

# ProVen VCT plc

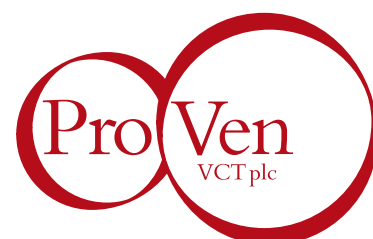
New Ordinary Share Offer

Securities Note (including application form)

Tax years 2011-12 and 2012-13



Managed by  
Beringea LLP



## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document, you should consult your bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on investment in shares and other securities without delay.

This document constitutes a securities note (the "Securities Note"). Additional information relating to the Company is contained in a registration document (the "Registration Document"). A brief summary conveying the essential characteristics of, and risks associated with, the Company and the new ordinary shares in the capital of the Company (the "New Ordinary Shares"), which are being offered for subscription (the "Offer"), is contained in a summary note (the "Summary"). The Securities Note, the Registration Document and the Summary together constitute a prospectus (the "Prospectus") dated 8 December 2011. The Prospectus has been prepared in accordance with the Prospectus Rules made under section 74 of FSMA and approved by the Financial Services Authority ("FSA") in accordance with section 84 of FSMA.

Persons receiving this document should note that, in connection with the Offer, Howard Kennedy is acting for the Company and no-one else and, subject to the responsibilities and liabilities imposed by FSMA, will not be responsible to any other person for providing the protections afforded to customers of Howard Kennedy nor for providing advice in connection with the Offer. Howard Kennedy is acting as sponsor of the Company in connection with the Offer, and is authorised and regulated in the United Kingdom by the FSA.

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to a premium listing on the Official List. Application will also be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective, and that dealings in the New Ordinary Shares will commence, within 10 Business Days of the issue of such New Ordinary Shares.

Your attention is drawn to the risk factors set out on page 4 of this document and to the terms and conditions of application set out on pages 44 to 46 of this document.

The Company and its Directors, whose names appear on page 50 of this document, accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

### Offer for Subscription

**To raise up to £15,000,000 by way of an issue of New Ordinary Shares in the Company at the Offer Price, payable in full in cash on application**

**ProVen VCT plc  
(Registered Number 3911323)  
(incorporated in England & Wales under the Companies Act 1985)**

The procedure for, and the terms and conditions of, application under this Offer are set out at the end of this document together with an Application Form.

Completed Application Forms must be posted or delivered by hand to the Receiving Agent, Beringea LLP, 39 Earlham Street, London WC2H 9LT. The Offer opens on 8 December 2011 and will close not later than 5.00 pm on 5 April 2012 in respect of the 2011/2012 Offer and not later than 5.00 pm on 31 May 2012 in respect of the 2012/2013 Offer, or as soon as the Offer is fully subscribed. The Directors, in their absolute discretion, may decide to increase the size of the Offer up to a maximum of £20,000,000, close the Offer earlier or extend the closing date of the 2012/2013 Offer.

This document should be read in conjunction with the Registration Document and the Summary, copies of which are available from the locations listed on page 40 of this document.

No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares unless, in such territory, such offer or invitation could lawfully be made.

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# Risk Factors

As a prospective Investor, there are a number of risk factors which you should be aware of before investing in the New Ordinary Shares. Prospective Investors should read the whole of the Prospectus and not rely solely on the information in the section entitled “Risk Factors”. The business and financial condition of the Company could be adversely affected if any of the following risks were to occur and as a result the trading price of the New Ordinary Shares could decline and Investors could lose part or all of their investment.

The Directors consider the following risks to be material for potential Investors, but the risks listed below do not necessarily comprise all those associated with an investment in the Company and are not set out in order of priority. Additional risks and uncertainties currently unknown to the Company (such as changes in legal, regulatory or tax requirements), or which the Company currently believes are immaterial, may also have a materially adverse effect on its financial condition or prospects or the trading price of the New Ordinary Shares.

The Directors draw the attention of potential Investors to the following risk factors which may affect the Company’s performance and/or the availability of tax reliefs:

- Prospective Investors should be aware that the value of the New Ordinary Shares may fluctuate and an Investor may not receive back the full amount originally invested, and there is no certainty as to any level of dividends.
- Levels, bases of, and relief from, taxation are subject to change. Such changes could be retrospective. The tax reliefs described are based on current legislation, practice and interpretation. The ability of Investors to secure the tax reliefs available to investors in VCTs depends on their individual circumstances.
- Changes in legislation concerning VCTs in general, and Qualifying Investments and Qualifying Trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives, and may reduce the returns to Investors.
- There can be no assurances that the Company will meet its objectives. The Company will face competition for investment opportunities and there can be no assurances that sufficient suitable investment opportunities will be identified.
- It is the intention of the Directors that the Company be managed so as to qualify as a VCT, but there can be no guarantee that such status will be maintained. If the Company fails to meet the qualifying requirements for VCTs, this could result in adverse tax consequences for Investors, including being required to repay the 30% income tax relief.
- In order to comply with VCT legislation, the Qualifying Companies must be unquoted and have gross assets of not more than £7 million prior to investment. Likewise, each company must have less than 50 full time (or equivalent) employees at the time of investment (there are proposals to increase the employees and gross assets limit with effect from 6 April 2012). Such companies generally have a higher risk profile than larger, quoted companies.
- Qualifying Investments made by the Company will be in companies whose shares are not readily marketable and, therefore, may be difficult to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company.
- As a minority investor the Company will not control the boards of directors of investee companies and may not be in a position to fully protect its interests.
- Investors should be aware that the sale of New Ordinary Shares within five years of their subscription will require the repayment of the 30% income tax relief obtained on the subscription for these Shares. Accordingly, an investment in the Company should be considered as a longer term investment.
- The Company is seeking up to £15 million through the Offer. To the extent that a smaller level of funds is raised, the portfolio may be less diversified than if the Offer had been fully subscribed.

- Past performance of the funds managed by the Manager is not an indication of the future performance of the Company.
- Although it is anticipated that the New Ordinary Shares will be admitted to a premium listing on the Official List and to trading on the London Stock Exchange's main market for listed securities, there is likely to be an illiquid market primarily because the initial tax relief is only available to those subscribing for newly issued shares. It may, therefore, be difficult for shareholders to sell their New Ordinary Shares. In addition, it is likely that the market value of the New Ordinary Shares will be less than their underlying net asset value.
- A significant proportion (22.8% as at 31 August 2011) of the Ordinary Shares' net assets is concentrated in one investment, Espresso Group Limited. This concentration will be reduced by raising funds under the Offer. This is not unusual in a relatively mature venture capital portfolio but potential Investors should be aware that the future investment performance of the Ordinary Shares will be more dependent on this investment as a result.
- The Company's objective of achieving a total return greater than that available from investment in a portfolio of quoted companies is only a target and is not guaranteed. The value of an investment in the Company depends on the performance of its underlying assets and that value and the income derived from the investment may go down as well as up.
- The UK economy is showing only very limited signs of recovery. Without improvement it is possible that the current difficult economic climate will adversely affect the prospects for both existing portfolio companies and any new investments.
- The conversion of the Company's C Shares to Ordinary Shares which is scheduled to take place in October 2012 may not happen then or at all. In the unlikely event that the conversion does not take place, the Ordinary Share portfolio will be less diversified than if the conversion does take place.
- The total dividends per New Ordinary Share paid during a financial period may exceed the increase, if any, in the NAV per New Ordinary Share arising from net income and realised and unrealised gains during the period. If this is the case, the NAV per New Ordinary Share will fall over the period.
- Whilst it is the intention of the Directors that the Company will buy back New Ordinary Shares from Shareholders at a discount to NAV of not more than 10%, there can be no guarantee that the Company will buy back New Ordinary Shares from Shareholders or that if it does the discount to NAV will not be greater than 10%. Share buy backs will be subject to applicable legislation and VCT regulations and the availability of sufficient cash in the Company for follow-on investments and operational requirements. The number of Ordinary Shares bought back in each year by the Company will be a maximum of 10% of the number of Ordinary Shares in issue.



## Expected Timetable

Offer opens	8 December 2011
Final closing dates and deadline for receipt of Applications, unless fully subscribed earlier: <sup>1</sup>	
2011/2012 Offer	5pm on 5 April 2012 <sup>1</sup>
2012/2013 Offer	5pm on 31 May 2012 <sup>1</sup>
First admission	within 10 Business Days of the first allotment <sup>2</sup>
Dealings commence	within 10 Business Days of each allotment <sup>2</sup>
Share and tax certificates sent out	within 15 Business Days of each allotment <sup>2</sup>

<sup>1</sup> The Directors reserve the right to extend the 2012/2013 Offer at their absolute discretion. The Offer will close earlier than the dates stated above if it is fully subscribed.

<sup>2</sup> New Ordinary Shares will be allotted and issued in respect of valid applications received for the 2011/2012 Offer on 5 April 2012 and any other date prior to 5 April 2012 on which the Directors decide, and for the 2012/2013 Offer on 31 May 2012 and any other dates after 5 April 2012 on which the Directors decide.

## Offer Statistics

Maximum amount to be raised	£15,000,000*
Minimum Investment per Investor	£5,000
Initial Offer Price per New Ordinary Share (subject to adjustment by the Pricing Formula)	51.5p
Maximum estimated number of New Ordinary Shares to be issued based on the Initial Offer Price per New Ordinary Share	29,126,214*
Maximum net proceeds for the Company, after issue costs	£14,025,000*
Maximum expenses of the Offer	£975,000*

\* assuming no increase in the size of the Offer

## Additional shares for early investment

Applicants (and their spouses) who had an existing shareholding in one of the ProVen VCTs on 8 December 2011, and whose Application Form is received by 5.00 pm on 31 January 2012, will be entitled to additional New Ordinary Shares with an aggregate subscription price equivalent to 2% of the amount subscribed. All other Applicants whose Application Form is received by 5.00 pm on 31 January 2012 will be entitled to additional New Ordinary Shares with an aggregate subscription price equivalent to 1% of the amount subscribed. The subscription price of the Additional Shares will be met by the Manager.

# Letter from the Chairman

ProVen VCT plc  
Registered in England & Wales no: 3911323

39 Earlham Street  
London  
WC2H 9LT  
Tel: 020 7845 7820  
8 December 2011

Dear Investor,

Since 2000, when the Ordinary Shares in ProVen VCT were first issued, the Total Return (net asset value per share plus dividends paid) has been 163.6p per £1 invested, placing it in the top ten of all VCT share issues (*source: [www.taxefficientreview.com](http://www.taxefficientreview.com)*). This equates to a return of 6% per annum, which is more than double the return on the FTSE All Share Index over the same period.

The performance of the Company, together with the reputation of its Manager, Beringea, for supporting growing companies with investment and guidance, is generating a strong flow of opportunities for the Company to invest in exciting unquoted companies which have the potential to grow rapidly. In order to ensure it is able to take full advantage of these investment opportunities, the Company is seeking to raise up to £15 million (before expenses) through a further issue of Ordinary Shares. The Offer may be increased to a maximum of £20 million if, in the opinion of the Directors, it is appropriate to do so.

I believe the Offer is worthy of your consideration for the following reasons:

**Investment strategy:** The Company's strategy is to invest in good quality small and medium sized private companies which have significant growth potential, the success of which has been demonstrated by the outstanding returns since the Ordinary Shares were launched 11 years ago. Further evidence of the Manager's success in identifying high growth companies is that three of the ten largest investments in the current Ordinary Share portfolio, by value, have featured in the Deloitte Technology Fast 50 and the Sunday Times Tech Track 100 lists of the fastest growing companies in the UK. The previous investment returns achieved by the Company are not, however, a guide to the potential future returns.

**Tax-free dividends:** No tax is payable on VCT dividends<sup>1</sup>. This is a significant benefit for Investors, particularly those who are higher rate tax payers. ProVen VCT has a policy of maximising dividend payments to shareholders by distributing the profits realised on the disposal of investments, subject to maintaining the net asset value per share at an appropriate level. The average dividend on the Ordinary Shares over the last five years has been 17.1p per annum, although this is not a guide to future dividends, which will depend on the level and timing of profitable realisations.

**Existing portfolio:** The Ordinary Share class already has a portfolio of 16 venture capital investments, with a value of £11.8 million. If you invest in the Offer you will therefore gain immediate access to a more mature portfolio of investments than you would by investing in a new VCT share class. This increases the potential for early realisations from the portfolio, enhancing the Company's ability to pay dividends on the Ordinary Shares.

The Company's Ordinary Share and C Share classes and their respective investment portfolios are, in accordance with the Company's articles of association, scheduled to "merge" in October 2012, resulting in a more diversified Ordinary Share investment portfolio than at present. More details of the "merger" are given on page 31.

**Tax reliefs:** You will be entitled to receive 30% income tax relief on the amount you subscribe and all dividends are tax free<sup>1</sup>. These tax reliefs substantially enhance the potential returns from your investment and reduce the risk, since the initial net asset value of your investment will be 35% higher than the net cost to you, after the tax relief. The initial tax relief will be forfeited if you sell the New Ordinary Shares within 5 years.

**Experienced manager:** The Company is managed by Beringea. The Beringea Group has over 25 years experience of investing in unquoted companies, including managing VCTs since they were first launched in the 1995/96 tax year, and manages over £250 million of funds on behalf of private and institutional investors.

**Risk mitigation:** The Offer includes a number of features which will help to reduce the risk of an investment in the Company. These include access to the existing portfolio of investments, the initial 30% tax relief on the amount subscribed and the experience of the Manager in selecting, structuring and managing investments in unquoted companies. Other risk mitigation features are described on page 20.

#### **How to invest**

In order to invest, please read the Prospectus and then complete the Application Form to be found at the end of this document. If you are not sure whether an investment in the Company is appropriate for you, you should consult an authorised financial adviser before proceeding. If you have any questions regarding an application, please contact Beringea, on 020 7845 7820. Please note that Beringea is not able to give investment advice.

Yours sincerely,



Andrew Davison  
Chairman

<sup>1</sup> The tax reliefs are subject to certain restrictions. Please see page 32 for further details.

# Key Features

**This section sets out some of the key features of the Offer. Any decision to invest in the Offer should be based on consideration of the Prospectus as a whole, including the Risk Factors on pages 4 and 5.**

## Investment opportunity

The Offer gives investors the opportunity to subscribe for New Ordinary Shares in ProVen VCT, which, since their original launch in 2000, have had one of the best performances of any VCT share and which have substantially outperformed the return on the FTSE All Share Index over the same period (see Track Record below).

This performance has been achieved by investing the funds raised by the issue of Ordinary Shares in a portfolio of privately owned small and medium sized companies carefully selected by the Manager as having the potential for rapid growth in value. These companies benefit not only from the capital invested by the Company, but also from the experience and active involvement of the Manager's investment team.

## Strong pipeline of investment opportunities

The Manager is currently experiencing a strong flow of attractive investment opportunities, which it believes is driven by increasing confidence among entrepreneurs about the potential for them to grow their businesses rapidly, given access to additional capital. The lack of availability of bank finance for smaller companies is another factor contributing to this strong deal flow. The Directors have therefore decided to offer further Ordinary Shares for subscription, to ensure that the Company can take full advantage of these opportunities. The majority of the funds raised under the Offer will be invested, over the next three years, in a range of unquoted companies which the Manager believes have the potential for rapid growth.

## Existing Portfolio of Investments

By subscribing for New Ordinary Shares under the Offer you will also gain access to the Company's existing portfolio of venture capital investments, valued at over £11 million. The Manager is aiming to realise a number of these investments within the next 1-2 years at a significant premium to their original cost. This will enhance the Company's ability to make dividend payments to holders of Ordinary Shares.

Several recent sales of investments from the Ordinary Share portfolio were at valuations significantly higher than the values attributed to them 12 months before the disposal; in the case of the most recent disposal, Saffron Media, this premium was 280%. This is not, however, a guide to the likely increase in value of the investments in the current portfolio.

The Company's Ordinary Share and C Share classes and their respective investment portfolios are, in accordance with the Company's articles of association, scheduled to "merge" in October 2012, resulting in a more diversified Ordinary Share investment portfolio than at present. More details of the "merger" are given on page 31.

## Track Record

The performance of the original Ordinary Shares issued by ProVen VCT in 2000 is in the top ten of all VCT shares issues, of which there have been over 200 to date, as measured by the Total Return to Shareholders (latest net asset value per Share plus cumulative dividends paid) (source: [www.taxefficientreview.com](http://www.taxefficientreview.com)). The Total Return from launch to 31 August 2011 (the latest date to which results have been announced to the London Stock Exchange) is 163.6p per £1 invested, comprising dividends paid to date of 107.7p and current net asset value per share of 55.9p.

The equivalent annual return, before any tax benefits are taken into account, is shown in the following table, which also shows the return on the FTSE All Share Index over the same period:

*Annual returns on ProVen VCT Ordinary Shares since launch<sup>1</sup>*

	Annual return
ProVen VCT initial Ordinary Share issue, before tax relief is taken into account	6.0% p.a.
FTSE All Share Index (with dividends reinvested)	2.7% p.a.

<sup>1</sup> The returns are shown from 10 April 2000, the initial launch date of the ProVen VCT Ordinary Shares, to 31 August 2011, the latest date to which results have been announced to the London Stock Exchange.

The past performance of the Ordinary Shares in ProVen VCT is not, however, a guide to how these Shares will perform in the future.

### Investment returns enhanced by a range of tax benefits

The underlying returns from the investment portfolio will be enhanced by the significant tax benefits available to investors in a VCT. The two main tax benefits are as follows:

**Income tax relief of 30p per £ invested.** This means that if you invest £10,000, for example, you will be entitled to receive income tax relief of £3,000, making the net cost of your investment only £7,000. This provides you with an initial investment uplift (after issue costs) of 35%, as illustrated in the table below:

Initial investment	£10,000
Less: issue costs	(£550)
Initial value after issue costs	£9,450
Net cost after tax relief	£7,000
Initial value uplift	£2,450
<b>Initial return</b>	<b>35%</b>

The initial return cannot be realised immediately, however, as the initial income tax relief will be forfeited if the New Ordinary Shares are sold within 5 years.

The initial tax relief significantly enhances the potential returns to Investors. This is illustrated in the table below, which shows the annual return to investors in the original Ordinary Share issue both before taking into account the initial tax relief and, on a pro forma basis, assuming 30% initial tax relief on the investment:

*Annual returns on ProVen VCT Ordinary Shares since launch<sup>1</sup>*

	Annual return
Before tax relief is taken into account	6.0% p.a.
Assuming 30% tax relief on initial investment (pro-forma <sup>2</sup> )	10.6% p.a.

<sup>1</sup> The returns are shown from 10 April 2000, the initial launch date of the ProVen VCT Ordinary Shares, to 31 August 2011, the latest date to which results have been announced to the London Stock Exchange.

<sup>2</sup> The tax reliefs available to investors in the initial Ordinary Share issue were income tax relief of 20% and deferral of capital gains. The pro-forma calculation assumes that 30% income tax relief was obtained by the investor six months after the investment was made.

The past performance of the Ordinary Shares in ProVen VCT is not, however, a guide to how these Shares will perform in the future.

**Dividends are tax free.** This makes the income from a VCT very attractive, particularly if you are a higher rate tax payer, as explained in more detail below.

These tax benefits are available on total VCT investments of up to £200,000 per person in each tax year. The initial income tax relief cannot exceed the amount which reduces your tax liability to nil. For details of how to claim the tax relief, see page 32.

## Dividends

ProVen VCT has a history of paying significant dividends to holders of Ordinary Shares. Total Ordinary Share dividends paid from launch to the date of the Prospectus are 107.7p per £1 invested. This is the 5th highest dividend payout of any VCT share class (source: [www.taxefficientreview.com](http://www.taxefficientreview.com)). The average annual dividend payments since launch, and over the past five years, are shown in the table below:

### Average annual dividends on ProVen VCT Ordinary Shares

Average annual Ordinary Share dividend paid since launch <sup>1</sup>	9.4p
Average annual Ordinary Share dividend paid over the last five years <sup>1</sup>	17.1p

<sup>1</sup>To the date of the Prospectus

The dividends paid on the Ordinary Shares in ProVen VCT, or by other VCTs managed by Beringea, in the past is not a guide to the dividends that will be paid on the Ordinary Shares in the future.

As noted above, a significant benefit of an investment in a VCT is that dividends are tax free. The table below shows the effective gross yield to higher rate tax payers of a dividend of 4p per New Ordinary Share, which is equivalent to 7.8% of the Initial Offer Price.

### Illustrative impact of VCT tax benefits in enhancing the effective income for Investors

Dividend	4p
Initial Offer Price <sup>1</sup>	51.5p <sup>1</sup>
Net cost per New Ordinary Share after initial tax relief	36.1p
Tax-free yield on net cost per New Ordinary Share	11.1%
Equivalent gross yield to a 40% income tax payer <sup>2</sup>	14.8%
Equivalent gross yield to a 50% income tax payer <sup>2</sup>	17.4%

<sup>1</sup> Subject to adjustment by the Pricing Formula

<sup>2</sup> The equivalent gross yield reflects the tax paid on non-VCT dividends received by UK taxpayers. It is calculated by dividing the tax-free yield on the net cost of the investment by 75% and 63.9% for 40% and 50% taxpayers respectively.

The information in the above table is given for the purposes of illustration only and is not intended to be a forecast.

ProVen VCT has a policy of maximising dividend payments to shareholders by distributing profits realised on the sale of investments, subject to maintaining the net asset value per share at an appropriate level. The amount and timing of profits realised from the sale of investments cannot be guaranteed, however, and there may be fluctuations in the amount of dividends paid each year.

The Company has announced an interim dividend for the year to 28 February 2012, of 6.25p per Ordinary Share, to be paid on 2 February 2012 to shareholders on the register on 6 January 2012. No allotment of New Ordinary Shares under the Offer will be made before 5 January 2012 and therefore subscribers for New Ordinary Shares will not be entitled to receive this dividend. The Initial Offer Price has been calculated after taking into account the payment of this dividend and the related performance incentive fee to be paid to the Manager.

## Experienced, Award-Winning Manager

ProVen VCT is managed by Beringea. The Beringea Group has specialised in managing investments in unquoted companies for over 25 years and has managed VCTs since 1996. Total venture capital funds under management by the Beringea Group are over £225 million.

Beringea also manages ProVen Growth & Income VCT, ProVen Health VCT and ProVen Planned Exit VCT. Investors in the original ordinary share issue by ProVen Growth & Income VCT in 2001 have achieved a Total Return of over £2 for each £1 invested, making the original ProVen Growth & Income VCT share issue one of only two VCT share issues to have achieved this milestone.

The Manager's investment team has accumulated many years experience of investing in unquoted companies, which is crucial in identifying, investigating and selecting good investment opportunities. The Manager also usually appoints one of its experienced investment managers to the board of each new portfolio company, who takes an active role in helping the company to grow rapidly, both organically and through acquisition, and, at the appropriate time, in realising the maximum value for the investment.

Beringea has won several awards for its management of VCTs, including VCT Fund Manager of the Year at the Growth Company Awards.

### **Risk Management**

The Manager has many years experience of managing the risks involved in investing in unquoted companies and its investment approach incorporates a number of features designed to reduce risk as much as possible. These include:

- Creating a widely diversified portfolio of investments
- Undertaking intensive investigation of potential investment opportunities
- Structuring investments to maximise recovery of invested capital on exit, for example through the use of loan notes
- Investing the funds raised under the Offer alongside other VCT funds managed by the Manager, in order to gain access to larger, and therefore lower risk, companies
- Close monitoring of investments, including placing a member of the Manager's investment team on the board of most portfolio companies
- Retaining a portion of the portfolio in lower risk investments, including money market funds and secured loans

### **Share Buy-Back Policy**

The Directors intend to ensure that all Shareholders who wish to sell their New Ordinary Shares are able to do so, by operating a share buy-back policy under which the Company will buy back New Ordinary Shares at a 10% discount to net asset value. The Company has operated a policy of buying back Shares at a discount of 10% continuously since July 2004. The number of Ordinary Shares that the Company will buy back in any year will be limited to 10% of the number of Ordinary Shares in issue and may be restricted if necessary to maintain an appropriate level of liquidity in the Company.

### **Additional Shares for Early Investment**

Applicants (and their spouses) who had an existing shareholding in one of the ProVen VCTs on 8 December 2011, and whose Application Form is received by 31 January 2012, will be entitled to additional New Ordinary Shares with an aggregate subscription price equivalent to 2% of the amount subscribed. All other Applicants whose Application Form is received by 31 January 2012 will be entitled to additional New Ordinary Shares with an aggregate subscription price equivalent to 1% of the amount subscribed. The subscription price of the Additional Shares will be met by the Manager.

### **The Offer**

The Company is seeking to raise up to £15 million under the Offer, through the issue of New Ordinary Shares. The Offer Price at which the Shares will be allotted will be the net asset value of an Ordinary Share, divided by 0.945 (to allow for issue costs of 5.5%), rounded up to the nearest tenth of a penny. The net asset value per Ordinary Share used in the calculation of the Offer Price will be the net asset value most recently announced to the London Stock Exchange, less the amount of any dividend to be paid for which the record date is prior to the relevant allotment date and any associated performance incentive payment.

The Initial Offer Price will be 51.5p per New Ordinary share (subject to adjustment by the Pricing Formula). Further details of the Offer are set out on pages 19 to 31.

### **How to Invest**

An application form can be found at the end of this document. The minimum investment is £5,000. Although there is no maximum size of investment, tax reliefs are only available on VCT investments up to a maximum of £200,000 per individual per tax year.

# Growth Capital Investing

## Introduction

The small and medium sized company (“SME”) sector is a vital part of the UK economy, accounting for over half of private sector employment and turnover. Some of these companies have the potential to grow very quickly, given access to sufficient finance and support for management. However, SMEs often find it difficult to raise the capital they need. Banks are frequently not willing to lend to SMEs because of a lack of security for their loans. Furthermore, as private companies, SMEs cannot access public stock markets to raise finance.

The investment strategy of ProVen VCT is to identify a number of small and medium sized UK private companies with the potential to grow rapidly and to provide them with the capital and management support they need to be able to take full advantage of this potential. In return for this capital, ProVen VCT will take a shareholding in the company, allowing it to benefit from future increases in the business’s value.

Rapidly growing SMEs make attractive acquisition targets for larger companies looking for ways to boost their own rate of growth. The companies in which ProVen VCT invests will, therefore, typically be sold to a larger business 3-4 years later. At this point, ProVen VCT will sell its shares, allowing any profit made on the investment to be paid out to Shareholders as a dividend.

## The attractions of investing in SMEs

One of the key reasons why some SMEs are able to grow so quickly is precisely the fact that they are relatively small at the point of investment. While still challenging, it is much easier to achieve a ten-fold growth in the turnover of a company by increasing sales from £1 million to £10 million, than it is to increase sales from £100 million to £1 billion.

Another attraction of investing in SMEs is that, because they tend to focus on quite specific market sectors, they are much less dependent than larger companies on the performance of the whole economy to generate growth. If an SME develops new products or services which are significantly differentiated from, and superior to, other offerings, they can create a demand which drives exceptional rates of growth, far exceeding the growth rate of the overall economy. Some examples of ProVen VCT investee companies which have achieved this are given on the following pages.

This dependence on a few key products or services does, however, make SMEs more vulnerable to changes in their markets, such as the introduction of competing offerings. This is why, when investing in SMEs, it is important to have a diversified portfolio of investments such as that which will be created by ProVen VCT using the funds raised under the Offer.

A key feature of SMEs which differentiates them from most quoted companies is that the directors and other key employees usually have sizeable shareholdings. This means that the management team is highly incentivised to make their business grow, thereby increasing the value of their personal investments, and to realise this value through a sale of the business at an appropriate time.

Investing in private companies, and taking a significant equity stake in the business, allows the Manager to have a significant influence over the business. By appointing one of its investment managers to the board of each company in which ProVen VCT invests, the Manager is able to add significant value to the business, as well as to identify any potential problems at an early stage and to ensure that appropriate action is taken.

There is also much greater flexibility over how investments in private companies are structured, compared to investments in quoted companies, which are normally in ordinary shares only. ProVen VCT is able to use a variety of financial instruments, which includes providing part of its funding as secured loan notes, enabling it to reduce the risk of its investment while continuing to benefit from an increase in the value of the equity.

## Key characteristics of target companies

In identifying companies for ProVen VCT to invest in, the Manager is looking for companies which have the following key characteristics:

- **A proven demand for the company's product or service.** Companies will normally have turnover of between £1 million and £10 million per annum at the point that ProVen VCT invests.
- **Evidence of an opportunity for rapid growth** in the sales and profits of the business over the next few years.
- **A strong management team** with a proven track record of achievement. It is also vital that the management have a substantial shareholding in the business to ensure that they are incentivised to make the business succeed.
- **Clear potential to sell the company within a 3-4 year time period.**

## Use of the funds invested by ProVen VCT

The funds provided by ProVen VCT will typically be used for one, or a combination, of the following purposes:

- Adding to the senior management team
- Sales and marketing initiatives
- Establishing new UK offices
- International expansion
- Development and launch of additional products or services
- Acquisition of another business
- Financing additional working capital as the business grows

## Investing in the digital media sector

Many of the companies in which ProVen VCT invests are in the “digital media” sector, encompassing businesses which use the internet to distribute information or content to their customers. The internet has the dual advantage of providing a low cost and highly scalable route to market, which means that increasing customer demand can quickly be converted into rapid business growth. There have been a number of high profile businesses which have benefited from the scalability provided by the internet, including Google and Facebook. ProVen VCT also invests in companies which provide digital media services, including digital design and on-line marketing services, to other businesses.

Beringea, the manager of ProVen VCT, has developed substantial experience of investing in the digital media sector over the past 10 years and as a result of its reputation in this area it sees many opportunities to invest in exciting digital media companies. This experience also gives Beringea the ability to evaluate these opportunities effectively and to add value to the companies in which ProVen VCT invests.

## Investing in other sectors

In order to ensure that its investment portfolio is broadly diversified, ProVen VCT also invests in SMEs in a wide variety of other sectors, across most of the UK economy.

# Examples

## of ProVen VCT's Growth Capital Investments

A number of examples of growth capital investments made by ProVen VCT in the past are given below. Potential investors should note ProVen VCT has already sold its investments in Mergermarket, iLG Digital and Saffron Digital and they will not therefore gain exposure to any of these companies by investing in the Offer. The past performance of these companies is not a guide to how they, or other companies in which ProVen VCT invests, will perform in the future.

## Mergermarket

Mergermarket was set up in 1999 to provide financial institutions with an online intelligence service covering the mergers and acquisitions market. It used the internet to provide its clients with intelligence and analysis, as well as giving them access to a database of historical deals, merger and acquisition profiling and league tables.

After a year of trading successfully in the UK, Mergermarket approached Beringea for funding to accelerate its growth, particularly through expansion into new international markets. ProVen VCT and PGI VCT provided two rounds of funding in 2001 and 2002, totalling £1.1m. Following these investments Mergermarket opened offices in New York and Hong Kong, expanded its coverage across Europe, North and South America, and South-East Asia and launched new products and services. Sales increased from around £1m in 2000 to c. £18m in 2006, of which some £6m came from overseas.

In August 2006, Mergermarket was acquired by the Financial Times for over £100m. The sale generated a return for ProVen VCT of 14 times its original investment and a return of 69% per annum.



# Saffron Digital

Saffron is a global video delivery platform company whose products and services are live in 26 countries and 14 languages. Founded in 2002, Saffron has become a pivotal player in the mobile space. Its technology enables users to access video content via personal mobile devices such as smartphones, tablets or laptops. Saffron's clients include Nokia, Sony Ericson, LG and Samsung. The company also provides services for Sony Pictures, NBC Universal, Paramount, 20th Century Fox, Sky, T-Mobile and Vodafone.



In 2007 Proven VCT and PGI VCT invested £1.15 million to finance the development and marketing of a range of new services. These were a great success and resulted in extremely rapid growth over the next three years. In 2010 Saffron won Best Video Service Provider for the second year running at the Mobile Entertainment Awards and the company's exceptional year-on-year growth secured its place in the *Media Momentum Top 50*, the *Tech Media Invest Top 100* and *Deloitte Technology Fast 50*.

In February 2011 Saffron was sold to the HTC Corporation, a global designer of smartphones. The deal valued the company at £30m and generated a return for ProVen VCT of 5.8 times the original investment in a period of under four years and a return of 65% per annum.

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# Espresso Group Limited

Espresso Group is the UK's leading provider of digital education content for schools, delivered over the internet. The company launched its first service, *Espresso Primary*, in 2000. Following ProVen VCT's initial investment into Espresso in 2001, the number of subscribers to *Espresso Primary* grew rapidly, and the company featured in the *Times Tech Track 100* list of the UK's fastest growing technology companies three years in a row. Over 9500 UK primary schools now subscribe to Espresso Primary, representing around 45% of all UK primary schools.



In 2007, Espresso acquired the educational business of Channel 4 and used the content obtained through this acquisition to develop a service for secondary schools, called *4 Learning Clipbank*. Nearly 20% of the UK's secondary schools now subscribe to this service.

Espresso has also expanded internationally. It launched its first overseas service in Sweden in 2007. This was followed in April 2011 by the launch of Espresso Elementary in the USA. During the first six months of offering this service Espresso acquired over 500 subscribing schools. Espresso's management is forecasting further rapid growth in the USA over the next few years.

The Company's investment in Espresso is currently valued at 2.7 times cost.

## Fjordnet Limited

Fjordnet is a pioneering digital design agency which works with its clients, usually global businesses, to create service solutions that work across multiple technology platforms and deliver transformational results. It created the BBC iPlayer for mobile devices and has worked on multiple projects for Nokia, among other clients.

Having established offices in London, Helsinki and Berlin, Fjordnet approached Beringea for funding to open further offices in Madrid and New York. This investment completed in December 2008. Since then, Fjordnet has been one of the fastest growing companies in the UK, appearing in the *Times Fast Track 100 list* of the UK's fastest growing companies in both 2009 (47th) and 2010 (29th).



## iLG Digital

ProVen VCT first invested in iLG Digital, one of the first full-service specialist digital advertising agencies, in November 2005. At the time, iLG Digital managed the online brands and digital traffic for international brands such as Sony and Orange and was growing quickly, thanks to a major shift in marketing and advertising budget from traditional to digital media.

Following ProVen VCT's investment, the company grew rapidly, with revenues increasing by 2.5 times in two years. iLG Digital was sold in May 2008, generating a 3.3 times return on ProVen VCT's initial investment in only 2½ years.



## Think Limited

Think is a leading digital agency specialising in working with clients to develop their digital strategies and thereafter designing and building digital solutions. From its Newcastle and London offices the company serves international clients such as Blackberry, BUPA and Sony. Think recently launched the highly acclaimed "Pottermore" website in partnership with JK Rowling. The company has achieved substantial growth since ProVen VCT's investment in 2009. It recently scooped second place in the prestigious *Drum's Recommended Agency Register Top 100* and has achieved a top-ten placing in the *Deloitte Fast 50* for three years running.



# PART 1

# The Offer

## 1. REASONS FOR THE OFFER

### Reasons for the Offer

The Directors believe that the Offer will benefit both new and existing Shareholders by enabling the Company to:

- Take full advantage of the strong flow of attractive investment opportunities currently being seen by the Manager
- Increase the diversification of the investment portfolio
- Maximise its ability to invest existing funds under less restrictive VCT rules\*
- Reduce the annual operating cost per Share, by spreading the fixed operating costs of the Company over a larger asset base
- Meet investor demand – a recent top-up offer for Ordinary Shares in the Company was oversubscribed

\*The Company first raised funds when the rules governing Qualifying Investments were less restrictive than at present, for example in relation to the maximum gross assets and the maximum number of employees at the date of investment. The Offer will maximise the Company's ability to invest the funds previously raised under these less restrictive rules. There are proposals to increase the limits on the maximum gross assets and the maximum number of employees for Qualifying Companies from 6 April 2012.

The net proceeds of the Offer will be applied in accordance with the Company's investment policy, which is set out below.

## 2. INVESTMENT POLICY

### Investment Objectives

The Company's investment objective is to achieve long term returns greater than those available from investing in a portfolio of quoted companies, by investing in

- a portfolio of carefully selected Qualifying Investments in small and medium sized unquoted companies with excellent growth prospects;
- a portfolio of non-Qualifying Investments including cash deposits, money market funds, fixed interest securities, secured loans and non-Qualifying venture capital investments;

within the conditions imposed on all VCTs, and to minimise the risk of each investment and the portfolio as a whole.

### Investment Strategy

The Company's investment strategy is to invest in unquoted companies which have the potential for rapid growth, to provide them with the capital they need to take full advantage of this. Some of the key criteria used to select investments include:

- a proven, successful business model;
- clear potential for rapid growth in revenues and profits
- a defensible market position;
- a strong, balanced and well motivated management team with a proven track record of achievement and a substantial shareholding in the business;
- an attractive entry price for the Company;
- the ability to structure the investment with a proportion of secured loan notes in order to reduce risk;
- a clearly identified route for a profitable realisation within a 3-4 year period

The Company may also invest in companies at other stages of development, including those requiring capital for management buy-outs, but will not invest in start-ups. Investments will be spread across a range of different sectors.

### Asset Allocation

Over the three years following the Offer, approximately 75% of the funds raised will be progressively invested in Qualifying Investments. Initially, whilst suitable Qualifying Investments are being identified, the funds will be invested in a portfolio of non-Qualifying Investments including cash deposits, money market funds, fixed interest securities, secured loans and non-Qualifying venture capital investments. Progressively, this portfolio will be realised in order to fund investments in Qualifying Investments. Following the initial three year investment period the maximum exposure of the Ordinary Share portfolio to Qualifying Investments will be 80%. The remaining portion of the Ordinary Share portfolio will be retained in non-Qualifying Investments to fund the annual running costs of the Company, to reduce the risk profile of the overall portfolio and to fund any further investments in its investee companies.

It is expected that after investing 75% of its assets in Qualifying Investments, the Ordinary Share portfolio will have at least 20 investments (assuming full subscription) to provide diversification and risk protection, with a maximum Qualifying Investment in each portfolio company in each tax year of £1 million. Under current VCT legislation a Qualifying Company's gross assets may not exceed £7 million prior to investment, although there are proposals to increase this limit from 6 April 2012. No single investment will represent more than 15% of the Company's investments at the time the investment is made.

### Risk Management

With many years experience of managing the risks involved in investing in unquoted companies, Beringea has designed the investment strategy to reduce risk as much as possible. Key risk management features include:

- *Broad portfolio of companies* – The Company will invest in a broad portfolio of different companies, thereby reducing the potential impact of poor performance by any individual investment;
- *Low-risk non-qualifying investments* – These will include cash deposits, money market funds, fixed interest securities and secured loans, with the intention of generating maximum yield consistent with minimising the risk to Investors' capital;
- *Stage of investment* – The Company will only invest in established companies, normally to provide capital for expansion;
- *Rigorous investment process* – Beringea has established rigorous procedures for reviewing and approving potential investments, as described above, aimed at ensuring a high standard of investment decision-making;
- *Investment into loan notes and preference shares* – Investments will be structured, where appropriate, with a substantial proportion of the funding in the form of loan notes or preference shares, which must be repaid in priority to ordinary shares on a sale of the investee company. Consequently, the investment risk is significantly reduced. Some or all of the loan notes and preference shares may be repaid during the life of the investment, thereby reducing the Company's exposure without affecting the percentage of the equity it holds;
- *Close monitoring of investments / Position on the board of the company* – Beringea will closely monitor the performance of all investments in order to identify any problems and to enable it to take swift corrective action, including in certain circumstances the replacement of under-performing managers;
- *Control over key decisions by investee companies* – Beringea will negotiate detailed legal agreements with each investee company giving it significant influence over the development of the business. Generally, one of Beringea's investment managers will be appointed to the board of each investee company;
- *Co-investment* – The ability to invest the funds raised under the Offer alongside other funds managed by Beringea, such as ProVen Growth and Income VCT and, for healthcare investments, ProVen Health VCT, will enable the Company to invest in larger and more mature businesses than it might otherwise be able to access, thereby reducing the risk of the investment portfolio.

## Borrowings

It is not the Company's intention to have any borrowings. The Company does, however, in accordance with its articles of association, have the ability to borrow a maximum amount which is equal to the nominal capital of the Company and its adjusted distributable and undistributable reserves, currently equal to £34.5 million. There are no plans to utilise this facility at the current time.

The Directors do not intend to vary the Company's investment policy, which will be adhered to for at least three years following the Offer. However, should a change in the investment policy (including the conditions above) be deemed appropriate this will be done with Shareholders' approval and in accordance with the Listing Rules.

## 3. CO-INVESTMENT POLICY

In order to ensure that new investment opportunities are apportioned fairly between the Companies' various share classes, including the funds raised pursuant to the Offer, their allocation is governed by the terms of a co-investment agreement. This broadly provides that new investments which meet the Company's investment strategy will be offered first to the Company, ProVen Growth & Income VCT and, if they are in the healthcare sector, ProVen Health VCT. These investments will be apportioned to share pools in these companies in the order in which the pools were raised. For share pools of the same vintage the allocation will be in proportion to the total VCT investment value of the relevant share pools. The amount which is apportioned to each share class will be restricted, in order to ensure good portfolio diversification.

Investments which meet the investment policy of ProVen Planned Exit VCT will normally be offered first to ProVen Planned Exit VCT.

For each follow-on investment, the amount to be invested will be offered first to those share classes of the ProVen VCTs that already have an investment in the target company, pro-rata to their existing investment

## 4. THE MANAGER

### The Manager

The Company is managed by Beringea, which has over 25 years experience of managing investments in unquoted companies. It has managed VCTs since they were introduced in 1995 and has managed the Company since it was launched in 2000. Further details of the investment management agreement (as amended) between Beringea and the Company are set out in Part 10 of the Registration Document.

### Investment Process

Beringea has used the experience gained over its 25 year history to develop a rigorous investment process designed to ensure the highest standard of investment decision making. The first stage of this is to select a small proportion of the large number of investment opportunities received by Beringea for further investigation. All of these opportunities are then subjected to a thorough due diligence investigation, comprising a review of the company's management, the market in which the company operates, its competitive position within the market and the opportunities and risks facing the business. The due diligence process usually involves detailed market research, including interviews with customers and suppliers, as well as building and reviewing financial models. Beringea may also appoint specialist professional advisers, such as accountants and market research consultants, to assist it with its investigation.

If there is a satisfactory outcome to the due diligence process, a formal proposal will be submitted to Beringea's investment committee for consideration. The investment committee has full discretion to make investment decisions on behalf of the Company.

### Post Investment Management

Once an investment has been made, Beringea uses the experience of its investment management team to add as much value as possible to the investee company. It also monitors all investments closely to ensure that any problems are identified at an early stage, so that appropriate action can be taken swiftly if necessary. The key steps it takes to achieve this will normally include the following:

- appointing one of Beringea's investment team to the board of investee companies;
- attendance at monthly board meetings, helping to develop strategy, sharing experience from a wide variety of different unquoted companies, making introductions to other portfolio companies in order to create business opportunities and advice in a variety of different areas;
- ensuring good corporate governance;
- reviewing monthly management accounts in order to identify potential issues or opportunities;
- having the right to approve key strategic decisions, including the adoption of budgets, major investments and recruitment of senior personnel;
- having the right, in certain circumstances, to replace under-performing managers; and
- appointing an appropriate chairman who can bring additional skills and experience to the board.

As an investment matures, Beringea is proactive about identifying opportunities for a profitable realisation in order to realise capital gains.

## The Management Team

The investment management team comprises the following five executives, who have more than 60 years combined experience of making venture capital investments. They are:

### ***Trevor Hope (aged 41)***

Trevor is Chief Investment Officer for Beringea. He has over fifteen years experience of investing in unquoted companies, during which he has made over 45 investments. Trevor started his career in unquoted investing with 3i plc, for which he worked in the UK and USA, before joining Beringea in 2003. His experience of financing small companies also includes eight years working in corporate banking for Barclays and The Royal Bank of Scotland. Trevor has an MBA and is an ACIB.

### ***Karen McCormick (aged 35)***

Karen joined Beringea as an Investment Director in 2007. She previously worked as a consultant with The Boston Consulting Group and Kurt Salmon Associates, where her project work focused on developing growth strategies and hands-on implementation. Karen has an MBA from INSEAD and a BSBA from Boston University.

### ***Stéphane Méry (aged 46)***

Stéphane has 10 years experience as a venture capital fund manager in the healthcare sector and focuses on making investments in this sector for VCTs managed by the Manager, including ProVen VCT. Previously, he was Associate Director at SmithKline Beecham and also worked at the American consulting firm, ZS Associates. Stéphane has an MBA from INSEAD.

### ***Malcolm Moss (aged 52)***

Malcolm is a Senior Managing Director and founder of Beringea LLC. Over the last 20 years he has been responsible for the growth, development and management of the private equity business of Beringea in both the UK and the USA. In addition to sitting on the boards of ProVen VCT, ProVen Growth & Income VCT and ProVen Planned Exit VCT, he sits on the investment committees of the Beringea Group's three other venture capital funds (InvestCare Partners, The Global Rights Fund II and Invest Michigan Growth Capital Fund). Malcolm has a BA and an MBA.

### ***Stuart Veale (aged 52)***

Stuart is Managing Partner of Beringea and has 24 years of private equity investment experience. Prior to joining Beringea, Stuart was a senior director with LDC (the private equity arm of the Lloyds Banking Group) and head of their Thames Valley office. He started his career in venture capital with 3i. Stuart has an MA and an MBA from the London Business School.

## Management Retention

The Company has agreed long-term performance incentive arrangements with the Manager, which are designed to enable it to attract and retain talented investment managers, by rewarding them for delivering outstanding investment performance. More details of the performance incentive arrangements are given on page 28.

## 5. EXISTING PORTFOLIO

Following the Offer, part of each Investor's investment will be represented by a share of the current Ordinary Share portfolio, which at the date of this document comprised holdings in 16 companies. At 31 August 2011, the latest date for which results have been announced, these holdings had a cost of £10.5 million and a valuation of £11.8 million. In addition, the Ordinary Share assets included cash and liquidity funds of £3.5 million. At the date of this document the C Share and D Share portfolios comprised holdings in 20 and 9 companies respectively and, as at 31 August 2011, the holdings in the C Share portfolio had a cost of £7.9 million and a valuation of £9.2 million and the holdings in the D Share portfolio had a cost of £2.0 million and a valuation of £1.8 million.

The list of active current investments (unaudited) in the Ordinary Share, the C Share and the D Share portfolios set out in the tables below constitutes a comprehensive and meaningful analysis of the Company's portfolio as at the date of this document (the valuations are as at 31 August 2011, the latest date for which results have been announced).

In subscribing for Ordinary Shares Investors will not be participating initially in the investment portfolios relating to the C Shares and the D Shares. However, it is intended that the Ordinary Share and the C Share portfolios will "merge", in accordance with the Company's articles of association, in October 2012. There is currently no intention to merge the D Share portfolio with the Ordinary Share or C Share portfolio.

Ordinary Share Portfolio: Top ten venture capital investments (by value)	Cost £'000	Valuation £'000	% of portfolio by value*
Espresso Group Limited <i>Supplier of on-line digital educational content for schools</i>	1,317	3,492	22.8%
SPC international Limited <i>Provider of repair and refurbishment services for electronic equipment</i>	1,618	1,673	10.9%
Think Limited <i>Digital media agency</i>	403	1,591	10.4%
Eagle Rock Entertainment Limited <i>Independent producer, publisher and distributor of music programming</i>	1,010	1,176	7.7%
Campden Media Limited <i>Magazine publisher and conference organiser</i>	1,289	1,170	7.6%
Donatantonio Limited <i>Importer and distributor of Mediterranean food ingredients</i>	582	719	4.7%
Tossed Limited <i>Operator of takeaway food stores specialising in healthy eating</i>	578	697	4.5%
Ashford Colour Press Limited <i>Book printer</i>	500	430	2.8%
Fjordnet Limited <i>Digital design agency</i>	200	278	1.8%
Pilat Media Group Limited <i>Supplier of business management software to broadcasters</i>	172	276	1.8%
	<b>7,669</b>	<b>11,502</b>	<b>75.0%</b>
Other venture capital investments	2,875	304	2.0%
Total venture capital investments	10,544	11,806	77.0%
Liquidity fund investments		3,400	22.2%
Cash at bank and in hand		124	0.8%
		<b>15,330</b>	<b>100.0%</b>

\* The percentage of the portfolio by value is shown before the impact of the funds raised under the Offer. Assuming full subscription, and no increase in the size of the Offer, the existing Ordinary Share assets will represent approximately 51.1% of the enlarged Ordinary Share assets and the largest investment by value, Espresso Group Limited, will represent 11.5% of the total net asset value.

<b>C Share Portfolio: Top ten venture capital investments (by value)</b>	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>% of portfolio by value</b>
Think Limited	403	1,591	13.4%
Fjordnet Limited	800	1,114	9.4%
Donatantonio Limited	885	1,095	9.2%
Lazurite Limited	1,000	957	8.1%
Charterhouse Leisure Limited	700	652	5.5%
SPC International Limited	403	610	5.1%
Chess Technologies Limited	600	561	4.7%
Tossed Limited	425	511	4.3%
Celebrus Technologies Limited	470	470	4.0%
Overtis Group Limited	605	324	2.7%
	6,291	7,885	66.4%
Other venture capital investments	1,605	1,497	12.6%
	7,896	9,382	79.0%
Liquidity fund investments		1,350	11.4%
Cash at bank and in hand		1,144	9.6%
<b>'C' Share pool total</b>		11,876	100.0%

<b>D Share Portfolio: Venture capital investments (by value)</b>	<b>Cost £'000</b>	<b>Valuation £'000</b>	<b>% of Portfolio By value</b>
MatsSoft Limited	650	650	8.8%
Celebrus Technologies Limited	300	300	4.1%
Tossed Limited	223	268	3.6%
APM Healthcare Limited	188	188	2.6%
Monica Vinader Limited	138	138	1.9%
Fjordnet Limited	276	134	1.8%
Cinergy International Limited	115	104	1.4%
Senselogix Limited	92	92	1.2%
	1,982	1,874	25.4%
Liquidity fund investments		4,450	60.4%
Cash at bank and in hand		1,042	14.2%
<b>'D' Share pool total</b>		7,366	100.0%

Since 31 August 2011 the Company has made the following investments:-

Utility Exchange Online Limited:	O shares – zero	C shares - £65,000	D shares - £234,000
Overtis Group Limited	O shares - £20,000	C shares - £31,000	D shares - zero

Further details of the five largest venture capital investments in the Ordinary Share portfolio by value are as follows:

### **Espresso Group Limited**

Espresso Group is the UK's leading provider of digital education content for schools, delivered over the internet. The company launched its first service, *Espresso Primary*, in 2000. Following ProVen VCT's initial investment into Espresso in 2001, the number of subscribers to *Espresso Primary* grew rapidly, and the company featured in the *Times Tech Track 100* list of the UK's fastest growing technology companies three years in a row. Over 9500 UK primary schools now subscribe to Espresso Primary, representing around 45% of all UK primary schools.

In 1997, Espresso acquired the educational business of Channel 4 and used the content acquired through this acquisition to develop a service for secondary schools, called *4 Learning Clipbank*. Nearly 20% of the UK's secondary schools now subscribe to this service.

Espresso has also expanded internationally. It launched its first overseas service in Sweden in 2007. This was followed in April 2011 by the launch of Espresso Elementary in the USA. During the first six months of offering this service Espresso acquired over 500 subscribing schools. Espresso's management is forecasting further rapid growth in the USA over the next few years.

The Company's investment in Espresso comprises ordinary shares representing 20.1% of the company's equity. It is currently valued at 2.7 times cost.

### **SPC International Limited**

SPC is involved in the repair and refurbishment of electronic equipment. The company established additional operations and capacity in Thailand in 2008 and India in 2009 to add to the existing facilities in the UK, France and Slovakia. This has resulted in considerable growth during 2011.

### **Think Limited**

Think is a leading digital agency specialising in working with clients to develop their digital strategies and thereafter designing and building digital solutions. From its Newcastle and London offices the company serves international clients such as Blackberry, BUPA and Sony. Think recently launched the highly acclaimed "Pottermore" website in partnership with JK Rowling. The company has achieved substantial growth since the investment by ProVen VCT and PGI VCT in 2009.

### **Eagle Rock Entertainment Group Limited**

Eagle Rock Entertainment is a leading independent producer, publisher and distributor of music programming for television and DVD, digital and blue-ray, comprising live concerts and documentaries. To date, it has achieved 22 "Platinum" and "Multi-Platinum" awards and 16 "Gold" awards for its US releases and in 2011 won its first Grammy Award for its film about The Doors, "When You're Strange".

Eagle Rock is continually expanding its extensive catalogue. Recent high profile releases include "Stones in Exile", filmed with the collaboration of The Rolling Stones, and "Almost The Truth: The Lawyer's Cut", which tells the story of Monty Python through brand new interviews with the Pythons and a generous helping of clips from Python material. All of Eagle Rock's content is available for multi-media exploitation including broadcast, digital distribution and physical goods.

### **Campden Media Limited**

Campden Media is a specialist business-to-business information provider that creates high-quality content which is delivered in print, online, at conferences and exhibitions, and via research reports. Campden Media is a global business with offices in London, New York and Singapore.

ProVen VCT recently made a further investment in Campden Media to finance the acquisition of The Institute For Private Investors, an American company which provides educational and networking resources for ultra high net worth investors. The acquisition will give Campden the preeminent position in both the European and US Wealth Management conference and publishing markets.

There has been no significant change to the Company's trading or financial position since 31 August 2011, the date to which the latest half year report was prepared.

Further information on the Company and its Ordinary Share portfolio can be obtained from the Company's audited accounts for the year to 28 February 2011 and the half year report for the period to 31 August 2011, which are available on request from Beringea by calling 020 7845 7820 or at [www.provenvcts.co.uk](http://www.provenvcts.co.uk).

## 6. THE DIRECTORS

The Directors have overall responsibility for the Company's affairs, including monitoring the performance of the Manager and ensuring that the VCT status of the Company is maintained.

The Directors, all of whom are non-executive, all have experience of managing similar venture capital funds and of corporate governance of listed companies. A majority of the Directors is independent of the Manager.

### ***Andrew Davison FCA (aged 68), Chairman***

Andrew has over 30 years experience of the financial services industry. He was formerly Managing Director of NatWest Ventures, which specialised in venture capital investments, and is a former council member of the British Venture Capital Association. He is the Chairman of City of London Investment Group plc and Downing Distribution VCT 2 plc and a director of other unquoted companies.

### ***Barry Dean FCA (aged 62)***

Barry has over 25 years experience in the venture capital industry, including 14 years as Managing Director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a director of Henderson Private Equity Investment Trust plc, Downing Absolute Income VCT 2 plc and Elderstreet VCT plc. He is also an Advisory Committee Member for Parallel Private Equity LLP, a member of the Investment Committee of Beamreach Capital LLP.

### ***Malcolm Moss (aged 52)***

Malcolm is a Senior Managing Director and founder of Beringea LLC. In addition to sitting on the boards of ProVen VCT, ProVen Growth & Income VCT and ProVen Planned Exit VCT, he sits on the investment committees of the Beringea Group's three other venture capital funds (InvestCare Partners, The Global Rights Fund II and Invest Michigan Growth Capital Fund).

The Directors have committed to invest a total of £10,000 under the Offer, on the same terms as Investors.

## 7. SHAREHOLDER BENEFITS

### **Target return**

The Company aims to achieve long-term returns greater than those available from investing in a portfolio of quoted companies. The annual rate of return of the Ordinary Shares from launch to 31 August 2011 (the latest date to which results have been announced) was 6% p.a., which compares to the annual return on the FTSE All-Share index (with dividends reinvested) over the same period, of 2.7% p.a., although this is not a guide to future returns from an investment in the Company.

### **Dividends**

One of the Company's key objectives is to maximise dividend payments to Shareholders by distributing profits realised on the disposal of investments, subject to maintaining the net asset value per share at an appropriate level. The average dividend payment over the last five years has been 17.1p per annum, although this is not a guide to the future level of dividend payments.

### **Existing portfolio of investments**

By investing under the Offer you will immediately gain access to a more mature portfolio of investments than you would by investing in a new VCT share class. This increases the potential for early realisations from the portfolio, enhancing the Company's ability to pay dividends on the Ordinary Shares.

### **Tax benefits**

Investors in a VCT are entitled to a range of significant tax benefits, including an income tax rebate of 30% of the amount invested. This means that if you invest £10,000, for example, you will be entitled to an income tax rebate of £3,000.

Another major tax benefit is that dividends paid by a VCT are not subject to income tax. This means that they are a particularly attractive source of income for higher rate tax payers.

These tax benefits significantly enhance the value to Investors of the investment returns achieved by the Company. They are available on total VCT investments of up to £200,000 per person in each tax year. The tax rebate cannot exceed the amount which reduces your tax liability to nil.

### Claiming the tax relief

Certificates to enable you to claim tax relief on your investment will be posted to you within 15 business days of your New Ordinary Shares being allotted. You then have two options for claiming the tax relief:

- (a) writing to your HM Revenue and Customs office to ask for your PAYE tax code to be adjusted, or
- (b) waiting until the end of the tax year and completing the appropriate section on the self-assessment form.

### Dividend Reinvestment Scheme

Subject to the passing of certain resolutions at a general meeting of the Company to be held on 26 January 2011, the Company will operate a dividend reinvestment scheme which will enable you to reinvest your dividends in Ordinary Shares, the rules of which are set out at pages 41 to 43. If you wish to participate in this scheme, please complete the mandate that is included in the Application Form. Dividend reinvestment enables you to increase your holding in the Company without incurring dealing costs, issue costs or stamp duty. Subject to the normal limits on tax relief for investment in VCTs, these Ordinary Shares should qualify for VCT tax reliefs that are applicable to subscription for new VCT shares.

### Tender Offer

The Company is proposing to undertake a tender offer, subject to the passing of a resolution approving this at a general meeting of the Company to be held on 26 January 2012 (or any adjournment thereof), under which the Company will buy back Ordinary Shares from participating Shareholders at their net asset value. Participation in the tender offer is conditional upon the participating Shareholder applying the proceeds from the tender offer to subscribe for New Ordinary Shares under the Offer.

### Communicating with Shareholders

The Directors and the Manager believe strongly in the importance of good communication with Shareholders, and provide information about the progress of the Company in a number of different ways:

- the Annual Report and Accounts is sent to all Shareholders, normally in July each year
- the half-year report is sent to all Shareholders, normally in November each year
- ProVen News, a newsletter containing information about portfolio companies, including new investments and disposals, is normally sent to Shareholders twice a year
- E-mail updates, containing news about the Company and its portfolio companies, are sent to Shareholders on an occasional basis. If you would like to receive information by e-mail, please enter your e-mail address at the appropriate place on the Application Form.
- Information about the Company is made available on the ProVen VCTs' website ([www.provenvcts.co.uk](http://www.provenvcts.co.uk)), which is updated regularly

All Shareholders are also invited to a Shareholder event each year, at which a number of portfolio companies give presentations. This event also allows Shareholders to meet the Directors and members of the investment management team.

### Buyback Policy

The Directors intend to ensure that all Shareholders who wish to sell their Ordinary Shares are able to do so, by operating a share buy-back policy under which the Company will buy back Ordinary Shares at a 10% discount to net asset value. The Company has operated a policy of buying back Ordinary Shares at a discount of 10% continuously since July 2004. The number of Ordinary Shares that the Company will buy back in any year will be limited to 10% of the number of Ordinary Shares in issue and may be restricted if necessary to maintain an appropriate level of liquidity in the Company.

### Additional Shares for early investment

Applicants (and their spouses) who had an existing shareholding in one of the ProVen VCTs on 8 December 2011, and whose Application Form is received by 31 January 2012, will be entitled to additional Ordinary Shares

with an aggregate subscription price equivalent to 2% of the amount subscribed. All other Applicants whose Application Form is received by 31 January 2012 will be entitled to additional Ordinary Shares with an aggregate subscription price equivalent to 1% of the amount subscribed. The subscription price of the Additional Shares will be met by the Manager.

## 8. FEES AND EXPENSES

### Annual Management Fee

The Manager will be entitled to receive an annual management fee equal to 2% of the net asset value of the Company, payable quarterly in arrears.

The Manager may charge arrangement fees, in line with industry practice, to companies in which it invests. It may also receive directors' fees or monitoring fees from investee companies. The Manager and not the Company will be responsible for all costs incurred on transactions which do not proceed to completion.

### Administration and Advisory Arrangements

Downing Management Services Limited provides certain administration services, financial advisory services and services in connection with share repurchases to the Company, for an annual fee which in the year to 28 February 2011 was £56,870, inclusive of VAT. The fees are subject to VAT and are increased annually in line with the Retail Prices Index. Further details of the administration agreement (and variations thereto) between Downing Management Services Limited and the Company are set out in Part 10 of the Registration Document.

### Annual running costs

The annual running costs of the Company, being the Directors' fees, professional fees, the annual fees payable to the Manager and the costs incurred by the Company in the ordinary course of business (including irrecoverable VAT but excluding any performance related fees and annual commission payable to the Manager and trail commissions payable to intermediaries) are capped at 3.25% of net assets. Any costs above this level are borne by the Manager, by way of a reduction in its fees.

The annual running costs per Ordinary Share for the year to 28 February 2011 were 2.6% of the net asset value per Ordinary Share at the period end. By raising additional capital, the fixed costs of operating the Company will be spread over a larger asset base, thereby reducing the annual running cost per Share.

### Performance Related Incentive Fee

The performance incentive fee payable by the Company to the Manager in relation to the Ordinary Shares for each financial year starting on or after 1 March 2006 is presently 91 per cent of:

- 33 per cent. of the cumulative dividends paid in relation to a relevant financial year starting on or after 1 March 2006 over and above 3 pence per Ordinary Share per annum but less than 6 pence per Ordinary Share per annum; plus
- 20 per cent. of the cumulative dividends paid in excess of 6 pence per Ordinary Share per annum, less the cumulative amount of any performance incentive fee previously paid in relation to the financial years starting on or after 1 March 2006.

Of the total performance incentive fee, 91% is payable to the Manager and 9% is payable to Downing Corporate Finance Limited.

The payment is inclusive of VAT (if applicable) and is conditional on the Performance Value being at least 130 pence per Ordinary Share. Dividend payments will be disregarded in calculating the performance fee to the extent that they exceed cumulative gross realised capital gains and net income. The amount paid in relation to any one financial year pursuant to the performance incentive fee cannot exceed 20% of the dividends paid to holders of Ordinary Shares in relation to that year.

Subject to the approval of the Shareholders at a general meeting of the Company convened for 26 January 2012, the present performance incentive fee arrangements in respect of the Ordinary Shares will be terminated and, for the financial years starting after 29 February 2012, a performance incentive fee will be payable in relation to the Ordinary Shares if, at the end of a financial year, the New Performance Value exceeds the Hurdle. In this event the performance incentive fee will be equal to 20% of the amount by which the New Performance

Value exceeds the Initial Net Asset Value, multiplied by the average number of Ordinary Shares in issue during the relevant financial year, less the amount of any performance incentive fee already paid in relation to previous financial years starting after 29 February 2012 (which will not include, for the avoidance of doubt, the Residual PIF).

If, after 29 February 2012, the New Performance Value is less than or equal to the Hurdle in any financial year, no performance incentive fee will be payable in respect of that financial year.

The new performance incentive fee per Ordinary Share payable in relation to a financial year will be reduced, if necessary, to ensure that (i) the cumulative new performance incentive fee per Ordinary Share payable in relation to financial years starting after 29 February 2012 does not exceed 20% of Cumulative Dividends per Ordinary Share paid in relation to those financial years and (ii) the New Total Return per Ordinary Share is at least equal to the Hurdle.

In consideration of the Manager's performance in managing the Original Ordinary Share Portfolio, a performance incentive fee linked to the profit achieved on the future disposal of two investments from this portfolio, Espresso Group Limited and Think Limited, will be payable. This performance incentive fee will be equal to 20% of the aggregate profit realised on the sale of Espresso Group Limited and Think Limited, subject to a maximum fee of £673,000 (being 20% of the aggregate unrealised profit on these investments as at 31 August 2011).

The new performance incentive arrangements will apply to all Ordinary Shares in issue, including any Ordinary Shares issued pursuant to the Offer and the conversion of the C Shares into Ordinary Shares, which is expected to take place in October 2012. All fees paid under the new performance incentive arrangements will be inclusive of VAT, if applicable. The Manager will receive 91% of all fees paid under the new performance incentive arrangements and Downing Corporate Finance will receive 9%.

### Launch Costs

The Company has agreed to pay Beringea an initial fee of 5.5% of the gross funds raised, together with an annual commission of 0.2% of gross funds raised for a period of 5 years. Out of these fees Beringea will be responsible for paying all the costs of the Offer, including professional fees, marketing expenses and commission to authorised financial advisors. Beringea's fee will be reduced by the aggregate subscription amount for the Additional Shares issued to Investors whose Applications are received before 31 January 2012.

The maximum amount payable by the Company in respect of Offer costs will therefore be 6.5% of the gross proceeds of the Offer. The net proceeds of the Offer will be £14,025,000, assuming that it is fully subscribed and is not increased in size, and disregarding any additional proceeds resulting from the issue of Additional Shares under the early investment incentive or the waiver of initial commission by financial intermediaries.

## 9. OTHER INFORMATION

### The Offer

The Company is seeking to raise up to £15 million through the issue of New Ordinary Shares. The size of the Offer may be increased at the Directors' discretion in the event that £15 million is raised, up to a maximum of £20 million. Any increase in the size of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Services Authority. New Ordinary Shares issued under the Offer will rank *pari passu* in all respects with the existing Ordinary Shares, including in respect of dividends.

The Offer Price of the New Ordinary Shares will be calculated on the basis of the following formula, which ensures that there is no reduction in the net asset value of the existing Ordinary Shares as a result of the Offer:

**The Offer Price is the net asset value ("NAV") of an Ordinary Share, divided by 0.945 (to allow for issue costs of 5.5%), rounded up to the nearest tenth of a penny.**

The NAV per Ordinary Share used in the calculation of the Offer Price will be the NAV most recently announced to the London Stock Exchange, less the amount of any dividend to be paid for which the record date is prior to the relevant allotment date and any related performance incentive payment.

The most recently published NAV per Ordinary Share as at the date of this document is 55.9p. After adjusting for the interim dividend for the year to 28 February 2012 and the associated performance incentive payment to the Manager, the Initial Offer Price will be 51.5p per New Ordinary Share, being 48.6p divided by 0.945, rounded up to the nearest tenth of a penny (subject to adjustment by the Pricing Formula). The Company normally announces its latest NAV per Ordinary Share on a quarterly basis, although it may announce a new NAV between the normal quarterly dates if there is a material movement. The next NAV announcement following the date of this document is expected to be in mid-January 2012. Such announcements may result in an upwards or downwards movement in the NAV of the Ordinary Shares and therefore in the Offer Price. Consequently, the Offer Price may change between the date on which an Investor's Application Form is posted and the date on which New Ordinary Shares in respect of that Application Form are allotted. Any change in the Offer Price will be announced on the ProVen VCTs' website at [www.provenvcts.co.uk](http://www.provenvcts.co.uk).

Applications will be made to the UK Listing Authority for the New Ordinary Shares issued under the Offer to be admitted to a premium listing on the Official List and to trading on the London Stock Exchange's main market for listed securities.

Applications for the New Ordinary Shares will be payable in full by cheque or bankers draft on application. Investors may post-date their cheques to 6 April 2012 for applications in respect of the 2012/2013 Offer. Applications under the Offer will be processed upon receipt. Applications accompanied by post dated cheques will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date. Multiple subscriptions by Investors are permitted. The Offer is not underwritten.

The subscription list for the Offer will open on 8 December 2011 and close at 5.00 pm on 5 April 2012 for the 2011/2012 Offer and at 5.00 pm on 31 May 2012 for the 2012/2013 Offer (or on any earlier date on which the Offer is fully subscribed), save that the Directors reserve the right to bring forward or extend the closing date of the 2012/2013 Offer. The result of the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Services Authority. There is no minimum subscription for the Offer to proceed.

In the event that applications are received in excess of the maximum subscription under the Offer, the Directors reserve the right to use their absolute discretion in the allocation of successful applications.

New Ordinary Shares will be allotted and issued in respect of valid applications in respect of the 2011/2012 Offer on 5 April 2012 and any other prior dates on which the Directors decide and, in respect of the 2012/2013 Offer, on 31 May 2012 and any other dates after 5 April 2012 on which the Directors decide. Details of such allotments will be announced through a Regulatory Information Service provider by no later than the business day following the allotment. Share certificates (where applicable) will be posted to Shareholders within 15 business days of each allotment.

The New Ordinary Shares will be issued on a fully paid up basis in registered form and evidence of title will be through possession of a share certificate in the Shareholder's name; alternatively, New Ordinary Shares may be held in an account through the CREST system. The Company will apply for the New Ordinary Shares to be admitted to CREST and it is expected that the New Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if Shareholders wish.

The Offer may not be withdrawn after dealings in the New Ordinary Shares have commenced. In the event of any requirement for the Company to publish a supplementary prospectus, subscribers who have yet to be entered into the Company's register of members will be given two days to withdraw from their subscription. Investors should note, however, that in respect of New Ordinary Shares that have been unconditionally allotted, such withdrawal rights are a matter of law that is yet to be tested in the courts of England and Wales and Investors should, therefore, rely on their own legal advice in this regard. Notification of withdrawal may be given by e-mail to [provenvcts@beringea.co.uk](mailto:provenvcts@beringea.co.uk) or by post. In the event that notification of withdrawal is given by post, such notification will be effected at the time the Applicant posts such notification rather than at the time of receipt by the Company.

Investors wishing to subscribe for New Ordinary Shares may do so by completing the Application Form at the end of this document. Details of how to complete the Application Form are set out under the heading “Application Procedure” on pages 51 to 52 of this document.

### **Investor Profile**

A typical Investor will be a UK taxpayer who is aged 18 or over who is professionally advised and already has a portfolio of non-VCT investments such as unit trusts, OEICs, investment trusts and direct shareholdings in listed companies. The Investor should be comfortable with the risk factors set out at the front of this document and be willing to retain the investment for at least five years.

Before deciding whether to apply for New Ordinary Shares it is recommended that potential Investors consult an authorised independent financial advisor.

### **Minimum and Maximum Investment**

The minimum application per Investor under the Offer is £5,000. Applications in excess of £5,000 may be made for any higher amount in multiples of £1,000, subject to availability. There is no maximum investment although tax reliefs are only available on a maximum investment of £200,000 per individual in all VCTs in any one tax year. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

### **Intermediary Commission**

Authorised financial intermediaries will usually be paid an initial commission of either 3% or 2.5% on the amount invested by their clients. Additionally, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the New Ordinary Shares, Beringea will pay annual trail commission to intermediaries who elect to take an initial commission of 2.5%, normally at the rate of 0.25% of the amount invested by the client, for up to five years. The first payment of trail commission in respect of the New Ordinary Shares is expected to be in July 2013 in respect of the financial year to 28 February 2013.

Financial intermediaries may agree to waive all or part of the initial commission in respect of an application. If this is the case, additional New Ordinary Shares will be allotted to the Investor and the waived commission will be used to satisfy the subscription price of such additional New Ordinary Shares. Intermediaries must indicate on the Application Form the basis on which they wish to receive their commission.

### **Information relating to the future “merger” of the Ordinary Shares and the C Shares**

Under the terms of the offer for C Shares in the Company, as set out in the prospectus dated 14 November 2006, each C Share will, in accordance with the Company’s articles of association, convert into a number of Ordinary Shares in a process that is expected to take place in October 2012. The number of Ordinary Shares to be issued to each holder of C Shares will be calculated based on the respective net asset values of an Ordinary Share and a C Share immediately prior to the conversion, such that there will be no change in the value of such Shareholders’ investments in the company.

At the point of the conversion the assets of the Ordinary Shares and the C Shares, including their investment portfolios, will merge, resulting in a more diversified portfolio of investments for all the holders of Ordinary Shares after the conversion (including the former holders of C Shares).

More information on the C Shares and their investment portfolio can be obtained from the Company’s Annual Report and Accounts for the year to 28 February 2011 and its Half-Year Report for the period to 31 August 2011 which are incorporated by reference into this document. These documents can be downloaded from [www.provenvcts.co.uk](http://www.provenvcts.co.uk) or can be obtained from the Company’s Manager, Beringea, by calling 020 7845 7820.

# PART 2

## Tax considerations for Investors

### Tax Position of Investors

The following is only a summary of the law concerning the tax position of individual investors in VCTs. Potential Investors who are in any doubt about the taxation consequences of investing in a VCT are recommended to consult a professional adviser.

### Tax Reliefs

The tax reliefs set out below are available to individuals aged 18 or over who subscribe for New Ordinary Shares under the Offer. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should seek professional advice.

#### (a) Income tax

##### (i) Relief from income tax on investment

Income tax relief at the rate of 30% will be available on subscriptions for up to a maximum of £200,000 in any tax year. This relief is limited to the amount which reduces the Investor's income tax liability to nil.

The effect of this relief for an Investor subscribing £10,000 for New Ordinary Shares is shown below:

	No VCT tax relief	30% income tax relief
Initial investment	£10,000	£10,000
30% income tax relief	–	(£3,000)
Effective investment cost	£10,000	£7,000

To obtain relief an Investor must subscribe on his own behalf, although the New Ordinary Shares may subsequently be transferred to a nominee. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

##### (ii) Dividend relief

An Investor who acquires VCT shares in a given tax year with a value of up to £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

##### (iii) Purchasers in the market

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on investment (as described in paragraph (i) above).

##### (iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period.

## **(b) Capital gains tax**

### **(i) Relief from capital gains tax on the disposal of shares**

A disposal by an Investor of their New Ordinary Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

### **(ii) Purchasers in the market**

An individual purchaser of New Ordinary Shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph (b)(i) above).

## **Obtaining Tax Reliefs**

The Company will provide to each Investor a certificate which the Investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

## **Investors not Resident in the UK**

Investors not resident in the UK should seek professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

## **Withholding Taxation**

No taxation will be withheld at source on any income arising from the New Ordinary Shares and the Company assumes no responsibility for such withholding.

## **Withdrawal of Approval**

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

# PART 3

# Conditions to be met by Venture Capital Trusts

## Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital quoted on any regulated market in the EU or European Economic Area;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by value of its investments in shares or securities in Qualifying Investments;
- (e) for funds raised after 5 April 2011, have at least 70% by value of Qualifying Investments in ordinary shares which carry no preferential rights to assets on a winding up and no rights to be redeemed although they may have certain preferential rights to dividends;
- (f) have at least 10% by value of its Qualifying Investments in any single company or group in ordinary shares which carry no preferential rights to dividends;
- (g) not have more than 15% by value of its investments in a single company (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- (h) not retain more than 15% of its income derived from shares and securities in any accounting period; and

## Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions and for which no more than £1 million was subscribed by the VCT in any one tax year (nor more than £1 million in, broadly, any period of 6 months straddling two tax years). There are proposals to remove the £1m limit with effect from 6 April 2012. The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £7 million immediately before and £8 million immediately after the investment (there are proposals to increase the gross assets limit with effect from 6 April 2012), apply the money raised for the purposes of a Qualifying Trade within certain time periods and not be controlled by another company. In any twelve month period the company can receive no more than £2 million from VCT funds raised after 5 April 2007, or under the Enterprise Investment Scheme. There are proposals to increase this limit with effect from 6 April 2012. The company must have fewer than 50 full time (or equivalent) employees at the time of making the investment (there are proposals to increase the employees limit with effect from 6 April 2012). In certain circumstances, an investment in a company by a VCT can be split into part Qualifying Investment and part non-Qualifying Investment.

## Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on the PLUS Market and the Alternative Investment Market) and must carry on a Qualifying Trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The Qualifying Trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a Relevant Qualifying Subsidiary (see below) at the time of the issue of shares or securities to the VCT (and at all times thereafter). Qualifying companies need not be UK resident but must have a permanent establishment in the UK. A company intending to carry on a Qualifying Trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than Qualifying Subsidiaries which must be more than 50% owned.

A Relevant Qualifying Subsidiary can be a 90% directly held subsidiary of the company invested in, its wholly owned subsidiary, or a 90% held subsidiary of a wholly owned subsidiary.

### **Approval as a VCT**

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, in order to facilitate the launch of a VCT, HMRC may approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided HMRC is satisfied that the tests will be met within certain time limits. In particular, in the case of the tests described at (d) and (e) under the heading “Qualification as a VCT” above, approval may be given if HMRC is satisfied that these will be met throughout an accounting period of the VCT beginning no more than three years after the date on which approval takes effect.

The Directors intend to conduct the affairs of the Company so that it satisfies the conditions for approval as a VCT and that such approval will be maintained. HMRC has granted the Company approval under section 274 ITA as a VCT. The Company intends to comply with section 274 ITA and has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

### **Withdrawal of Approval**

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.

# PART 4

## Other information relating to the Company

### Incorporation

ProVen VCT was incorporated in England as a public company with limited liability on 18 January 2000 with registered number 3911323. The principal legislation under which the Company operates, and under which the New Ordinary Shares will be created, is the 2006 Act and regulations made thereunder.

### Duration of the Company

Although it is not intended that the Company should have a limited life, the articles of association contain provisions requiring its Directors to propose a resolution at its annual general meeting in 2019 to seek confirmation from its Shareholders that it should continue as a VCT and, if passed, a similar resolution will be proposed at five yearly intervals thereafter.

### Capitalisation and Indebtedness

The following table shows the capitalisation of the Company as at 31 August 2011 (extracted from the Company's unaudited half-year report for the six months ended 31 August 2011).

	£'000
<b>Total current debt</b>	251
Guaranteed	
Secured	
Unguaranteed/secured	251
<b>Total non-current debt</b>	
Guaranteed	
Secured	
Unguaranteed/secured	
<b>Shareholders' equity</b>	
Share capital	5,335
Share premium	10,139
Other reserves	18,784
	<b>34,509</b>

The following table shows the Company's net indebtedness as at 31 August 2011 (extracted from the Company's unaudited half-year report for the six months ended 31 August 2011).

	£'000
A. Cash	2,310
B. Cash equivalents	9,200
C. Trading securities	
<b>D. Liquidity (A+B+C)</b>	<b>11,510</b>
E. Current financial receivables	194
F. Current bank debt	
G. Current position of non current debt	
H. Other current financial debt	
<b>I. Current financial debt (F+G+H)</b>	
<b>J. Net current financial indebtedness (I-E-D)</b>	<b>(11,704)</b>
K. Non-current bank loans	
L. Bonds issued	
M. Other non-current loans	
<b>N. Non-current financial indebtedness (K+L+M)</b>	
<b>O. Net financial indebtedness (J+N)</b>	<b>(11,704)</b>

The Company has guaranteed certain bank facilities of one of its portfolio companies, Donatantonio Limited, up to a maximum principal sum of £225,000 (this limit excludes any interest on sums claimed, and costs of recovery incurred, by the bank). A third party has guaranteed 50% of the Company's liability under these guarantees, such that the Company's net exposure for the principal sum is £112,500. There has been no material change since 31 August 2011 to the capitalisation and net indebtedness of the Company.

### Working Capital Statements

In the opinion of the Company, the working capital available to the Company is sufficient for its present requirements, that is for at least 12 months from the date of this document.

### Shareholder Authorities

The resolutions passed by the Company at the general meeting held on 24 August 2011, which included authority to allot the New Ordinary Shares.

### Share Rights

The rights and restrictions attaching to the New Ordinary Shares are as follows

#### Voting Rights

The company has three classes of shares: Ordinary Shares, C Shares and D Shares, ranking pari passu with each other in terms of voting and other rights.

Subject to any disenfranchisement as provided in the Articles and subject to any special terms as to voting on which any shares may be issued, on a show of hands every holder of Ordinary Shares, C Shares or D Shares present in person or by proxy (or, being a corporation present by a duly authorised representative) shall have one vote and, on a poll, every such holder present in person or by proxy shall have one vote for every Ordinary Share, C Share or D Share of which he is the holder.

#### Dividends and other distributions

Shareholders shall, subject to the provisions of the Articles, have the following rights to be paid dividends:

- (a) the Ordinary Shares entitle their holders to receive such dividends as the Directors may resolve to pay out of the net assets attributable to the Ordinary Shares and from income received and accrued which is attributable to the Ordinary Shares;
- (b) the C Shares entitle their holders to receive such dividends as the Directors may resolve to pay out of the net assets attributable to the C Shares and from income received and accrued which is attributable to the C Shares; and

- (c) the D Shares entitle their holders to receive such dividends as the Directors may resolve to pay out of the net assets attributable to the D Shares and from income received and accrued which is attributable to the D Shares.

#### **Rights as to capital**

Shareholders shall, subject to the provisions of the Articles, have the following rights as to capital and assets on a winding up or other return of capital:

- (a) the net assets of the Company attributable to the Ordinary Shares (including any income and/or revenue arising from or relating to such assets) less such proportion of the Company's liabilities including fees and expenses of liquidation or return of capital as the Directors or liquidator shall reasonably allocate to the assets of the Ordinary Shares attributable to the holders of Ordinary Shares ("Ordinary Share Surplus") shall be divided amongst the holders of Ordinary Shares pro rata according to their holdings of Ordinary Shares;
- (b) the net assets of the Company attributable to the C Shares (including any income and/or revenue arising from or relating to such assets) less such proportion of the Company's liabilities including fees and expenses of liquidation or return of capital as the Directors or liquidator shall reasonably allocate to the assets of the C Shares attributable to the holders of C Shares ("C Share Surplus") shall be divided amongst the holders of C Shares pro rata according to their holdings of C Shares;
- (c) the net assets of the Company attributable to the D Shares (including any income and/or revenue arising from or relating to such assets) less such proportion of the Company's liabilities including fees and expenses of liquidation or return of capital as the Directors or liquidator shall reasonably allocate to the assets of the D Shares attributable to the holders of D Shares ("D Share Surplus") shall be divided amongst the holders of D Shares pro rata according to their holdings of D Shares; and
- (d) the net assets of the Company (including any income and/or revenue arising from or relating to such assets) less the Company's liabilities (including the fees and expenses of liquidation or return of capital) less the Ordinary Share Surplus, the C Share Surplus and the D Share Surplus shall be divided amongst the holders of Ordinary Shares, C Share and D Shares pro rata according to their holdings of Shares.

#### **Variation of Class Rights**

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the 2006 Act and every other statute for the time being in force concerning companies and affecting the Company, be varied or abrogated in respect of the whole or any part of that class either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst that Company is a going concern or during or in contemplation of a winding up. At every such separate general meeting the necessary quorum shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

#### **Alteration of share capital**

The Company may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; and
- (iii) cancel any shares which have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the nominal amount of the shares so cancelled.

Subject to the provisions of the 2006 Act, the Company may by special resolution:

- (i) purchase any of its own shares (including any redeemable shares);
- (ii) reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner; or
- (iii) sub divide its shares, or any of them, into shares of a smaller nominal amount (subject, nevertheless, to the provisions of the 2006 Act) and by the same resolution may confer special rights on any of the shares resulting from the sub division.

### Issue of shares

The provisions of Section 561(1) of the 2006 Act (which, to the extent not disapplied pursuant to Section 570(1) of the 2006 Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the Company in general meeting. Subject to the provisions of the 2006 Act relating to authority, pre-emption rights and otherwise and of any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

### Transfer of shares

The shares are in registered form and are freely transferable. All transfers of shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share, provided that such refusal does not prevent dealings taking place on an open and proper basis, and may also refuse to register any instrument of transfer unless:

- (i) it is duly stamped (if so required), is lodged with the Company's registrar or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is in respect of only one class of share;
- (iii) the transferees do not exceed four in number; and
- (iv) it does not relate to any shares in respect of which the Company has a lien.

### Material Interests

The Manager will be paid an annual investment management fee equal to 2 per cent. per annum of the aggregate net asset value of the Company. In line with normal VCT practice, the Manager will also be entitled to receive a performance related incentive fee in order to align the interests of the Manager as closely as possible with those of the Investors and to encourage and reward exceptional performance. Further details of these arrangements are set out on pages 28 and 29 of this document. In addition, the Manager will receive an initial fee of 5.5 per cent. of the gross proceeds of the Offer together with an annual commission of 0.2 per cent. of gross funds raised for a period of 5 years. Out of these fees Beringea will be responsible for paying all the costs of the Offer, including initial and trail commission paid to authorised financial intermediaries.

Malcolm Moss is a partner in Beringea and a member of Beringea's ultimate holding company, Beringea LLC, and Beringea is a party to the material contracts set out in paragraph 1.1, 1.3, 1.4, 1.8(ii) and 1.9 of Part 10 of the Registration Document.

### Dilution

There will not be any dilution of the net asset value of the Ordinary Shares, C Shares or D Shares as a result of the Offer.

### Sources

Information in this document sourced from third parties has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third parties, no facts have been omitted which would render such information inaccurate or misleading.

### Overseas Investors

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares unless, in such territory, such offer or invitation could lawfully be made. It is the responsibility of any person outside the UK wishing to make an application to satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US person as defined under the United States Securities Act 1933, nor a resident of Canada.

## Documents Available for Inspection and Availability of Prospectus

Copies of the following documents are available for inspection at the Company's registered office and at the offices of Howard Kennedy at 19 Cavendish Square, London, W1A 2AW during normal business hours on any weekday (public holidays excepted) from the date of this document until the closing date of the Offer:

- (a) the Articles;
- (b) the material contracts referred to in Part 10 of the Registration Document;
- (c) the consent letters from Howard Kennedy and Beringea referred to in paragraph 5.18 of Part 11 of the Registration Document;
- (d) the audited accounts of the Company for the periods ended 28 February 2009, 28 February 2010, 28 February 2011 and the unaudited half-year reports for the six months to 31 August 2010 and 31 August 2011;
- (e) the Registration Document;
- (f) the Summary; and
- (g) this Securities Note.

Copies of the Prospectus may be obtained, free of charge, whilst the Offer remains open, from the Company's registered office or from Beringea, 39 Earlham Street, London WC2H 9LT (telephone 020 7845 7820, email **provenvcts@beringea.co.uk**), or can be downloaded at **www.provenvcts.co.uk**. In addition, a copy of the Prospectus has been submitted to the National Storage Mechanism and is available to the public for viewing online at the following web-site address: **<http://www.hemscott.com/nsm.do>**.

8 December 2011

# PART 5

## Rules of the Dividend Reinvestment Scheme

1. Shareholders on the register of members at the close of business on the relevant record date may elect to receive Shares, credited as fully paid, instead of receiving the dividend in cash for the relevant financial period (“the full cash dividend”). The election may only be made by Shareholders in respect of the whole (and not part only) of their shareholdings and shall, subject to Condition 7, operate as a mandate in respect of the Interim Dividend to be paid on 2 February 2012 and all subsequent dividends unless and until the Shareholder gives notice to terminate his or her participation in the Scheme in accordance with the terms of the Scheme.
2. Shareholders may only join the Scheme in respect of any class of Shares if all dividends on all Shares in the Company registered in their name, of whatever share class, are mandated to the Scheme. The number of Shares held by such Shareholder (a “Participating Shareholder”) which are mandated to the Scheme shall be altered immediately following any change to the number of Shares in respect of which such Shareholder is the registered holder as entered onto the register of members of the Company from time to time.
3. The Company shall invest the monies held within the Scheme (being dividends paid on Shares by, or on behalf of, Participating Shareholders) in the subscription of Shares of the same class in the Company. The Company shall not have the discretion to vary such investments and Shareholders may not instruct the Company or the Scheme Administrator to make any other investments.
4. (a) On or as soon as practicable after a day on which any dividend is paid to Shareholders (a “Reinvestment Day”), the funds held by the Company on behalf of each Participating Shareholder shall be applied on behalf of that Shareholder in the subscription for the maximum number of Shares as can be acquired with those funds.  
(b) The number of Shares issued to a Participating Shareholder pursuant to condition 4(a) above shall be calculated by dividing the aggregate value of the dividends paid on the Shares to which the Participating Shareholder is entitled by the greater of (i) the most recently announced net asset value per Share; less the amount of the dividend and any related performance incentive (unless accounted for in the most recently announced net asset value per Share); and (ii) the nominal value per Share.  
(c) No fractions of Shares will be issued under the Scheme and subject to condition 4(d) below the election may only be made by Shareholders in respect of the whole and not part of their shareholdings. Any balance of cash remaining with the Company after the subscription shall be held by the Company on behalf of the Participating Shareholder to whom it relates and added to the cash available in respect of that Shareholder for the subscription of the relevant class of Shares on the next relevant Reinvestment Day. No interest shall accrue or be payable by the Company in favour of any Shareholder on any such cash balances.  
(d) The Scheme involves the reinvestment of the whole dividend paid on each shareholding each time a dividend is paid by the Company, together with any cash residue brought forward from the previous dividend. Partial reinvestment of dividends is only permitted by nominees, who need to lodge a Mandate Form for each Reinvestment Day quoting the number of Shares in respect of which their election is made. Shareholders will remain in the Scheme so that all future dividends will be reinvested in the same way, until they give notice in writing to the Scheme Administrator that they wish to terminate their participation in the Scheme.
5. The Scheme Administrator shall on the relevant Reinvestment Day take all necessary steps to ensure that the Participating Shareholders are entered onto the share register of the Company as the registered holders of the Shares, issued to them under the Scheme, and that share certificates in respect of such shares issued are posted to the Participating Shareholders at their own risk as soon as is reasonably practical, unless such shares are to be uncertificated.

6. To assist Participating Shareholders with their tax returns, the Scheme Administrator will attach to the new share certificates a Statement of Entitlement, or if shares are held in uncertificated form, a Statement of Entitlement will be sent to a Participating Shareholder separately, detailing the following:- (i) the total dividend payable; (ii) the subscription price per Share; (iii) the number of Shares allotted to a Participating Shareholder; (iv) the residual cash balance (if any) representing an entitlement to a fraction of a Share to be carried forward to the next dividend; and (v) the cash equivalent of the Shares issued, together with any such other information as shall be required under the Listing Rules of the UK Listing Authority.
7. Application to join the Scheme can be made at any time by returning a completed Mandate Form. However, Mandate Forms need to have been received by Beringea LLP, 39 Earlham Street, London, WC2H 9LT at least 20 Business Days prior to the payment of a dividend which is to be reinvested. Mandate Forms received after that date shall be effective in relation to any future dividends in respect of which the Directors offer a dividend reinvestment alternative.
8. If, prior to the day on which the Shares became ex-dividend, a Shareholder has sold all or some of his or her holdings in Shares, the Shareholder should consult his or her stockbroker or agent without delay.
9. An application will be made to the UK Listing Authority for admission of the Shares issued under the Scheme to the Official List and to the London Stock Exchange plc for admission to trading on the London Stock Exchange plc's main market for listed securities (together "Admission"). On issue, the Shares will rank pari passu in all respects with the existing issued Shares of that class and will rank for future dividends. Subject to Admission, definitive share certificates for the Shares will be posted as soon as practicable following Admission at the risk of the persons entitled to them. Where Shares are issued as uncertificated shares, as soon as practicable following Admission the Company will arrange for the relevant Participating Shareholders' stock accounts in CREST to be credited with their entitlement to Shares and a Statement of Entitlement will be posted to them. Shares will be allotted as and when the Directors determine it appropriate, with Admission and Dealings expected within 10 Business Days of allotment. Share certificates will not be issued and CREST accounts will not be credited until Admission becomes effective.  
  
In the event that Admission does not become effective, Mandate Forms will be disregarded in respect of the dividend and the full cash dividend will be paid as soon as possible in the usual way.
10. Further copies of this document and/or Mandate Forms may be obtained from Beringea LLP, 39 Earlham Street, London, WC2H 9LT.
11. All costs and expenses incurred by the Scheme Administrator in administering the Scheme will be borne by the Company.
12. Each Shareholder applying to participate in the Scheme will be deemed to warrant to the Scheme Administrator and the Company in the Mandate Form that (i) save in the case of a Shareholder holding his Shares as nominee, during the continuance of his or her participation in the Scheme he or she will remain the sole beneficial owner of the Shares mandated to the Scheme free from encumbrances or security interests; and (ii) all information set out in the Mandate Form is correct and, to the extent any of the information changes, he or she will notify the changes to the Scheme Administrator.
13. Each Participating Shareholder acknowledges that none of the Company, the Scheme Administrator nor Beringea LLP is providing a discretionary manager service. Neither the Scheme Administrator, Beringea LLP or the Company shall be responsible for any loss or damage to Participating Shareholders as a result of their participation in the Scheme unless due to the negligence or default of the Scheme Administrator or the Company (respectively), its servants or agents.
14. The financial calendar and procedure for future dividends both as to any final and/or interim dividend will be notified in writing to Shareholders and/or published through an RIS.
15. The Participating Shareholder may at any time, by notice of not less than 20 Business Days prior to the relevant Reinvestment Day to the Scheme Administrator, terminate his or her participation in this Scheme. If a Participating Shareholder shall at any time cease to hold any Shares of a particular class in the Company, he or she shall be deemed to have served such a notice in respect of his or her participation in the Scheme in respect of that class of Shares.
16. The Company and the Scheme Administrator shall be entitled, at any time and from time to time, to suspend the operation of the Scheme in whole or in part and/or to terminate the Scheme without notice to the Participating Shareholders. Circumstances under which the Directors might suspend or terminate the Scheme include, but are not limited to changes in legislation governing VCTs (including changes in available tax reliefs) and adverse market conditions in the public markets.

17. All notices and instructions to be given to the Scheme Administrator shall be in writing and delivered or posted to Capita Registrars Limited, New Issues, The Registry, 34 Beckenham Road, Beckenham BR3 4TU. Applications to participate in the Scheme will be made by way of Mandate Form in the prescribed form as provided by Beringea LLP or the Scheme Administrator.
18. Subject to the prior agreement of the Scheme Administrator, the Directors shall be entitled to amend the Scheme terms and conditions on giving one month's notice in writing to all Participating Shareholders. If such amendments have arisen as a result of any change in statutory or other regulatory requirements, notice of such amendment will not be given to Participating Shareholders unless, in the Scheme Administrator's opinion, the change materially affects the interests of Participating Shareholders. Amendments to the Scheme Terms and Conditions which are of a formal, minor or technical nature, or made to correct a manifest error and which do not adversely affect the interests of Participating Shareholders, may be effected without notice.
19. By completing and delivering the Mandate Form provided by the Scheme Administrator, the Participating Shareholder will (i) agree to provide the Company with any information which it may request in connection with such application and to comply with legislation relating to VCTs or other relevant legislation (as the same may be amended from time to time); and (ii) declare that no loan has been made to the Participating Shareholder or any associate, which would not have been made, or not have been made on the same terms but for the Participating Shareholder offering to subscribe for, or acquiring, Shares, and that the Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement, the main purpose of which is the avoidance of tax.
20. Subscriptions for VCT shares only attract tax reliefs if in any tax year subscriptions to all VCTs do not exceed £200,000 (including subscriptions pursuant to dividend reinvestment schemes). Where Shares are held by a nominee as at the relevant record date, that nominee's beneficiary will not be entitled to receive the tax reliefs otherwise available to Participating Shareholders under the Scheme. Participating Shareholders under the Scheme are responsible for ascertaining their own tax status and liabilities and neither the Scheme Administrator nor the Company can accept any liability in the event they do not receive any VCT tax reliefs, or such reliefs are reduced or restricted in any way.
21. Dividends on Shares acquired in excess of £200,000 in any tax year will not be exempted from income tax in the same way as Shares acquired within this limit, therefore Participating Shareholders will generally be liable to tax on such dividends.
22. The election to receive Shares in place of the cash dividend is not being offered to, or for the benefit of, any citizen of the United States, Canada or Australia, any corporation, partnership or other entity created or organised in, or under the laws of the United States, Canada or Australia or any political sub-division thereof or with a registered office in any of these countries or any estate or trust, the income of which is subject to United States Federal, or Canadian, or Australian income taxation regardless of its source. "United States" means United States of America (including the District of Columbia). References to the United States, Canada and Australia include their territories, possessions and all areas subject to their jurisdiction.  
No person receiving a copy of the Circular and/or Mandate Form in any territory other than the United Kingdom may treat it as constituting an invitation to him unless in the relevant territory such an invitation could lawfully be made to him without complying with any registration or other legal requirements. It is the responsibility of the Shareholder outside the United Kingdom wishing to elect to receive Shares to satisfy himself as to the full observance of the laws of the relevant territory in connection with the offer, including obtaining any governmental or other consents which may be necessary and observing any other formalities requiring to be observed in such territory.
23. The Company shall not be required to issue Shares hereunder if the Directors so decide in their absolute discretion. If the Directors decide not to issue Shares hereunder, the full cash dividend will be paid as soon as possible in the usual way.
24. These Scheme terms and conditions shall be governed by, and construed in accordance with, English law and each Participating Shareholder submits to the jurisdiction of the English courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme in any other manner permitted by law or in any court of competent jurisdiction.

**Shareholders in any doubt about their tax position should consult their independent adviser.**

# PART 6

## Terms and conditions of Application

- 1 In these terms and conditions which apply to the Offer, “Applicant” means a person whose name appears in an Application Form, “Application” means the offer by an Applicant completing an Application Form and posting (or delivering) it to Beringea (the “Receiving Agent”) or as otherwise indicated in this document or the Prospectus. Save where the context otherwise requires, words and expressions defined in this document have the same meanings when used in the Application Form and explanatory notes in relation thereto.
- 2 The contract created by the acceptance of an Application under the Offer will be conditional on:
  - (i) Admission becoming effective; and
  - (ii) the Sponsor’s agreement between the Company, the Directors, Beringea, Beringea LLC and Howard Kennedy becoming unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective
- 3 The Company reserves the right to present all cheques and bankers’ drafts for payment on receipt and to retain share certificates and application monies pending clearance of successful Applicants’ cheques and bankers’ drafts. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant’s cheque or banker’s draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account. Multiple applications by Investors are permitted.
- 4 By completing and delivering an Application Form, you:
  - (i) offer to subscribe for the pound amount of New Ordinary Shares specified in your Application Form at the Offer Price per New Ordinary Share, as determined by the Pricing Formula described above, on the terms of and subject to the conditions contained in this document, including these terms and conditions, and subject to the memorandum and articles of association of the Company;
  - (ii) agree that, in consideration of the Company agreeing that it will not on or prior to the Offer closing issue or allot any New Ordinary Shares to any person other than by means of the procedures referred to in this document, your Application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form;
  - (iii) agree and warrant that your cheque or banker’s draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Ordinary Shares until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, the Sponsor, and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such New Ordinary Shares and may issue or allot such New Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such New Ordinary Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker’s draft accompanying your Application, without interest;
  - (iv) agree that, in respect of those New Ordinary Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
  - (v) agree that any monies refundable to you may be retained by the Receiving Agent pending clearance of your remittance and any verification of identity which is, or which the Company or the Receiving Agent

may consider to be, required for the purposes of the Money Laundering Regulations and that such monies will not bear interest;

- (vi) authorise the Registrars to send share certificate(s) in respect of the number of New Ordinary Shares for which your Application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such New Ordinary Shares;
  - (vii) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company or the Sponsor to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
  - (viii) confirm that, in making such Application, you are not relying on any information or representation in relation to the Company other than the information contained in this document or the Prospectus announced by the Company or filed with the Registrar of Companies (or any supplementary prospectus so announced or filed) and accordingly you agree that no person responsible solely or jointly for this document, or any part thereof, or involved in the preparation thereof, shall have any liability for such information or representation;
  - (ix) irrevocably authorise the Receiving Agent, the Registrars and/or the Sponsor or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agent, the Registrars or the Sponsor to execute any document required therefore;
  - (x) agree that, having had the opportunity to read this document and the Prospectus, you shall be deemed to have had notice of all information and statements concerning the Company and the New Ordinary Shares contained therein;
  - (xi) confirm that you have reviewed the restrictions contained in paragraph 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933 ("Securities Act") (as amended), nor a resident of Canada and that you are not applying for any New Ordinary Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
  - (xii) declare that you are an individual aged 18 or over;
  - (xiii) agree that all documents and cheques sent by post to, by or on behalf of the Company, the Registrars or the Receiving Agent will be sent at the risk of the Applicant;
  - (xiv) agree, on request by the Company, or the Sponsor on behalf of the Company, to disclose promptly in writing to the Company, any information which the Company or the Sponsor may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and authorise the Company and the Sponsor to disclose any information relating to your Application as they consider appropriate;
  - (xv) agree that Beringea, the Sponsor and the Receiving Agent will not treat you as their customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the New Ordinary Shares or the suitability for you of New Ordinary Shares or be responsible to you for providing the protections afforded to their customers;
  - (xvi) where applicable, authorise the Company to make on your behalf any claim to relief from income tax in respect of any dividends paid by the Company;
  - (xvii) declare that the Application Form has been completed to the best of your knowledge;
  - (xviii) undertake that you will notify the Company if you are not or cease to be either a Qualifying Subscriber or beneficially entitled to the New Ordinary Shares; and
  - (xix) declare that a loan has not been made to you or any associate, which would not have been made, or not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Ordinary Shares and that the New Ordinary Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which is the avoidance of tax.
- 5 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.

- 6 The New Ordinary Shares have not been and will not be registered under the Securities Act, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (“the USA”). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager will not be registered under the United States Investment Advisers Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
- 7 The basis of allocation will be determined by the Company in its absolute discretion after consultation with the Sponsor. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Application or any part thereof including, without limitation, Applications in respect of which any verification of identity which the Company, the Registrars or the Receiving Agent consider may be required for the purposes of the Money Laundering Regulations has not been satisfactorily supplied. Dealings prior to the issue of certificates for New Ordinary Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all. The Offer will not be withdrawn after dealings in the New Ordinary Shares have commenced.
- 8 Save where the context requires otherwise, the terms defined in this document bear the same meaning when used in these Terms and Conditions of Application.
- 9 Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FSA number will normally be paid commission of either:
- (i) 3 per cent. of the amount invested by their client (and no trail commission); or
  - (ii) 2.5 per cent. of the amount invested by their client plus an annual trail commission, usually of 0.25 per cent. per annum of amount invested by their client. The trail commission in respect of applications for New Ordinary Shares is expected to be paid first in July 2013 and annually thereafter (provided that the financial adviser continues to act for the client and the client continues to hold the New Ordinary Shares) normally for up to five years, and will cease to be payable if the Companies are wound up.
- Beringea will maintain a register of intermediaries entitled to trail commission. Beringea will be entitled to rely on a notification from a client that he has changed his adviser, in which case, the trail commission will cease to be payable to the original adviser and will be payable to the new adviser. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for trail commission. The Receiving Agent will collate the Application Forms bearing the financial intermediaries’ stamps and calculate the initial commission payable which will be paid within 14 days of each allotment.
- 10 Financial intermediaries may agree to waive initial commission in respect of an Application. If this is the case, then the amount of an Application will be increased by an amount equivalent to the amount of the commission waived.
- 11 Existing shareholders in the Company, PGI VCT, ProVen Health VCT or ProVen Planned Exit VCT whose Application Forms are received by 5.00 pm on 31 January 2012 will receive additional New Ordinary Shares with an aggregate subscription price equivalent to 2% of the amount subscribed. All other Investors whose Application Forms are received by 5.00 pm on 31 January 2012 will receive additional New Ordinary Shares with an aggregate subscription price equivalent to 1% of the amount subscribed. The subscription price of the additional Shares will be met by the Manager.
- 12 Money Laundering Regulations
- Important note for applications for 15,000 Euros (approximately £13,000) or more in cash*
- The verification of identity requirements of the Money Laundering Regulations will apply and verification of the identity of the applicant may be required. Failure to provide the necessary evidence of identity may result in the application being treated as invalid or in delay in confirming the application.
- If the value of the New Ordinary Shares applied for exceeds Euros 15,000 (approximately £13,000 as at the date of this document) payment should be made by means of a UK clearing bank cheque drawn in your name on an account in your name. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or banker’s draft, you should write your name, address and date of birth on the back of the cheque or banker’s draft and:
- (i) if a building society cheque or banker’s draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
  - (ii) if a cheque is drawn by a third party, you must ensure that both of the following documents are enclosed with the Application Form: a certified copy of your passport (or your driving licence bearing a photograph and signature of the individual) and a recent (dated within three months preceding the date of application) original bank or building society statement (or utility bill) in your name. A copy passport or driving licence should be certified by a solicitor or bank. Original documents will be returned to you by post at your risk.

# Definitions

The following definitions are used throughout this document and, except where the context requires otherwise, have the following meanings.

<b>2006 Act</b>	Companies Act 2006, as amended and to the extent in force from time to time
<b>2011/2012 Offer</b>	the Company's offer for subscription in respect of the 2011/2012 tax year as described in the Prospectus
<b>2012/2013 Offer</b>	the Company's offer for subscription in respect of the 2012/2013 tax year as described in the Prospectus
<b>Additional Shares</b>	additional New Ordinary Shares issued to applicants under the Offer whose applications are received and accepted by 5.00 pm on 31 January 2012
<b>Admission</b>	admission of the New Ordinary Shares to a premium listing on the Official List and to trading on the London Stock Exchange's market for listed securities
<b>Applicant</b>	a person whose name appears in an Application Form
<b>Application Form(s)</b>	the application form(s) for use in respect of the Offer set out at the end of this document
<b>Articles</b>	the articles of association of the Company, as amended from time to time
<b>Beringea Group</b>	Beringea LLC and its subsidiaries (including Beringea)
<b>Company or ProVen VCT</b>	ProVen VCT plc
<b>C Shares</b>	the C ordinary shares of 25p each of ProVen VCT
<b>C Share Adjustment</b>	subject to the C Share Conversion having taken place, the amount by which the value of C Share Portfolio increases or decreases between 31 August 2011 and the C Share Conversion, divided by the Pro-Forma Number of Ordinary Shares (as adjusted to take account of any dividends paid on C Shares between 31 August 2011 and the C Share Conversion)
<b>C Share Conversion</b>	the conversion of the C Shares into Ordinary Shares, that is expected to take place in October 2012
<b>C Share Portfolio</b>	the portfolio of investments created by investing the proceeds raised from the issue of C Shares prior to the Offer
<b>Cumulative Dividends</b>	the cumulative amount of dividends paid by the Company in relation to the financial years starting on 1 March 2012 and finishing on the 28 February of the relevant financial year;
<b>Directors or Board</b>	the directors of the Company from time to time (as the context permits)
<b>D Shares</b>	the D ordinary shares of 1p each of ProVen VCT
<b>HMRC</b>	HM Revenue & Customs
<b>Howard Kennedy or Sponsor</b>	Howard Kennedy Corporate Services LLP
<b>Hurdle</b>	the greater of: <b>(i)</b> 1.25 times the Initial Net Asset Value, and <b>(ii)</b> the Initial Net Asset Value increased, as from 31 August 2011, by the Bank of England base rate 1% per annum (compound)

<b>Initial Net Asset Value</b>	the net asset value per Ordinary Share as at 31 August 2011 less the amount of the Interim Dividend and the related performance incentive payment to be paid to Beringea
<b>Initial Offer Price</b>	51.5p per New Ordinary Share, subject to adjustment using the Pricing Formula
<b>Interim Dividend</b>	the interim dividend proposed to be paid on [2 February] 2012 to holders of Ordinary Shares on the register on [4 January] 2012
<b>Investor</b>	an individual aged 18 or over who is resident in the United Kingdom who subscribes for New Ordinary Shares under the Offer
<b>ITA</b>	Income Tax Act 2007 (as amended)
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Manager or Beringea</b>	Beringea LLP
<b>Money Laundering Regulations</b>	the Money Laundering Regulations 2007
<b>NAV</b>	the net asset value of a Share
<b>New Ordinary Shares</b>	new Ordinary Shares to be issued under the Offer
<b>New Performance Value</b>	in respect of the relevant financial year end, the sum of (i) the net asset value per Ordinary Share at that date, (ii) all dividends per Ordinary Share paid in relation to financial years starting after 29 February 2012 up to the relevant financial year, (iii) all performance related incentive fees per Ordinary Share paid by the Company to the Manager in relation to financial years starting after 29 February 2012, (iv) any C Share Adjustment (whether relating to that or any prior financial year), and (v) any Residual PIF Adjustment (whether relating to that or any prior financial year)
<b>New Total Return</b>	the net asset value per Ordinary Share at the relevant financial year end, plus Cumulative Dividends per Ordinary Share
<b>Offer</b>	the offer for subscription of New Ordinary Shares described in this document, comprising the 2011/2012 Offer and the 2012/2013 Offer
<b>Offer Price</b>	the net asset value of an Ordinary Share, divided by 0.945 (to allow for issue costs of 5.5%), rounded up to the nearest tenth of a pence. The net asset value per Ordinary Share used in the calculation of the Offer Price will be the net asset value most recently announced to the London Stock Exchange, less the amount of any dividend to be paid, for which the record date is prior to the relevant allotment date (and any related performance incentive fee)
<b>Official List</b>	the Official List of the UK Listing Authority
<b>Ordinary Shares</b>	the ordinary shares of 5p each of ProVen VCT (ISIN number GB0004138805), including New Ordinary Shares where the context permits
<b>Original Ordinary Share Portfolio</b>	the portfolio of investments created by investing the proceeds raised from the issue of Ordinary Shares prior to the Offer
<b>Performance Value</b>	for financial years of the Company ending before 1 March 2012, for the relevant financial year end, the sum of (i) the net asset value per Share as at that date and (ii) all distributions per Share declared and/or paid since the first admission of the Shares to the Official List of the UK Listing Authority
<b>Pricing Formula</b>	the formula used to calculate the Offer Price, as set out on page 29

<b>Pro-Forma Number of Ordinary Shares</b>	the pro-forma number of Ordinary Shares in issue on 31 August 2011, assuming (a) that the actual number of C Shares in issue at the date of the C Share Conversion had converted into Ordinary Shares on 31 August 2011 (using the relative net asset value per share of Ordinary Shares and C Shares on that date), and (b) that the number of Ordinary Shares in issue on 31 August 2011 included the new Ordinary Shares subsequently issued under the Offer
<b>ProVen Health VCT</b>	ProVen Health VCT plc
<b>ProVen Growth &amp; Income VCT or PGI VCT</b>	ProVen Growth & Income VCT plc
<b>ProVen Planned Exit VCT</b>	ProVen Planned Exit VCT plc
<b>ProVen VCTs</b>	ProVen VCT, ProVen Health VCT, PGI VCT and ProVen Planned Exit VCT
<b>Prospectus</b>	together, this document, the Registration Document and the Summary
<b>Qualifying Company</b>	a company satisfying the conditions as described in Part 3 of this document
<b>Qualifying Investment</b>	an investment in an unquoted company which satisfies the requirements of Chapter 4 of Part 6 ITA, as described in Part 3 of this document
<b>Qualifying Subscriber / Qualifying Investor</b>	an individual who subscribes for New Ordinary Shares and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT
<b>Qualifying Subsidiary</b>	a subsidiary company which falls within the definition of Qualifying Subsidiary contained in section 302 ITA, as described in Part 3 of this document
<b>Qualifying Trade</b>	a trade complying with the requirements of Chapter 4 of Part 6 ITA
<b>Receiving Agent</b>	Beringea LLP
<b>Registrars</b>	Capita Registrars
<b>Registration Document</b>	the share registration document that, together with this document and the Summary, constitutes the Prospectus
<b>Residual PIF Adjustment</b>	the performance incentive fee relating to the sale of Espresso Group Limited and Think Limited, as set out on page 29 ("Residual PIF"), divided by the number of Ordinary Shares in issue on 31 August 2011, assuming that the number of Ordinary Shares in issue on 31 August 2011 included the New Ordinary Shares subsequently issued under the Offer or (b) if the C Share Conversion has not taken place, the Residual PIF divided by the Pro-Forma Number of Ordinary Shares
<b>Shares</b>	Ordinary Shares, C Shares and/or D Shares, as the context permits.
<b>Shareholder</b>	a holder of Shares
<b>Summary</b>	the summary that, together with this document and the Registration Document, constitutes the Prospectus
<b>Total Return</b>	the sum of (i) the net asset value per Share, and (ii) all distributions per Share paid since the first admission of the Shares to the Official List of the UK Listing Authority
<b>UK Listing Authority</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
<b>Venture Capital Trust or VCT</b>	a venture capital trust as defined by section 259 ITA

# Corporate Information

**Directors of ProVen VCT plc  
(Non-executive)**

Andrew John Davison (Chairman)  
Barry Malcolm Dean  
Malcolm Kennedy Hunt Moss

**Company Secretary to the Company**

Grant Leslie Whitehouse

**Registered Office of the Company**

39 Earlham Street  
London WC2H 9LT

**Investment Manager**

Beringea LLP  
39 Earlham Street  
London WC2H 9LT  
020 7845 7820

**Administrator**

Downing Management Services Limited  
10 Lower Grosvenor Place  
London SW1W 0EN

**Sponsor to  
the Company and the Offer**

Howard Kennedy Corporate Services LLP  
19 Cavendish Square  
London W1A 2AW

**Solicitors to  
the Company and the Offer**

Howard Kennedy LLP  
19 Cavendish Square  
London W1A 2AW

**Registered Auditors**

Deloitte & Touche LLP  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

**Bankers**

Bank of Scotland  
33 Old Broad Street  
London WC2N 6RH

Royal Bank of Scotland  
London Victoria Branch  
119/121 Victoria Street  
London SW1E 6RA

**Receiving Agent**

Beringea LLP  
39 Earlham Street  
London WC2H 9LT

**VCT Tax Advisers**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

**Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham, Kent BR3 4TU

# Application Procedure

Please send the completed Application Form together with your payment to:  
ProVen VCT New Ordinary Share Offer, c/o Beringea LLP, 39 Earlham Street, London WC2H 9LT

If you have any questions on how to complete the Application Form please contact Beringea on 020 7845 7820

## SECTION 1

Please insert your full name, permanent address, daytime and home telephone numbers, date of birth, email address and national insurance number in Section 1 of the Application Form. Your national insurance number, which you will find on your pay slip, is required to ensure you obtain your income tax relief. Joint applications are not permitted but couples may apply separately.

## SECTION 2

**Please note that the minimum investment is £5,000**, which may be split between the two tax years.

Specify the amount to be invested in New Ordinary Shares under the 2011/2012 Offer in Box A (state nil if appropriate).

Specify the amount to be invested in New Ordinary Shares under the 2012/2013 Offer in Box B (state nil if appropriate).

Specify the total amount to be invested in New Ordinary Shares under the Offer (i.e. the sum of Boxes A and B) in Box C.

**Make cheques payable to “ProVen VCT New Ordinary Share Offer” and crossed “A/C Payee only”.** Cheques must be from a recognised UK bank account and your payment must be related solely to this application.

If the value of the New Ordinary Shares applied for exceeds Euros 15,000 (approximately £13,000 as at the date of this document) payment should be made by means of a UK clearing bank cheque drawn on an account in your name. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or banker's draft, you should write your name, address and date of birth on the back of the cheque or banker's draft and:

- (a) if a building society cheque or banker's draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
- (b) if a cheque is drawn by a third party, you must ensure that both of the following documents are enclosed with the Application Form: a certified copy of your passport (or your driving licence bearing a photograph and signature of the individual) and a recent (dated within three months preceding the date of application) original bank or building society statement (or utility bill) in your name. A copy passport or driving licence should be certified by a solicitor or bank. Original documents will be returned to you by post at your risk.

## SECTION 3

If you are an existing shareholder in ProVen VCT, ProVen Growth & Income VCT, ProVen Health VCT or ProVen Planned Exit VCT applying before 31 January 2012, please complete this section in order to claim your Additional Shares.

## SECTION 4

Read the declaration below and sign and date the Application Form.

**If this form is completed and signed by the Investor named in Section 1:**

By signing this form I HEREBY DECLARE THAT:

- (i) I have received the Securities Note dated 8 December 2011 and have read the terms and conditions of application therein and agree to be bound by them;
- (ii) I will be the beneficial owner of the New Ordinary Shares of ProVen VCT plc issued to me under this Offer;
- (iii) I have read and understood the risk factors set out on pages 4 and 5 of this document; and
- (iv) To the best of my knowledge and belief, the personal details I have given are correct.

**If this form is completed and signed by an authorised financial intermediary or any other person apart from the Investor:**

By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs (i) to (iv) above and attach the power of attorney under which I have authority to sign on behalf of such individual.

**N.B. PLEASE COMPLETE ONLY ONE OF SECTIONS 5 AND 6**

## SECTION 5

Please complete the mandate instruction if you wish to participate in the Dividend Reinvestment Scheme (subject to approval at the general meeting of the Company).

## SECTION 6

Please complete the mandate instruction if you wish to have dividends paid directly into your bank or building society account.

## SECTION 7

Authorised financial intermediaries who are entitled to receive commission should stamp and complete Section 7, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. An authorised signatory must sign on behalf of the authorised financial intermediary. The right is reserved to withhold payment of commission if the Company is not, in its sole discretion, satisfied that the financial intermediary is authorised.

Please complete the appropriate box to indicate which commission structure you would prefer. If you wish to waive some or all of your commission, please insert ALL or a percentage of the New Ordinary Shares in respect of which you wish commission be waived and reinvested in additional New Ordinary Shares.

## FREQUENTLY ASKED QUESTIONS

Q: What is the minimum investment?

A: £5,000

Q: Who should I make the cheque payable to?

A: "ProVen VCT New Ordinary Share Offer"

Q: Where should I send my application?

A: ProVen VCT New Ordinary Share Offer, c/o Beringea LLP, 39 Earlham Street, London WC2H 9LT

Q: What happens after I invest?

A: We will send you confirmation that we have received your application by return of post, including the following information:

- how much you have applied to invest
- details of any additional amounts to be invested arising from the incentive for early investment or waived financial advisor commission.

Q: When will the New Ordinary Shares be allotted?

A: All allotments in relation to Applications for the 2011/2012 Offer received by 5pm on 5 April 2012 will be allotted on 5 April 2012 or on earlier dates at the discretion of the Directors. All allotments in relation to Applications for the 2012/2013 Offer received by 5pm on 31 May 2012 will be allotted on or before 31 May.

Q: How many New Ordinary Shares will I receive?

A: The number of New Ordinary Shares allotted to you will depend on the Offer Price, which is based on the net asset value per Ordinary Share at the date of allotment. Please see page 29 of this document for further details.

Q: When can I expect to receive the share and tax certificates?

A: The Company's Registrar, Capita Registrars, will send share and tax certificates approximately 15 business days after New Ordinary Shares are allotted. Allotments will be announced through an RNS service.

Q: Who should I contact if I have any questions concerning an Application.

A: Please contact Beringea on 020 7845 7820. Please note that Beringea cannot give investment or tax advice.



## Section 5

I confirm that I wish to participate in the Dividend Reinvestment Scheme for each future dividend paid on all of my Shares (of whatever Share class) in ProVen VCT. By agreeing to participate in the Dividend Reinvestment Scheme I agree that any mandate which I have previously given for the payment of cash dividends directly to my Bank or Building Society account shall be suspended for so long as I remain a participant in the Scheme.

Signature

Date

## Section 6

All dividends on Shares in the Company may be paid directly into bank and building society accounts. If you wish all future dividends on Shares (of whatever class) in ProVen VCT to be paid into your bank or building society account, please complete the mandate instruction form below.

Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid.

Please forward until further notice, all dividends that may from time to time become due on any Shares now standing, or which may hereafter stand, in my name in the register of members of ProVen VCT plc to the bank account listed below. I understand that if my Application is not accepted in full, the balance of Application monies may also be repaid (without interest) to the bank account listed below.

Bank or Building Society reference number and details:

(1) Sort Code Number
(2) Name of Bank/Building Society
Title of Branch
Address of Branch
(3) Account Number
(4) Signature
Date

The Company, Registrars and Beringea do not accept responsibility if any details quoted by you are incorrect.

## Section 7

For completion by authorised financial intermediaries only

Name of firm

Stamp

Address

Telephone

Fax

E-mail

Name of Contact:

**Preferred commission structure** – Please state commission percentages under the preferred commission structure (either 3% or 2.5% plus trail) so that the percentages stated against A and B total either 3% or 2.5%, as appropriate.

3 per cent.

2.5 per cent.  
plus trail

**A: Commission to be paid to authorised financial intermediary**

**B: Commission to be waived and invested in additional shares for your client**

Signature

Date

The details set out in this Application Form should be checked carefully by the authorised financial intermediary as they supersede details given in any accompanying letters or forms