company lies in their marketable value as part of that portfolio, rather than as media through which the company carries out its business. In view of this, it is not considered that any of the above represent investments in associated undertakings.

**12 Called up share capital**

	<b>2000</b>
	<b>£</b>
Authorised:	
Redeemable Non-Voting shares of 5p each: 1,000,000	50,000
Ordinary Shares of 5p each: 79,000,000	3,950,000
	<u>4,000,000</u>
Issued:	
Redeemable Non-Voting shares of 5p each	-
Ordinary Shares of 5p each: 19,095,179	<u>954,759</u>

**13 Reserves**

	Share premium account £	Capital reserve (realised) £	Capital reserve (unrealised) £	Revenue reserve £
At beginning of the period	-	-	-	-
Premium on issues of shares during the period	18,140,420	-	-	-
Profit on disposal of investments	-	29,744	-	-
Increase in unrealised appreciation	-	-	3,253,663	-
Other expenses net of taxation	-	(168,939)	-	-
Expenses of share issue	(907,022)	-	-	-
Retained net revenue for the period	-	-	-	47,674
At 31 January 2000	<b>17,233,398</b>	<b>(139,195)</b>	<b>3,253,663</b>	<b>47,674</b>

**14 Reconciliation of movements in shareholders' funds**

	2000 £
<b>Net finance raised</b>	
Issues of Ordinary Shares	19,095,179
Expenses of issue	(907,022)
Redemption of shares	-
Total recognised gains and losses for the period	3,458,117
Dividends on equity shares	(295,975)
	<b>21,350,299</b>

**15 Net asset value per Ordinary Share**

Net asset value per Ordinary Share is based on net assets at the end of the period and on 19,095,179 Ordinary Shares, being the number of Ordinary Shares in issue on that date.

**16 Reconciliation of net revenue before taxation  
to net cash outflow from operating activities**

	2000 £
Net revenue before taxation	459,712
Taxation deducted at source on investment income	(54,275)
Investment management fees charged to capital	(211,174)
Increase in debtors	(359,301)
Increase in creditors and accruals	127,268
Net cash outflow from operating activities	(37,770)

**17 Analysis of changes in net funds**

	Cash (£)	Liquid funds (£)	Total (£)
At beginning of the period	-	-	-
Cash flows	53,731	1,899,509	1,953,240
At 31st January 2000	53,731	1,899,509	1,953,240

## 18 Management of Risk

The Company's financial instruments comprise:

- Equity and non-equity shares and fixed interest securities that are held in accordance with the Company's investment objective as set out on page 5 of the Investment Managers' Review.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

It is and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

### Risk

**Credit Risk:** Failure by counterparties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered.

**Market Price:** Quoted equities and fixed interest stocks have values which are determined by market forces.

**Interest Rate:** Assets and net revenue may be affected by interest rate movements.

### Management of Risk

All transactions are settled on the basis of delivery against payment.

The Board manages the market price risk inherent in the Company's portfolio by ensuring full and timely access to relevant information from the Managers. The investment committee meets regularly and reviews the investment performance and financial results, as well as compliance with Company's objectives.

The Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board.

### Financial Assets

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 31st January 2000 was:

	Fixed rate financial assets	Weighted average interest rate	Weighted average period for which rate is fixed
Sterling short-term fixed	2,877,971	7.65%	217 days
Sterling long-term fixed	5,529,971	7.51%	881 days
Other	2,742,950	8.04%	1,349 days

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.