

# GATEWAY VCT plc

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# GATEWAY VCT plc

## Financial Summary

	<b>6 months ended 30 September 2007 (unaudited)</b>	<b>6 months ended 30 September 2006 (unaudited)</b>	<b>Audited Year ended 31 March 2007</b>
Net asset value at period end before distributions	41.86p	53.61p	47.41p
Net asset value after distributions	41.86p	52.61p	47.41p
Loss per share for the period	0.31p	0.61p	13.07p

# **GATEWAY VCT plc**

## **Directors and Advisers**

### **DIRECTORS**

M Teacher  
D Svendsen  
G Woolfman  
N Metcalfe

All directors are non-executive

### **COMPANY SECRETARY**

Cavendish Square Secretariat  
Chelsea House  
West Gate  
London  
W5 1DR

### **REGISTERED OFFICE**

Chelsea House  
West Gate  
London  
W5 1DR

### **SOLICITORS**

Howard Kennedy  
19 Cavendish Square  
London  
W1A 2AW

### **AUDITORS**

Grant Thornton UK LLP  
1 Westminster Way  
Oxford  
OX2 0PZ

### **INVESTMENT ADVISERS**

Gateway Advisory and Management LLP  
Chelsea House  
Westgate  
London  
W5 1DR  
Tel: 020 8991 4577

### **REGISTRARS**

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA  
Tel: 0870 1623131

### **VCT TAXATION ADVISERS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

Registered in England, Company No. - 03930317

## Chairman's Report

We report the half yearly results for the six months ended 30 September 2007. When taking into account the realised and unrealised movements on both the listed and unlisted investments, there are total losses recognised during the period of £755,000 (2006: recognised losses of £498,000). A statement of total recognised gains and losses is set out on page 5. The shareholders' funds at 30 September were £5.689 million representing 41.86p per share. This represents a reported reduction of 5.55p per share from the year end position at 31 March 2007.

During the period, having adjusted for purchases and sales of holdings, the movement in valuation of the listed technology stocks portfolio increased by approximately 5%. This portfolio is being managed with a view to realising stocks when appropriate.

Excluding the listed stocks portfolio mentioned above, approximately 37% (at bid price) of the market valuation of the overall Investment Portfolio is quoted either on AIM, the UK main market or on the Frankfurt Stock Exchange, comprising holdings in eight companies. Other than Vectura, the portfolio consists entirely of smaller technology related companies, and its value fell by approximately 26.5% over the period. The unrealised reduction in value was nearly all concentrated in three holdings, Pilat Media Global, Vectura and Sarantel.

Pilat Media Global announced in early September that they were lowering expectations for the current year, as expected revenues from new contracts had not come through as anticipated. However, they stated they were confident that the majority of these revenues will flow through in 2008, and that revenues will resume an upward trend from Q4 2007 into 2008 in the light of the opportunities now under discussion.

In July 2007 Vectura's shares were admitted to trading on the Official List. During the period Vectura issued a number of announcements in relation to new product developments and positive results from clinical studies.

During the period Sarantel announced it raised £2.1m of new funding before expenses, and subsequently, that it had secured two design wins in the GPS tracker market.

However, despite these companies announcing progress, as with other holdings within the portfolio, they can be subject to negative market sentiment and share price volatility.

A significant event occurred during the period when Burgundy Global Limited entered Administration in May 2007. This was fully reported and provided for within the Annual Report and Accounts, and to date we have no further information in relation to the potential recovery of value.

As stated in the Annual Report, the Board has been considering the future strategy of the Company and the strategic alternatives open to it as a Venture Capital Trust. Having considered the alternatives, the Board has concluded that it is not in the best interest of shareholders for the Company to continue as a self-managed Venture Capital Trust. The nature of the venture capital market, and the limited resources available for the independent management of a VCT of the Company's size, has led the Board to conclude that the Company should either benefit from being stewarded by a newly appointed and experienced management group, or return funds to shareholders over an appropriate period through a winding-up.

The Board has explored the viability and attractiveness of benefiting from new management and resource, through merger with another VCT, where merger terms would be based upon relative net asset values. However, such a transaction would incur costs for the Company (and thereby reduce shareholder value), and is unlikely to facilitate either significant liquidity in the Company's shares in the future, or an exit on attractive terms for any shareholder who wishes to realise their holding in such a transaction. The Board has also considered the alternative of appointing one of the larger and established VCT management groups as investment manager to the Company going forward. This has the advantage of obtaining new management and repositioning investment policies without the transaction costs of a full merger. However, the constraints on shareholders who wish to dispose of their shares in the short term are also likely to apply.

The Board is of the view that shareholders should be offered a choice; the opportunity to have such value as can be realised and returned to them through the liquidation of the Company's investments, or the alternative whereby shareholders could have a continuing interest in an ongoing VCT investment vehicle. The Board intend, therefore, to send a circular to shareholders within the next few weeks, setting out the proposals for either the winding-up of the Company or the appointment of an alternative VCT investment manager with significant market presence.

**Michael Teacher**  
**CHAIRMAN**  
20 November 2007

# GATEWAY VCT plc

## Profit and Loss Account

	Unaudited 6 months ended 30 September 2007	Unaudited 6 months ended 30 September 2006	Audited Year ended 31 March 2007
	£000	£000	£000
(Loss)/profit on realisation of investments	-	(14)	20
Impairment of investments	-	-	(1,669)
Investments income	59	59	105
Investment management fees	(53)	(67)	(156)
Other expenses	(48)	(61)	(78)
<b>Loss on ordinary activities before taxation</b>	<b>(42)</b>	<b>(83)</b>	<b>(1,778)</b>
Taxation on loss on ordinary activities	-	-	-
<b>Loss on ordinary activities after taxation</b>	<b>(42)</b>	<b>(83)</b>	<b>(1,778)</b>
Loss per share	(0.31)p	(0.61)p	(13.07)p

## Statement of total recognised gains and losses

	Unaudited 6 months ended 30 September 2007	Unaudited 6 months ended 30 September 2006	Audited Year ended 31 March 2007
	£000	£000	£000
Loss on ordinary activities after taxation	(42)	(83)	(1,778)
Unrealised (loss)/gain on revaluation of investments	(713)	(435)	573
Previous unrealised losses realised in the period	-	20	-
<b>Total losses recognised during the period</b>	<b>(755)</b>	<b>(498)</b>	<b>(1,205)</b>

## Note of historical cost profits and losses

	Unaudited 6 months ended 30 September 2007	Unaudited 6 months ended 30 September 2006	Audited Year ended 31 March 2007
	£000	£000	£000
Loss on ordinary activities before taxation	(42)	(83)	(1,778)
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(42)</b>	<b>(83)</b>	<b>(1,778)</b>
Historical cost loss on ordinary activities retained	(42)	(83)	(1,778)

# GATEWAY VCT plc

## Balance Sheet

	Unaudited 6 months ended 30 September 2007	Unaudited 6 months ended 30 September 2006	Audited Year ended 31 March 2007
	£000	£000	£000
Investments	5,656	7,076	6,369
Net current assets	33	75	75
<b>Net assets</b>	<b>5,689</b>	<b>7,151</b>	<b>6,444</b>
<b><u>Capital and Reserves</u></b>			
Called-up share capital	679	679	679
Special distributable reserve	8,102	8,102	8,102
Capital redemption reserve fund	1	1	1
Revaluation reserve	(748)	(1,058)	(35)
Profit and loss account	(2,345)	(573)	(2,303)
<b>Total shareholders' funds</b>	<b>5,689</b>	<b>7,151</b>	<b>6,444</b>
<b>Net asset value per ordinary share</b>	<b>41.86p</b>	<b>52.61p</b>	<b>47.41p</b>

## Changes in Equity

	Unaudited 6 months ended 30 September 2007	Unaudited 6 months ended 30 September 2006	Audited Year ended 31 March 2007
	£000	£000	£000
Shareholders' funds at beginning of period	6,444	7,649	7,649
Total losses recognised in the period	(755)	(498)	(1,205)
	<b>5,689</b>	<b>7,151</b>	<b>6,444</b>

# GATEWAY VCT plc

## Cash Flow Statement

	Unaudited 6 months ended 30 September 2007		Unaudited 6 months ended 30 September 2006		Audited Year ended 31 March 2007	
	£000	£000	£000	£000	£000	£000
<b>Net cash outflow from operating activities</b>		(13)		(78)		(163)
<b>Capital expenditure and financial investments</b>						
Purchase of investments	-		(6)		(7)	
Sale of investments	-		36		95	
<b>Net cash inflow from financial investments</b>		-		30		88
<b>Decrease in cash at bank</b>		<u>(13)</u>		<u>(48)</u>		<u>(75)</u>
<b>Analysis of cash balance</b>						
At 1 April		119		194		194
Net cash outflow for the period		(13)		(48)		(75)
<b>Cash balance at period end</b>		<u>106</u>		<u>146</u>		<u>119</u>

### Notes :-

1. The financial information given above does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year ended 31 March 2007 have been extracted from the financial statements for that period; the auditors' report on those financial statements under section 235 of the Companies Act 1985 was unqualified.

The comparative figures at 30 September 2006 have been restated to conform with the presentation adopted in the 2007 annual report as a result of the implementation of new accounting standards. This restatement had no effect on net assets or net asset value per share.

2. Loss per share is based on 13,591,734 ordinary shares, being the weighted average number of shares in issue for this period.
3. The net asset values per Ordinary Share are based on 13,591,734 shares in issue at each of the period ends.
4. Copies of the Half-yearly financial report are being sent to shareholders and can be obtained from the registered office: Chelsea House, West Gate, London, W5 1DR.
5. The Statements have been prepared based on accounting policies as set out within the Annual Report and Accounts for the year ended 31 March 2007.
6. No provision for taxation has been made in relation to the losses incurred on ordinary activities.

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7. The directors confirm that:

- i. the condensed set of financial statements have been prepared in accordance with the Statement: Half-yearly financial reports issued by the UK Accounting Standards Board;
- ii. the interim management 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 the 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 may have materially effected 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.

# GATEWAY VCT plc

## Investment Portfolio

Holding	Per unaudited Balance Sheet as at 30 September 2007			
	Cost £	Valuation £	% of Net Assets	Gain/ (Loss) £
<b>Qualifying Investments</b>				
<b>Listed Overseas</b>				
Medigene AG	54,478	581,066	190,150	3.34 (390,916)
<b>AIM</b>				
Galapagos Genomics NV	9,868	127,200	45,886	0.81 (81,314)
OMG plc	233,333	175,000	128,333	2.26 (46,667)
Deltex Medical plc	800,000	200,000	162,000	2.85 (38,000)
Sarantel Group plc	2,452,448	810,223	147,147	2.59 (663,076)
Pilat Media Global plc	1,200,000	240,000	516,000	9.07 276,000
ANGLE plc	126,582	100,000	49,368	0.87 (50,633)
<b>Official List</b>				
Vectura Group plc	1,147,035	553,165	831,600	14.62 278,436
<b>Unlisted</b>				
Jacobs Rimell Ltd	246,489	943,930	850,000	14.93 (93,929)
Burgundy Global Ltd - ordinary B shares	147,058	750,000	-	- (750,000)
Burgundy Global Ltd - ordinary C shares	217,392	100,000	-	- (100,000)
Burgundy Global Ltd - loan notes of £1 each	500,000	500,000	-	- (500,000)
Networks by Wireless Ltd	700,000	700,000	700,000	12.30 -
<b>Qualifying Investments Sub Total</b>		<b>5,780,584</b>	<b>3,620,484</b>	<b>63.64 (2,160,099)</b>
<b>Unlisted</b>				
Gateway Advisory and Management LLP	1	1	1	- -
<b>Non-Qualifying Investments</b>				
Quoted Stocks		693,776	513,232	9.02 (180,546)
Gilts – Treasury 5.75% 2009		1,597,895	1,522,650	26.76 (75,245)
<b>Non Qualifying Investments -Sub Total</b>		<b>2,291,671</b>	<b>2,035,882</b>	<b>35.78 (255,791)</b>
<b>Total Investment Portfolio</b>		<b>8,072,256</b>	<b>5,656,367</b>	<b>99.42 (2,415,890)</b>

### Notes:-

- Balance sheet values in respect of quoted stocks have been calculated using bid market prices.
- Unquoted investments are stated at historic cost or fair value (as per the International Private Equity and Venture Capital Valuation guidelines) unless, in the opinion of the directors, there has been a diminution in value, in which case this has been provided for.
- Shares are non-qualifying if they have been acquired in the market rather than as a result of a new issue.