

ProVen Health VCT plc

Issue of up to 10 million New Ordinary Shares of 1p each in connection with the recommended proposals for the reconstruction and winding up of Longbow Growth and Income VCT plc, an Enhanced Share Buyback and an Offer for Subscription



Managed by
Beringea LLP



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriately qualified adviser authorised under the Financial Services and Markets Act 2000.

This document comprises a prospectus relating to ProVen Health VCT plc (the "Company") prepared in accordance with the Prospectus Rules and Listing Rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Services Authority in accordance with section 85 of the Financial Services and Markets Act 2000 and has been delivered to the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

The Directors of the Company, whose names appear on page 23 of this document, and the Company each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

PROVEN HEALTH VCT PLC

(a company incorporated in England and Wales with registered number 4131354)

Issue of up to 10 million New Ordinary Shares of 1p each in connection with the recommended proposals for the reconstruction and winding up of Longbow Growth and Income VCT plc, an Enhanced Share Buyback and an Offer for Subscription

Sponsored by

Dickson Minto W.S.

Applications have been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (the "Main Market"). It is expected that such admissions will become effective and that: (i) dealings in the New Ordinary Shares issued pursuant to the LGIV Scheme will commence on 19 March 2012; (ii) dealings in the New Ordinary Shares issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2011/12 tax year will commence on 12 April 2012; and (iii) dealings in the New Ordinary Shares issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2012/13 tax year will commence on 17 April 2012.

The Issue is not being made, directly or indirectly, in or into, or by the use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan, South Africa or any other Restricted Jurisdiction. No action has been taken to permit the distribution of this document in any jurisdiction outside the United Kingdom where such action is required to be taken. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from the United States, Canada, Australia, Japan, South Africa or any other Restricted Jurisdiction or to, or for the account or benefit of, any resident of the United States, Canada, Australia, Japan, South Africa or any other Restricted Jurisdiction and persons receiving this document (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such jurisdictions. The New Ordinary Shares have not been, and they will not be, registered under the US Securities Act or under any of the relevant securities laws of any state of the United States or of Canada, Australia, Japan or South Africa. Accordingly, unless an exemption under such act or laws is applicable, the New Ordinary Shares may not be offered, sold or delivered directly or indirectly in or into the United States, Canada, Australia, Japan or South Africa. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Dickson Minto WS, which is authorised and regulated in the United Kingdom by the FSA, is acting as sponsor to the Company and is not advising any other person in this capacity or treating any other person in this capacity as its customer in relation to the Issue or to the matters referred to in this Prospectus and will not be responsible to anyone other than the Company for providing advice as sponsor in relation to the Issue, the contents of this document and the accompanying documents or any other matter referred to therein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Dickson Minto W.S. does not accept any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Investment Manager or the Shares. Dickson Minto W.S. accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The procedure for application under the Offer for Subscription is set out in Part 2 of this document and in the Offer Application Form (set out at the end of this document). To be valid, Offer Application Forms must be returned with the appropriate remittance so as to reach the Receiving Agent as soon as possible and, in any event, no later than 12 noon on 5 April 2012 in respect of the 2011/12 tax year and by no later than 12 noon on 13 April 2012 in respect of the 2012/13 tax year.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing in the Company. Potential investors should also consider the sections of this document headed "Risk factors" (pages 8 to 11) and "Forward looking statements" (page 12).

10 February 2012

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SUMMARY

This summary should be read as an introduction to this document. Any decision to invest in the New Ordinary Shares should be based on consideration of this document as a whole by the potential investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document into another language before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Introduction and reasons for the Issue

ProVen Health VCT plc (formerly known as Noble Health Fund VCT plc and Sitka Health Fund VCT plc) is a venture capital trust which was launched in February 2001. The Company has no borrowings. Since 1 February 2009, the Company has been managed by Beringea.

The Company has reached agreement with Longbow Growth and Income VCT plc in relation to the proposed merger of both companies to be effected by means of a scheme of reconstruction and winding up of LGIV. If the LGIV Scheme is implemented, the Company will acquire all of LGIV's assets (save to the extent required by the LGIV Liquidators to satisfy the liabilities of LGIV). The consideration for such acquisition shall be the issue of New Ordinary Shares to LGIV Shareholders. Further details of the LGIV Scheme are set out in Part 3 of this document.

The Company is also proposing an Enhanced Share Buyback (pursuant to which Qualifying Shareholders may apply to sell Ordinary Shares back to the Company with the sale proceeds applied to subscribe for New Ordinary Shares, effectively retaining almost all of their investment in the Company, while obtaining new VCT income tax relief of up to 30 per cent. of the amounts resubscribed) and to issue New Ordinary Shares pursuant to an Offer for Subscription. HMRC has confirmed that, in accordance with the current VCT Rules and their interpretation, subject to the personal circumstances of Shareholders, VCT income tax relief would be available on the total amount subscribed for New Ordinary Shares. Further details of the Enhanced Share Buyback are set out below and in the paragraph headed 'Enhanced Share Buyback' in Part 1 of this document. Further details of the Offer for Subscription are set out in Part 2 of this document.

The Board

The Directors, all of whom are non-executive and independent of the Investment Manager, are responsible for the determination of the investment policy and the overall supervision of the Company.

The Directors are Charles Pinney (Chairman), Peter Arthur, Frank Harding and Diane James. Peter Arthur is also a director of LGIV.

Investment Manager

The Company's investments are managed by Beringea, an investment manager with significant experience in investing in small and medium sized unquoted companies. The Beringea Group has been established for over 25 years and has managed VCTs since their inception in 1996. The Beringea investment team has over 60 years of combined investment experience in the unquoted sector.

Beringea also provides company secretarial and other administrative services to the Company. As at 31 December 2011, the Beringea Group had approximately £225 million of funds under management on behalf of a number of clients, including the Company (including approximately £80 million of funds under management on behalf of VCTs).

Summary of proposed new investment policy

The Board believes that the performance of the Company could be improved if its investment policy gave it more flexibility to invest in a more diversified portfolio of growth companies in a number of sectors (rather than restrict investments to companies in the health sector). The Company proposes to amend its

investment policy to allow investments to be made in a diversified portfolio of growth companies across a broad range of industries (including companies within the health sector). Given the largely unquoted nature of the investment portfolio, the current 100 per cent. exposure to the health sector and the continued sourcing of health sector investments it is expected that the Company will continue to be predominantly exposed to the health sector for the foreseeable future.

Under the proposed new investment policy, the Company's portfolio would continue to be managed so as to meet the investment requirements to maintain its VCT status. Under the Listing Rules, the proposed change requires the prior approval of Shareholders. This change is therefore subject to the approval of Shareholders at the General Meeting.

The LGIV Scheme

Under the LGIV Scheme, LGIV will be wound up voluntarily pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986. The LGIV Scheme provides for the assets of LGIV to be transferred to the Company in consideration for the issue of New Ordinary Shares of an equivalent value to LGIV Shareholders. The LGIV Scheme is subject to, amongst other conditions, its approval by LGIV Shareholders and approval by the Shareholders of the Company.

The Offer for Subscription

The Company is proposing to raise gross proceeds of up to £1 million pursuant to an Offer for Subscription of up to 2,205,000 New Ordinary Shares. This will provide existing Shareholders with the opportunity to add to their current shareholdings while benefiting from the tax reliefs available on an issue of new VCT shares for either the tax year 2011/12 or the tax year 2012/13, or both. New investors will also be able to participate in the Offer for Subscription and gain exposure to the Company's portfolio of investee companies. The net proceeds of the Offer for Subscription will be invested in accordance with the Company's existing investment policy (or its proposed new investment policy if approved at the General Meeting).

The Offer will open on 10 February 2012 and close at 12 noon on (i) 5 April 2012 in respect of applications for the tax year 2011/12 and (ii) 13 April 2012 in respect of applications for the tax year 2012/13. Persons wishing to participate in the Offer for Subscription should complete and return an Offer Application Form (set out at the end of this document) to Beringea LLP, 39 Earlham Street, London WC2H 9LT by no later than 12 noon on 5 April 2012 (in respect of applications for the 2011/12 tax year) and 12 noon on 13 April 2012 (in respect of applications for the 2012/13 tax year).

The New Ordinary Shares will be issued at the Offer Price. The Offer Price shall be the NAV per Ordinary Share divided by 0.945 (to take account of the 5.5 per cent. commission payable by the Company to Beringea on the allotment of the New Ordinary Shares pursuant to the Offer) rounded up to the nearest £0.001 per share.

The minimum subscription amount is £5,000 (which may be spread across two tax years). There is no maximum investment per applicant. However, potential investors should be aware that the maximum investment in VCTs on which tax relief is currently available is £200,000 in respect of each of the 2011/12 and 2012/13 tax years. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

Although no *pro rata* offer is being made to existing Shareholders, the Offer is to be made available to all potential investors, including existing Shareholders.

The entitlements of applicants for New Ordinary Shares under the Offer may be required to be scaled back to the extent that they would result in the issue of more than 2,205,000 New Ordinary Shares (or such lower number of New Ordinary Shares as would raise gross proceeds of £1 million) under the Offer. The New Ordinary Shares will rank equally in all respects with the existing issued Ordinary Shares (save that the New Ordinary Shares will not qualify for the Interim Dividend in respect of the year ended 31 January 2012, which will be paid by the Company on 9 March 2012, or be entitled to participate in the Enhanced Share Buyback).

Enhanced Share Buyback

The Board is proposing that the Company gives Shareholders the opportunity to participate in an enhanced share buyback. Under the terms of the Enhanced Share Buyback, Qualifying Shareholders may apply to sell Ordinary Shares back to the Company with the sale proceeds used to subscribe for New Ordinary Shares. Qualifying Shareholders do not have the option to sell Existing Ordinary Shares back to the Company without reinvesting the sale proceeds in New Ordinary Shares. This Enhanced Share Buyback provides a Qualifying Shareholder with the opportunity to subscribe for New Ordinary Shares, effectively retaining almost all of his or her investment in the Company, while obtaining new VCT income tax relief of up to 30 per cent. of the amount subscribed. HMRC has confirmed that, in accordance with the current VCT Rules and their interpretation, subject to the personal circumstances of Shareholders, VCT income tax relief would be available on the total amount subscribed for New Ordinary Shares. Income tax relief will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in any tax year do not exceed £200,000 (provided that the relief is limited to an amount which reduces a Qualifying Shareholder's income tax liability to nil).

The Closing Date for applications under the Enhanced Share Buyback is 1.00 p.m. on 30 March 2012. Qualifying Shareholders holding their Ordinary Shares in certificated form who wish to participate in the Enhanced Share Buyback should complete the ESBB Application Form in accordance with the instructions printed on it and return the completed ESBB Application Form by post or by hand (during normal business hours) to Beringea LLP, 39 Earlham Street, London WC2H 9LT as soon as possible and in any event so as to be received no later than 1.00 p.m. on 30 March 2012.

Qualifying Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) and wish to participate in the proposed Enhanced Share Buyback will require to rematerialise their holding of Ordinary Shares into their own name and thereafter complete and return an ESBB Application Form (as described in more detail in Part 4 of this document). An application for New Ordinary Shares under the Enhanced Share Buyback will need to be made in the beneficial holder's own name for a Qualifying Shareholder to benefit from up front VCT tax reliefs.

Life of the Company

Under the Articles of Association, the Board is required to invite the members to consider and debate the future of the Company (including whether the Company should be wound up, sold or unitised) at the annual general meeting of the Company falling after the fifth anniversary of the last allotment of shares by the Company and thereafter at five yearly intervals. Thereafter, the Board shall convene an extraordinary general meeting to propose such resolution as the members attending the annual general meeting may by ordinary resolution require. The Company last allotted shares on 24 June 2011 and expects to allot New Ordinary Shares pursuant to the Proposals.

Dividend policy

The Company paid dividends of 1p per Ordinary Share in the financial year ended 31 January 2010, 2p per Ordinary Share in the financial year ended 31 January 2011 and 1p per Ordinary Share in the financial year ended 31 January 2012. In the interim management statement released on 20 December 2011, the Company announced that the Board was evaluating a number of initiatives to improve returns to shareholders. In view of this, the Board decided it would be prudent to temporarily suspend the Company's share buyback policy and not to consider any further dividend payments to shareholders until the outcome of these evaluations were concluded. Having concluded its evaluations and announced the Proposals, this temporary suspension has been lifted. The Board intends, subject to the availability of sufficient cash and reserves to do so, to ensuring sufficient liquidity to meet the Company's working capital requirements and any requirement to retain funds to remain at an economically viable size, to pay dividends to Shareholders. The Company has declared an interim dividend of 1p per Ordinary Share in respect of the year ended 31 January 2012 which will be paid on 9 March 2012.

Purchase of Shares by the Company

In the interim management statement released on 20 December 2011, the Company announced the temporary suspension of the Company's share buyback policy whilst the Board evaluated a number of initiatives. Having concluded its evaluations and announced the Proposals, this temporary suspension has been lifted. Under the guidelines currently established by the Board, the Directors aim to provide Shareholders who wish to sell their Ordinary Shares with an opportunity to do so by operating an active policy of purchasing Ordinary Shares in the market. Subject to ensuring sufficient liquidity to meet working capital requirements and any need to retain funds to remain at an economically viable size, it is the intention that the Company will buy back Ordinary Shares where it has sufficient cash and reserves available to do so at a discount of approximately 10 per cent. to the most recently announced NAV per Ordinary Share (as adjusted for any dividends paid since the announcement).

Costs and expenses of the Proposals

The aggregate costs and expenses to be incurred by the Company and LGIV in connection with the LGIV Scheme are expected to be approximately £100,000 (including VAT and stamp duty). The Company has agreed to meet £75,000 of those costs and expenses with all of this amount to be reimbursed to the Company by Beringea by means of a partial management fee waiver over two years commencing on the Effective Date (with £9,375 of the management fees otherwise payable to Beringea waived each quarter until the £75,000 of costs and expenses paid by the Company have been recovered in full). Longbow Capital has agreed to meet the balance of the costs and expenses payable by the Company and LGIV in connection with the LGIV Scheme.

If the LGIV Scheme does not become effective, the Company will bear abort costs and expenses estimated at approximately £45,000 (including VAT). Beringea has agreed to reimburse those costs by means of a management fee waiver.

The Company has agreed to pay Beringea a commission of 5.5 per cent. of the gross funds raised pursuant to the Offer for Subscription on the allotment of the New Ordinary Shares pursuant to the Offer for Subscription plus an annual commission of 0.2 per cent. of the amounts raised under the Offer for Subscription for a period of five years. Out of these fees, Beringea will be responsible for paying all of the costs and expenses of the Offer for Subscription, including professional fees, marketing expenses and commission to authorised financial advisors (including any trail commissions). If the Offer for Subscription does not become effective, Beringea shall meet any abortive costs and expenses payable by the Company.

The costs and expenses of the Enhanced Share Buyback will vary depending on the number of valid applications made. It is estimated that the Company's costs and expenses in connection with the Enhanced Share Buyback will be a maximum of £80,000 (including VAT). These costs and expenses will be met in whole or in part by participating Shareholders (as the Tender Price will be lower than the ESBB Issue Price). If valid applications are received in respect of at least 2,700,000 Existing Ordinary Shares in aggregate (representing approximately 14.1 per cent. of the issued share capital of the Company) all of the costs and expenses of the Enhanced Share Buyback will be met by participating Shareholders. If the Enhanced Share Buyback does not become effective, the Company will bear any abort costs and expenses which are estimated at approximately £20,000 (including VAT).

Summary of risk factors

The principal risk factors relating to the Ordinary Shares and the Company which are known to the Directors are:

- the value of an investment in the Company may go down as well as up;
- the secondary market for VCT shares is generally illiquid and Shareholders may find it difficult to realise their investment. An investment in the Company should be considered as a long-term investment;
- the past performance of the Company and/or any other fund managed by the Investment Manager is no indication of future performance. The past performance of investments made by the Company or other funds managed by the Investment Manager should not be regarded as an indication of the future performance of investments made by the Company;
- realisations of investments in unquoted investments and smaller quoted companies tends to be more difficult and can take more time than realisation of investments in larger quoted companies;
- there is no guarantee that the VCT status of the Company will be maintained. Failure to maintain the VCT status of the Company could result in adverse tax consequences for investors, including being required to repay the income tax relief originally claimed;
- if a Shareholder disposes of New Ordinary Shares subscribed for pursuant to the Enhanced Share Buyback or the Offer for Subscription within five years of issue, they will be subject to clawback by HMRC of any income tax reliefs originally claimed;
- the levels and bases of reliefs from taxation may change and could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors;
- the Company's ability to obtain maximum value from its investments (for example, through their sale) may be limited by the requirements of the relevant VCT legislation in order to maintain the VCT status of the Company;
- changes in legislation concerning VCTs in general, and VCT Qualifying Investments and qualifying trades in particular, may limit the number of new Qualifying Investment opportunities and/or reduce the level of returns which would otherwise have been achievable;
- changes in economic or political conditions or other factors can substantially and adversely affect the value of the Company's investments and, accordingly, the Company's performance and prospects;
- there is no guarantee that the Company's investment objective will be achieved or provide the returns sought by the Company;
- the portfolio held by the Company will not necessarily mirror the stocks and weightings of, or returns made by, any particular share index;
- the Company will only pay dividends to holders of Ordinary Shares to the extent that it has sufficient reserves and cash resources and subject to the need to retain funds to meet working capital requirements and remain at an economically viable size; and
- there can be no guarantee that Beringea will remain as the investment manager of the Company. Beringea ceasing to act as investment manager of the Company may have an adverse effect on the performance of the Company and the value of the Ordinary Shares.

RISK FACTORS

The risk factors set out below are those which are considered by the Directors to be material as at the date of this document but are not the only risks relating to the Company and the Shares. Additional risks and uncertainties relating to the Company that are not currently known to the Directors or that the Directors do not currently consider to be material may also have a material adverse effect on the Company. Before investing in the Company, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United Kingdom or, in the case of overseas investors, another appropriately authorised financial adviser.

Any holding of Shares is subject to a number of risks. Prior to acquiring any New Ordinary Shares, potential investors should consider carefully the factors and risks associated with an investment in the New Ordinary Shares and the investment objectives of the Company.

Potential investors should consider the following risk factors in relation to the Company and the Shares.

Risks associated with the Proposals

Consequences of the LGIV Scheme not becoming effective

Implementation of the LGIV Scheme is conditional, *inter alia*, upon Resolution 1 being passed at the General Meeting and LGIV Shareholders approving the LGIV Scheme (full details of the conditions of the LGIV Scheme are set out in Part 3 of this document). If any of the conditions of the LGIV Scheme are not met, the LGIV Scheme will not be implemented and certain costs and expenses incurred in connection with the LGIV Scheme (estimated to be in the region of £45,000 (including VAT)) will be borne by the Company. Beringea has agreed to reimburse any such costs and expenses payable by the Company if the LGIV Scheme is not implemented by way of a management fee waiver.

Valuation of entitlements under the LGIV Scheme

For the purposes of the LGIV Scheme, and in order to enable LGIV's assets to be transferred to the Company, the assets of LGIV and the Company are expected to be valued as at close of business on 13 March 2012 (which will be the Calculation Date for the purposes of the LGIV Scheme). LGIV's net assets will be transferred to the Company as soon as practicable following the Effective Date, which is expected to be 16 March 2012. As LGIV's only assets are an investment in Polytherics Limited and approximately £0.85 million of cash, it is not expected that the value of LGIV's assets will change significantly between the Calculation Date and the Effective Date. However, movements in the value of the Company's assets during the intervening period may have a positive or negative effect on the value of entitlements of LGIV Shareholders.

Investment of cash in suitable investment opportunities

The Company currently holds approximately £3.61 million of cash and liquid funds. The Company expects to receive approximately £0.85 million of cash from LGIV under the terms of the LGIV Scheme and net proceeds of up to £0.945 million under the Offer for Subscription (if the Offer for Subscription is fully subscribed). The generation of profits for distribution by the Company depends on the successful management of the Company's investments and the availability of suitable investment opportunities. It is likely to take a number of months for the Investment Manager to identify suitable investment opportunities to invest the cash and liquid funds held by it following completion of the Offer and the LGIV Scheme. Negotiation of satisfactory terms of investment is also likely to take a significant period of time. Accordingly, the Company may continue to hold a relatively high proportion of its assets in cash and liquid funds, which may generate relatively low levels of income, pending investment.

Dilution of Shareholders

Shareholders will experience dilution in their ownership and voting interests in the Company if the LGIV Scheme and/or the Offer are implemented and they do not subscribe for New Ordinary Shares pursuant to the Offer. In these circumstances, the Shareholder's proportionate ownership and voting rights in the Company will be reduced and the percentage that his or her Shares will represent of the total share capital of the Company will be reduced accordingly. If the Issue is taken up in full and a Shareholder does not subscribe for any New Ordinary Shares under the Offer for Subscription, his or her proportionate shareholding will be diluted by up to approximately 21.34 per cent.

Consequences of the Enhanced Share Buyback not becoming effective

Implementation of the Enhanced Share Buyback is conditional, *inter alia*, upon Resolution 2 and Resolution 3 being passed at the General Meeting (full details of the conditions of the Enhanced Share Buyback are set out in paragraph 5 of Part 4 of this document). If any of the conditions of the Enhanced Share Buyback are not met, the Enhanced Share Buyback will not be implemented and certain costs incurred in connection with the Enhanced Share Buyback (estimated to be in the region of £20,000 (including VAT)) will be borne by the Company.

The Company's portfolio

In order to comply with VCT legislation, the Company must invest the cash acquired from LGIV pursuant to the LGIV Scheme and subscribed pursuant to the Offer in qualifying investee companies. To be qualifying holdings, VCT funds raised after 5 April 2006 (which would include the amounts invested in New Ordinary Shares) must be invested in smaller companies with gross assets of not more than £7 million prior to the investment and £8 million post investment. In addition, to be qualifying holdings, VCT funds raised after 5 April 2007 must be invested in companies which have fewer than 50 full time (equivalent) employees and do not obtain more than £2 million of investment from VCTs and individuals claiming relief under the Enterprise Investment Scheme in any rolling 12 month period. The Government has announced that it intends to introduce legislation in the Finance Bill 2012 to allow investment in companies with gross assets of not more than £15 million prior to investment and £16 million after investment and with fewer than 250 employees and to increase the maximum annual amount that can be invested in an individual company to £10 million. However, these changes are subject to EU State Aid approval. Subject to EU State Aid approval being granted, these changes would apply to shares in investee companies that are issued on or after 6 April 2012.

Smaller companies can be expected, in comparison to larger companies, to have less mature businesses and more limited track records, a more restricted depth of management and a higher risk profile. Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the Main Market of the London Stock Exchange. Smaller companies generally may have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies. Prices of smaller capitalisation stocks are often more volatile than prices of larger capitalisation stocks and the risks of bankruptcy of many smaller companies (with the attendant losses to investors) is higher. Investments in smaller companies made by the Company may not produce anticipated returns. In certain circumstances, particularly in times of economic slowdown or recession, smaller companies may be more likely to reduce or stop paying dividends or otherwise returning funds to investors (which could reduce the income received by the Company and impact its ability to pay dividends).

Although the Company may agree conventional venture capital rights in connection with some of its investments, as a minority investor it may not be in a position to fully protect its interests. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies. Realisation of investments in unquoted companies can be difficult and may take considerable time.

Investment objective

The Company's investment objective is to provide investors with an attractive return by maximising the stream of tax-free dividend distributions from capital gains and income generated from its portfolio of investments. There can be no guarantee that the investment objective of the Company will be met. Meeting its objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it will be met (as this will depend on the performance of and returns generated by portfolio companies). If the Company does not meet its investment objective the returns made to Shareholders may go down. The value of an investment in the Company may go down as well as up and investors may not get back the full value of their investment.

Economic environment

The profitability of the businesses of the Company's portfolio companies could be impacted by business conditions and adverse economic conditions. Factors such as unemployment levels, the levels and volatility of equity markets, consumer confidence, interest rates and inflation could significantly affect the market for products or services of portfolio companies. The current difficult economic climate in the United Kingdom may adversely affect the prospects for both existing portfolio companies and any new investments.

The Shares may trade at a discount to Net Asset Value

At any given point in time, the price for a Share which a Shareholder could achieve on the stock market may be significantly less than the Net Asset Value of a Share or the price paid by the Shareholder to acquire that Share. The Shares may trade at a discount to their Net Asset Value for a variety of reasons, including as a consequence of general market conditions, concerns regarding the general liquidity or marketability of the Shares or the actual or expected performance of the Company.

Liquidity

The Company is a closed-ended company. Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Shareholders wishing to realise their investment in the Company will be required to dispose of their Shares on the stock market. Accordingly, the ability of Shareholders to realise the Net Asset Value of, or any value in respect of, their Shares is dependent on the existence of a liquid market in the Shares and the market price of such Shares.

Although the existing Ordinary Shares issued by the Company have been (and it is anticipated that the New Ordinary Shares will be) admitted to the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities, it is unlikely that there will be a liquid market for the Ordinary Shares as there is a limited secondary market for VCT shares and investors may find it difficult to realise their investments.

Share buybacks

It is the intention of the Directors that the Company will buy back Ordinary Shares from Shareholders at a discount of approximately 10 per cent. to their underlying Net Asset Value. There can, however, be no guarantee that the Company will buy back Ordinary Shares from Shareholders or that if it does the discount to NAV will not be greater. Share buybacks will be subject to applicable legislation and VCT regulations and the availability of sufficient reserves and cash in the Company and any need to retain funds to remain at an economically viable size. The number of Ordinary Shares bought back in each year by the Company will be a maximum of 10 per cent. of the number of Ordinary Shares in issue.

Loss of tax reliefs

The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Company and/or the rates of tax, or other statutory provisions to which the Company is subject, may change during the life of the Company and such changes could be retrospective. If an investor who subscribes for New Ordinary Shares disposes of those New Ordinary Shares within five years of the date of investment, the investor is likely to be subject to claw

back by HMRC of any income tax relief originally obtained on subscription. While it is the intention of the Directors that the Company will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains.

Restrictions in relation to payment of dividends

The Company will only pay dividends to holders of Ordinary Shares to the extent that it has sufficient reserves and cash resources and subject to the need to retain funds to meet working capital requirements and remain at an economically viable size. A reduction of income from the Company's portfolio would adversely affect the ability of the Company to pay dividends on the Ordinary Shares.

Any change in the tax treatment of dividends paid or income received by the Company may reduce the dividends paid to the holders of the Ordinary Shares. A reduction of income from the Company's investments would adversely affect the yield on the Ordinary Shares. Such a reduction could arise, for example, from lower rates of dividend paid by investee companies.

Investment Manager

The past performance of the Investment Manager and other assets managed by the Investment Manager are not guides to the future performance of the Company.

There can be no guarantee that Beringea will remain as the investment manager of the Company. The Investment Manager ceasing to act as investment manager of the Company may have an adverse effect on the performance of the Company. The Company has no employees and is dependent on the skills and experience of the Investment Manager to manage its investments. If key personnel cease to remain with the Investment Manager or be involved in the management of the Company's portfolio, there is no assurance that suitable replacements will be found. If this occurs there may be an adverse effect on the performance of the Company and the value of the Shares.

FORWARD LOOKING STATEMENTS

To the extent that this document includes “forward looking statements” concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as “believes”, “considers”, “intends”, “expects”, “anticipates”, “targets”, “estimates”, “may”, “will” or “should” and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, as appropriate.

IMPORTANT NOTICE

An investment in the Company is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which might result from such an investment (which may be equal to the whole amount invested). Such an investment should be seen as long-term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio. The value of an investment in the Company, and the income derived from it, may go down as well as up and investors may not get back the full value of their initial investment.

EXPECTED TIMETABLES

EXPECTED TIMETABLE FOR THE COMPANY

2012

1. THE LGIV SCHEME

Latest time for receipt of Forms of Proxy for the General Meeting	10.00 a.m. on 8 March
General Meeting	10.00 a.m. on 12 March
Calculation Date	close of business on 13 March
Effective Date for the LGIV Scheme and transfer of the assets of LGIV to the Company and the issue of New Ordinary Shares to LGIV Shareholders	16 March
Announcement of the results of the LGIV Scheme	16 March
Admission of and dealings commence in the New Ordinary Shares issued pursuant to the LGIV Scheme	8.00 a.m. on 19 March
CREST accounts credited with New Ordinary Shares issued pursuant to the LGIV Scheme	8.00 a.m. on 19 March
Share and tax certificates for the New Ordinary Shares issued pursuant to the LGIV Scheme dispatched	week commencing 9 April

2. ENHANCED SHARE BUYBACK AND OFFER FOR SUBSCRIPTION

Enhanced Share Buyback Record Date	6.00 p.m. on 9 February
Enhanced Share Buyback opens	10 February
Offer opens	10 February
Recommended last date for CREST Shareholders to arrange for rematerialisation of their holdings should they wish to participate in the Enhanced Share Buyback	9 March
Closing Date for return of ESBB Application Forms	1.00 p.m. on 30 March
Closing date for Offer (in respect of the 2011/12 tax year)	12 noon on 5 April
Announcement of results of Enhanced Share Buyback and the Offer (in respect of the 2011/12 tax year)	5 April
Allotment of New Ordinary Shares under the Enhanced Share Buyback and the Offer (in respect of the 2011/12 tax year)	5 April
Admission and dealings commence in the New Ordinary Shares issued pursuant to the Enhanced Share Buyback and the Offer (in respect of the 2011/12 tax year)	12 April
Closing date for the Offer (in respect of 2012/13 tax year)	12 noon on 13 April
Allotment of New Ordinary Shares under Enhanced Share Buyback and the Offer (in respect of the 2012/13 tax year)	13 April
Admission and dealings commence in New Ordinary Shares issued pursuant to the Offer in respect of the 2012/13 tax year	17 April
Share and tax certificates dispatched in respect of New Ordinary Shares issued pursuant to the Enhanced Share Buyback and the Offer	Within 15 Business Days of each allotment

Notes:

- (1) The dates set out in the expected timetables above may be adjusted by the Company and/or LGIV (as the case may be), in which event details of the new dates will be notified to the UK Listing Authority and the London Stock Exchange and an announcement will be made through a Regulatory Information Service.
- (2) All references to time in this document are to London time (unless otherwise stated).
- (3) In this document, where the context requires, references to 8 February 2012 should be treated as being references to the latest practicable date prior to publication of this document (unless otherwise stated).
- (4) Successful subscribers for New Ordinary Shares under the Offer for Subscription (and/or where appropriate their authorised financial intermediaries) will receive an acknowledgement letter from the Company on receipt of their Offer Application Form.
- (5) The Offer for Subscription may close earlier than the dates stated above if it is fully subscribed by an earlier date. The Directors reserve the right to accept Offer Application Forms and to allot and arrange for the listing of New Ordinary Shares in respect of applications received in respect of the shares issued under Offer for Subscription on or prior to the closing dates of the Offer for Subscription as the Directors see fit (provided that New Ordinary Shares will be allotted and issued where valid applications are received under the Offer in respect of tax year 2011/12 on 5 April 2012 and any other dates prior to 5 April 2012 on which the Directors decide and, for valid applications received for the Offer in respect of the 2012/13 tax year on 13 April 2012 and any other dates after 5 April 2012 on which the Directors decide).

EXPECTED TIMETABLE FOR LGIV

2012

Latest time for receipt of forms of proxy for the LGIV First General Meeting	12 noon on 5 March
LGIV First General Meeting	12 noon on 7 March
Time and date from which it is advised that dealings in LGIV Shares should only be for cash settlement and immediate delivery of documents of title	8.00 a.m. on 8 March
Record date for LGIV Shareholders' entitlements under the LGIV Scheme	6.00 p.m. on 12 March
Calculation Date	close of business on 13 March
Latest time for receipt of forms of proxy for the LGIV Second General Meeting	10.00 a.m. on 14 March
Dealings in LGIV Shares suspended	7.30 a.m. on 16 March
LGIV Second General Meeting	10.00 a.m. on 16 March
Effective Date for the transfer of the assets of LGIV to the Company	16 March
Announcement of the results of the LGIV Scheme	16 March
Cancellation of the LGIV Shares' listing	8.00 a.m. on 30 April

Notes:

- (1) The dates set out in the expected timetable above may be adjusted by the Company and/or LGIV (as the case may be), in which event details of the new dates will be notified to the UK Listing Authority and the London Stock Exchange and an announcement will be made through a Regulatory Information Service.
- (2) All references to time in this document are to London time (unless otherwise stated).
- (3) In this document, where the context requires, references to 8 February 2012 should be treated as being references to the latest practicable date prior to publication of this document (unless otherwise stated).

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Act	the Companies Act 2006 (as amended)
Actual Return	the net asset value per Ordinary Share on 31 January in each year plus the aggregate amount of dividends per Ordinary Share paid up to that date after adding back any performance fees already paid by the Company
Admission	admission of the New Ordinary Shares to the premium segment of the Official List and to trading on the Main Market, in each case in accordance with the Listing Rules and the Admission and Disclosure Standards
Admission and Disclosure Standards	the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time
AIC	the Association of Investment Companies
AIC Code	the AIC Code of Corporate Governance (as amended from time to time)
AIM	the London Stock Exchange's international market for smaller growing companies
Annual Running Costs	the annual running costs incurred by the Company in the ordinary course of its business excluding trail commission and performance incentive fees
Articles or Articles of Association	the articles of association of the Company, a summary of which is set out in paragraph 3 of Part 6 of this document, as amended from time to time
Australia	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
Basic Entitlement	the entitlement of each Qualifying Shareholder under the Enhanced Share Buyback to tender up to 25 per cent. of their Existing Ordinary Shares (rounded down to the nearest whole number)
Beringea Group	Beringea LLP, its ultimate parent company Beringea LLC and any subsidiary of Beringea LLC and, where the context requires, any predecessor firm or company of Beringea LLP and/or Beringea LLC
Board	the board of Directors
Business Day	a day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)
Calculation Date	the time and date, expected to be close of business on 13 March 2012, at which the value of the Company's assets and LGIV's assets will be calculated for the purposes of the LGIV Scheme
Canada	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
certificated or in certificated form	not in uncertificated form

Circular	the circular published by the Company on 10 February 2012 containing details of the Proposals and the resolutions required to implement them
Closing Date	the closing date of the Enhanced Share Buyback being 1.00 p.m. on 30 March 2012
Co-investment Agreement	the co-investment agreement entered into between the Company, ProVen VCT plc, ProVen Growth and Income VCT plc and ProVen Planned Exit VCT plc on 17 October 2011 (further details of which are set out in paragraph 5.2 of Part 6 of this document)
Combined Code	the Combined Code on Corporate Governance issued by the Financial Reporting Council
Company	ProVen Health VCT plc, a company incorporated in England and Wales with registered number 4131354
Costs Contribution	the contribution towards the costs and expenses of the Company and LGIV in relation to the LGIV Scheme to be made by the Investment Manager, Longbow Capital, LGIV and the Company under the Costs Contribution and Process Agreement
Costs Contribution and Process Agreement	the costs contribution and process agreement entered into between LGIV, the Company, Longbow Capital and Beringea on 10 February 2012 (further details of which are set out in paragraph 5.4 of Part 6 of this document)
Court Approval	the confirmation of the High Court of England and Wales of the cancellation of the Company's share premium account
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
Directors	the directors of the Company
Disclosure and Transparency Rules	the disclosure and transparency rules made by the Financial Services Authority under Part VI of FSMA as amended from time to time
EEA States	the member states of the European Economic Area
Effective Date	the date (which is expected to be 16 March 2012) of passing of the resolution to place LGIV into members' voluntary liquidation at a general meeting of LGIV convened for 16 March 2012 or, if later, on all conditions of such resolution being satisfied
Enhanced Share Buyback	the invitation to Qualifying Shareholders to sell Ordinary Shares back to the Company and use the proceeds to subscribe for New Ordinary Shares on the terms and conditions set out in this document, the Circular and the ESBB Application Form
Enhanced Share Buyback Record Date	6.00 p.m. on 9 February 2012 (or such other time and date as determined at the sole discretion of the Directors)
Enlarged Company	the Company following implementation of the LGIV Scheme (but before completion of the Enhanced Share Buyback or the Offer)

ESBB Application Form	the application form on which Qualifying Shareholders may apply to participate in the Enhanced Share Buyback
ESBB Issue Price	the issue price of New Ordinary Shares under the Enhanced Share Buyback being the NAV per Ordinary Share as at the date of issue (after a deduction in respect of any dividend to be paid by the Company for which the record date is prior to the relevant allotment date) divided by 0.955 rounded up to the nearest £0.001 per share
Excess Return	the amount by which the Actual Return exceeds the Target Return
Existing Ordinary Shares	Ordinary Shares held on the Enhanced Share Buyback Record Date
FAV per LGIV Share	the formula asset value of a LGIV Share calculated as at the Calculation Date in accordance with the LGIV Scheme
FAV per Ordinary Share	the formula asset value of an Ordinary Share calculated as at the Calculation Date in accordance with the LGIV Scheme
FSA	the Financial Services Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
General Meeting	the general meeting of the Company convened for 10.00 a.m. on 12 March 2012 (or any adjournment thereof)
HMRC	HM Revenue & Customs
Interim Dividend	the interim dividend payable by the Company in respect of the year ended 31 January 2012 to be paid on 9 March 2012
Investment Management Agreement	the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 5.1 of Part 6 of this document
Investment Manager or Beringea	Beringea LLP, the investment Manager of the Company, a limited liability partnership established in England and Wales with registered number OC342919
Issue	the issue of Ordinary Shares pursuant to the LGIV Scheme, the Enhanced Share Buyback and the Offer for Subscription (as the context requires)
Issue Premium	the aggregate amount of that part of the gross proceeds of the Offer which represents the amount by which the Offer Price of a New Ordinary Share exceeds the NAV per Ordinary Share
ITA	the Income Tax Act 2007 (as amended)
Japan	Japan, its cities, prefectures, territories and possessions
LGIV	Longbow Growth and Income VCT plc, a company incorporated in England and Wales with registered number 7423739
LGIV Board or LGIV Directors	the directors of LGIV or any duly constituted committee thereof
LGIV Circular	the circular published by LGIV on 10 February 2012 setting out the terms of the LGIV Scheme and convening the LGIV general meetings

LGIV First General Meeting	the general meeting of LGIV convened for 12 noon on 7 March 2012, or any adjournment thereof
LGIV Liquidation Fund	the liquidation fund to be retained by the liquidator of LGIV, as provided under the terms of the LGIV Scheme
LGIV Liquidator	the liquidator of LGIV to be appointed pursuant to a resolution to be passed by the LGIV Shareholders at a general meeting to be held on 16 March 2012, or any adjournment thereof
LGIV Scheme	the scheme of reconstruction and voluntary winding up of LGIV under section 110 of the Insolvency Act 1986
LGIV Second General Meeting	the general meeting of LGIV convened for 10.00 a.m. on 16 March 2012, or any adjournment thereof
LGIV Shareholders	holders of LGIV Shares
LGIV Shares	ordinary shares of 1p each in the capital of LGIV
Listing Rules	the listing rules made by the Financial Services Authority under Part VI of FSMA (as amended)
London Stock Exchange	London Stock Exchange plc
Longbow Capital	Longbow Capital LLP (the investment manager of LGIV), a limited liability partnership registered in England and Wales with registered number OC309046
Main Market	the London Stock Exchange's main market for listed securities
NAV or Net Asset Value	in relation to a share, its net asset value on the relevant date calculated on the basis of the relevant company's normal accounting principles and policies
New Ordinary Shares	the new Ordinary Shares issued and to be issued pursuant to the Issue
Offer or Offer for Subscription	the offer for subscription of Ordinary Shares as described in this document
Offer Application Form	the application form in respect of the Offer set out at the end of this document
Offer Commission Agreement	the agreement between the Company and the Investment Manager dated 10 February 2012, a summary of which is set out in paragraph 5.5 of Part 6 of this document
Offer Price	the issue price of New Ordinary Shares under the Offer being the NAV per Ordinary Share as at the date of issue (after a deduction in respect of any dividend to be paid by the Company for which the record date is prior to the relevant allotment date) divided by 0.945 rounded up to the nearest £0.001 per share
Offer Shares	the New Ordinary Shares to be issued pursuant to the Offer for Subscription
Official List	the Official List of the UK Listing Authority
Ordinary Shareholders or Shareholders	the holders of Ordinary Shares

Ordinary Shares or Shares	the ordinary shares of 1p each in the capital of the Company
Overseas LGIV Shareholders	LGIV Shareholders who are resident in, ordinarily resident in, or citizens or nationals of, jurisdictions outside the United Kingdom
Premium Listing	a listing on the premium segment of the Official List
Proposals	the proposals for (i) the Company's participation in the LGIV Scheme (including the issue of New Ordinary Shares pursuant to the LGIV Scheme); (ii) the issue of New Ordinary Shares pursuant to the Offer; (iii) the proposed Enhanced Share Buyback; (iv) the proposed change of the Company's investment policy; and (v) the proposed cancellation of the Company's share premium account
Prospectus	this document
Prospectus Directive	Directive 2003/71 and any relevant implementing measure in each EEA State which has implemented this directive
Prospectus Rules	the prospectus rules made by the Financial Services Authority under Part VI of FSMA as amended from time to time
Qualifying Company	a company satisfying the requirements of Chapter 4 of Part 6 of the Income Tax Act 2007 (as amended)
Qualifying Holding	shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in Chapter 4 of Part 6 of the Income Tax Act 2007 (as amended)
Qualifying Investment	an investment by a VCT in shares in, or securities of, a Qualifying Company
Qualifying Shareholders	holders of Ordinary Shares whose names are entered on the register of members of the Company on the Enhanced Share Buyback Record Date other than shareholders resident in, or citizens of, any Restricted Jurisdictions
Qualifying Subscriber	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
Receiving Agent	Beringea LLP, 39 Earlham Street, London WC2H 9LT
Regulatory Information Service	a regulatory information service that is on the list of regulatory information services maintained by the FSA
Resolution 1	the ordinary resolution to be proposed at the General Meeting to authorise the allotment of New Ordinary Shares in connection with the LGIV Scheme
Resolution 2	the special resolution to be proposed at the General Meeting conferring authority on the Directors to allot New Ordinary Shares for cash on a non pre-emptive basis pursuant to the Enhanced Share Buyback and the Offer for Subscription
Resolution 3	the special resolution to be proposed at the General Meeting granting the Directors authority to make market purchases of Existing Ordinary Shares to implement the Enhanced Share Buyback

Resolution 4	the ordinary resolution to be proposed at the General Meeting to approve the adoption of a new investment policy by the Company
Resolution 5	the special resolution to be proposed at the General Meeting to approve the cancellation of the Company's share premium account
Resolutions	Resolution 1, Resolution 2, Resolution 3, Resolution 4 and Resolution 5
Restricted Jurisdictions	Canada, Australia, Japan, South Africa, the United States and any other jurisdictions outside the United Kingdom where either sending this document, the Circular, or issuing New Ordinary Shares would violate the laws of that jurisdiction
SETS	the stock exchange electronic trading system of the London Stock Exchange
Shareholder Survey	the survey sent to Shareholders by the Company in October 2011
Singer	Singer Capital Markets Limited, a company incorporated in England and Wales with registered number 5792780
SORP	AIC Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts dated January 2009
Takeover Code	the UK City Code on Takeovers and Mergers
Takeovers Directive	the European Union's Directive on Takeover Bids (2004/25/EC)
Target Return	initial net asset value per Ordinary Share in ProVen Health VCT plc of 94p as increased in line with the base rate of National Westminster Bank plc averaged over a financial year plus 2 per cent. per annum on a compound basis for each financial period commencing with the financial period ended 31 January 2002
TCGA	the Taxation of Chargeable Gains Act 1992
Tender Price	the tender price of an Existing Ordinary Share under the Enhanced Share Buyback being 100 per cent. of the NAV per Ordinary Share at the date of calculation before taking into account the costs and expenses of the Proposals (rounded down to the nearest £0.001 per share)
Transfer Agreement	the agreement to be entered into on or about the Effective Date between the liquidator of LGIV (in his personal capacity and on behalf of LGIV), the Company and others, the terms of which are summarised in paragraph 5.6 of Part 6 of this document
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
uncertificated or in uncertificated form	recorded in the register of members of the Company as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

US Person	any “US Person” as such term is defined in Regulation S under the United States Securities Act of 1933 (as amended)
US Securities Act or Securities Act	the United States Securities Act of 1933, as amended
VAT	value added tax
VCT or Venture Capital Trust	a venture capital trust as defined in section 259 of the Income Tax Act 2007 (as amended)
VCT Relief	the reliefs from taxation described in the VCT Rules
VCT Rules	the legislation, rules and HMRC interpretation and practice regulatory the establishment and operation of venture capital trusts
VCT Value	the value of an investment for VCT purposes calculated in accordance with section 279 of the Income Tax Act 2007 (as amended)

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	Charles Pinney (<i>Chairman</i>) Peter Arthur Frank Harding Diane James The Directors are all non-executive and of 39 Earlham Street London WC2H 9LT
Investment Manager and Secretary	Beringea LLP 39 Earlham Street London WC2H 9LT
Registered office of the Company	39 Earlham Street London WC2H 9LT
Solicitors and sponsor to the Company in relation to the Proposals	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
Receiving Agent for the Offer and the Enhanced Share Buyback	Beringea LLP 39 Earlham Street London WC2H 9LT
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
VCT status adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Principal bankers	National Westminster Bank plc City of London Office PO Box 12258 1 Princes Street London EC2R 8PA Bank of Scotland plc 33 Old Broad Street London EC2N 1HZ

PART 1

THE COMPANY

Introduction and reasons for the Issue

ProVen Health VCT plc (formerly known as Noble Health Fund VCT plc and Sitka Health Fund VCT plc) is a venture capital trust which was launched in February 2001. The Company has no borrowings. Since 1 February 2009, the Company's investments have been managed by Beringea.

The Company has reached agreement with Longbow Growth and Income VCT plc in relation to the proposed merger of both companies to be effected by means of a scheme of reconstruction and winding up of LGIV. If the LGIV Scheme is implemented, the Company will acquire all of LGIV's assets (save to the extent required by the LGIV Liquidators to satisfy the liabilities of LGIV). The consideration for such acquisition shall be the issue of New Ordinary Shares to LGIV Shareholders. Further details of the LGIV Scheme are set out in Part 3 of this document.

The Company is also proposing an Enhanced Share Buyback (pursuant to which Qualifying Shareholders may apply to sell Ordinary Shares back to the Company with the sale proceeds applied to subscribe for New Ordinary Shares, effectively retaining almost all of their investment in the Company, while obtaining new VCT income tax relief of up to 30 per cent. of the amounts resubscribed) and to issue New Ordinary Shares pursuant to an Offer for Subscription. HMRC has confirmed that, in accordance with the current VCT Rules and their interpretation, subject to the personal circumstances of Shareholders, VCT income tax relief would be available on the total amount subscribed for New Ordinary Shares. Further details of the Enhanced Share Buyback are set out in the paragraph headed 'Enhanced Share Buyback' below. Further details of the Offer for Subscription are set out in Part 2 of this document.

The New Ordinary Shares to be issued pursuant to the LGIV Scheme, the Enhanced Share Buyback and/or the Offer for Subscription will rank equally in all respects with the existing Ordinary Shares, save that New Ordinary Shares will not qualify for the interim dividend in respect of the year ended 31 January 2012 or be eligible to participate in the Enhanced Share Buyback.

The Board believes that participation in the LGIV Scheme and the Offer for Subscription provide the Company with the opportunity to increase its gross assets in a cost effective manner. The Enhanced Share Buyback is intended to reward shareholder loyalty as Qualifying Shareholders will be able to obtain VCT Relief by reinvesting in the Company (rather than subscribing for shares in another VCT), retaining their exposure to the Company's established portfolio.

This document has been published in connection with the issue of New Ordinary Shares pursuant to the LGIV Scheme, the Enhanced Share Buyback and the Offer for Subscription.

Investment policy

Current investment policy

The Company's investment objective is to provide investors with an attractive return by maximising the stream of tax-free dividend distributions from the capital gains and income generated from a diversified portfolio of investments in the health sector.

The Company's investment policy is to create a balanced portfolio of growth companies in the health sector. Investments are made selectively across a range of health sub-sectors in companies that have: (i) proven management and technology; and/or (ii) business propositions which are protected by patents and know-how and where there are barriers to entry for competitors.

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, warrants and fixed interest securities as well as cash and liquidity funds. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are in ordinary shares. The Investment Manager targets companies with high growth

prospects and bases its selection of investments on: (i) the experience and quality of the management team; (ii) the maturity and stage of company development; (iii) existing revenues and revenue growth potential; (iv) potential exit value and timing; and (v) contribution to portfolio diversification.

Investments are usually made in UK companies, although these may trade outside the UK. At least 70 per cent. of funds invested in companies as of the time of the initial investment will be invested in unquoted companies.

Investment is made primarily in VCT qualifying investments in the health sector. Any funds awaiting investment are generally held in cash and liquidity funds so that they are readily available for follow-on investments, buybacks or to meet the running costs of the Company although investments may be made in other investments as deemed appropriate by the Board.

The Company invests in a variety of businesses within health industry sub-sectors using a mixture of securities to diversify risk. Health sub-sectors include, but are not limited to, services to patients and health professionals, diagnostics, information and data analysis, medical devices, drug delivery and drug development companies, particularly where such companies are focussed on distinct niche opportunities or speciality pharmaceuticals where smaller companies can be more effective. In many cases the companies will have proprietary technology or know-how or some other barrier to entry. The maximum amount invested in any one company is limited to £1 million in a tax year and generally no more than £1.5 million, at cost, is invested in the same company.

Investments are selected through the application of stringent criteria. Where possible, the Investment Manager is represented at board level on unquoted investee companies in order to be able to monitor closely the companies' progress.

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. The Company currently does not have any borrowings. However, the Articles of Association do permit borrowing to give a degree of flexibility. Any such borrowing would need to be approved by the Board. The maximum amount of borrowings currently allowed, without the previous sanction at a general meeting, is £1.0 million. There are no plans to utilise this borrowing limit at the current time.

Reasons for proposed changes in investment policy

The Board believes that the performance of the Company could be improved if its investment policy gave it more flexibility to invest in a more diversified portfolio of growth companies in a number of sectors (rather than restrict investments to companies in the health sector). The investment performance of other VCTs managed by Beringea (whose investment policies give them the flexibility to invest in a number of sectors (and do not restrict investment to the health sector)) over the past 10 years has generally been better than the Company's performance over the same period. The Company proposes to amend its investment policy to allow investments to be made in a diversified portfolio of growth companies across a broad range of industries (including companies within the health sector). Given the largely unquoted nature of the investment portfolio, the current 100 per cent. exposure to the health sector and the continued sourcing of health sector investments it is expected that the Company will continue to be predominantly exposed to the health sector for the foreseeable future.

Under the proposed new investment policy, the Company's portfolio would continue to be managed so as to meet the investment requirements to maintain its VCT status. Under the Listing Rules, any material change to the investment policy may only be made with the prior approval of Shareholders. Accordingly, the proposed change to the Company's investment policy requires the prior approval of Shareholders. This change is therefore subject to the approval of Shareholders at the General Meeting.

The participation of the Company in the LGIV Scheme, the Enhanced Share Buyback and the Offer for Subscription are not conditional upon Shareholders approving the proposed change to the Company's investment policy.

The full text of the Company's proposed new investment policy is set out below:

Proposed new investment policy

Investment objective

The Company aims to provide investors with an attractive return by maximising the stream of tax-free dividend distributions from capital gains and income generated from a diversified portfolio of investments in small and medium sized companies, subject to ensuring sufficient liquidity to meet working capital requirements and any need to retain funds to remain at an economically viable size.

Investment policy

The Company's investment policy is to create a balanced portfolio of growth companies. Investments are made selectively across a range of sectors.

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, warrants and fixed interest securities as well as cash and liquidity funds. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are in ordinary shares. The Investment Manager targets companies with high growth prospects and bases its selection of investments on:

- the experience and quality of the management team;
- the maturity and stage of company development;
- existing revenues and revenue growth potential;
- potential exit value and timing; and
- contribution to portfolio diversification.

Investments are usually made in UK companies, although these may trade outside the UK. At least 70 per cent. of funds invested in companies as of the time of the initial investment will be invested in unquoted companies.

Investment is made primarily in VCT Qualifying Investments. Any funds awaiting investment are generally held in cash and liquidity funds so that they are readily available for follow-on investments, buybacks or to meet the running costs of the fund although investments may be made in other investments as deemed appropriate by the Board. Where possible, the Investment Manager is represented at board level on unquoted investee companies in order to be able to monitor closely the relevant company's progress.

The aggregate value of shares and securities in a single issuer or company (other than a VCT) will not exceed 15 per cent. of the value of the Company's investments at the time of investment. The Company's gearing policy is determined by the Board. The level of gearing may be varied from time to time in light of the prevailing circumstances subject to a maximum of 10 per cent. of Shareholders' funds at any time. The Company does not currently have any borrowings.

Investment Manager

The Company's investments are managed by Beringea, an investment manager with significant experience in investing in small and medium sized unquoted companies. The Beringea Group has been established for over 25 years and has managed VCTs since their inception in 1996. The Beringea investment team has over 60 years of combined investment experience in the unquoted sector.

Beringea also provides company secretarial and other administrative services to the Company. As at 31 December 2011, the Beringea Group had approximately £225 million of funds under management on behalf of a number of clients, including the Company (including approximately £80 million of funds under management on behalf of VCTs).

Co-investment

The Company may co-invest funds raised alongside other VCTs managed by Beringea, namely ProVen VCT plc, ProVen Growth and Income VCT plc and ProVen Planned Exit VCT plc. In order to ensure that new investment opportunities are apportioned fairly between the Beringea managed VCTs and their various share classes, their allocation is governed by the terms of a Co-investment Agreement. This broadly provides that each new investment will be apportioned to those VCTs for which it meets the investment policy, and the various share classes within each relevant VCT, *pro rata* to the VCT investment value of their investments. Further details of the Co-investment Agreement are set out in paragraph 5.2 of Part 6 of this document.

Investment approach

The Company's portfolio is currently weighted towards early and mid-stage investments. The Company is now targeting investments in later stage businesses which will complement the existing portfolio as it continues to mature. Specifically, the Company will look to provide capital for businesses which display some or all of the following characteristics: (i) businesses with proven technology and recognised barriers to entry for competitors; (ii) businesses with established and increasing revenues, which are at or near profitability; (iii) businesses which could provide the opportunity for an attractive ongoing yield to investors and strong capital growth potential; (iv) businesses with a strong, balanced and well motivated management team with a proven track record of achievement; and (v) businesses with a clearly identifiable route for a profitable realisation within a three to four year period. If the proposed changes to the Company's investment policy are approved at the General Meeting, the Company will be able to invest in a more diversified portfolio of growth companies in a number of sectors (rather than restrict investments to companies in the health sector).

Performance track record

The Company was originally launched in February 2001 and has been managed by Beringea since 1 February 2009 (performance to 31 January 2009 is not therefore attributable to Beringea). Beringea also manages three other VCTs: ProVen VCT plc; ProVen Growth and Income VCT plc; and ProVen Planned Exit VCT plc.

The table below illustrates the net asset value total return of the Company and the return on the FTSE All Share Total Return Index over the ten year period to 31 October 2011 and the net asset value total return of ProVen VCT plc and ProVen Growth and Income VCT plc and the return on the FTSE All Share Total Return Index over the ten year period to 30 November 2011:

	<i>Net asset value total return performance</i>				
	<i>1 year</i>	<i>2 years</i>	<i>3 years</i>	<i>5 years</i>	<i>10 years</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
ProVen Health VCT plc (to 31 October 2011)	0.1	-10.6	-24.9	-33.6	-38.4
FTSE All Share Total Return Index (to 31 October 2011)	0.6	18.2	46.0	8.9	66.4
ProVen VCT plc (to 30 November 2011)					
(i) Ordinary shares	19.4	34.5	23.5	12.6	95.7
(ii) C shares	23.1	14.2	13.2	n/a	n/a
(iii) D shares	-2.8	-3.4	n/a	n/a	n/a
ProVen Growth and Income VCT plc (to 30 November 2011)					
(i) New ordinary shares (Note 3)	15.0	16.1	n/a	n/a	n/a
(ii) Original ordinary shares (Note 4)	15.0	16.1	16.3	20.7	155.2
(iii) Original C shares (Note 4)	15.0	16.1	10.4	2.2	n/a
(iv) D shares	-0.9	-2.3	n/a	n/a	n/a
FTSE All Share Total Return Index (to 30 November 2011)	2.6	14.4	47.9	8.8	58.9

Notes:

- (1) Past performance is not a guide to future performance.
- (2) The net asset value total returns of the Company, ProVen VCT plc, ProVen Growth and Income VCT plc and ProVen Planned Exit VCT plc are calculated as the net asset value with dividends reinvested at the net asset value prevailing on the date the dividends were paid.
- (3) New ordinary shares were created from the merger of original ordinary shares and C shares in October 2009.
- (4) The performance of the original ordinary shares and original C shares since 26 October 2009 is shown on a pro forma basis. Original ordinary shares and original C shares ceased to exist from 26 October 2009.
- (5) The above table does not include performance track record information for ProVen Planned Exit VCT plc, the ordinary shares of which were listed on the Official List of the UK Listing Authority on 11 April 2011. From 11 April 2011 to 31 October 2011 the net asset value total return performance of the ordinary shares in ProVen Planned Exit VCT plc was -2.8 per cent. (compared to the total return on the FTSE All Share Total Return Index of -7.0 per cent. over the same period).

Investment outlook

Against a backdrop of continuing economic uncertainty both in the UK and abroad, confidence remains fragile amongst investors and entrepreneurs. Despite the current economic environment, the Board believes that the Investment Manager will be able to identify a number of suitable investment opportunities. The Company holds a high proportion of investments in cash and liquidity funds, providing the Company with scope to capitalise on investment opportunities as they arise.

Capital structure

The Company has one class of share in issue, Ordinary Shares. The Ordinary Shares are listed on the premium segment of the Official List and traded on the Main Market. As at 8 February 2012 (the latest practicable date prior to publication of this document), there were 19,183,664 Ordinary Shares in issue. Pursuant to the Issue, up to 10 million New Ordinary Shares will be issued.

The New Ordinary Shares will rank equally in all respects with the existing Ordinary Shares, save that the New Ordinary Shares will not qualify for the interim dividend in respect of the period to 31 January 2012 which will be paid by the Company on 9 March 2012 or be eligible to participate in the Enhanced Share Buyback. Further details of the rights attaching to the Ordinary Shares are set out in paragraph 3 of Part 6 of this document.

Enhanced Share Buyback

The Board is proposing that the Company gives Shareholders the opportunity to participate in an enhanced share buyback. Under the terms of the Enhanced Share Buyback, Qualifying Shareholders may apply to sell Ordinary Shares back to the Company with the sale proceeds used to subscribe for New Ordinary Shares. Qualifying Shareholders do not have the option to sell Existing Ordinary Shares back to the Company without reinvesting the sale proceeds in New Ordinary Shares. This Enhanced Share Buyback provides a Qualifying Shareholder with the opportunity to subscribe for New Ordinary Shares, effectively retaining almost all of his or her investment in the Company, while obtaining new VCT income tax relief of up to 30 per cent. of the amount subscribed. HMRC has confirmed that, in accordance with the current VCT Rules and their interpretation, subject to the personal circumstances of Shareholders, VCT income tax relief would be available on the total amount subscribed for New Ordinary Shares. Applications can be made under the Enhanced Share Buyback for New Ordinary Shares to be issued in the 2011/12 tax year and/or the 2012/13 tax year. HMRC has confirmed that, in accordance with the current VCT Rules and their interpretation, subject to the personal circumstances of Shareholders, VCT income tax relief would be available on the total amount subscribed for New Ordinary Shares.

All Qualifying Shareholders may participate in the Enhanced Share Buyback but Qualifying Shareholders should consult their professional tax adviser as to whether it is appropriate for them to do so. In particular, please note that investors who dispose of their Existing Ordinary Shares within five years of the date of investment are likely to be subject to clawback by HMRC of any income tax relief originally obtained on subscription for their Existing Ordinary Shares if they participate in the Enhanced Share Buyback in respect of such shares. Likewise, Qualifying Shareholders who participate in the Enhanced Share Buyback who dispose of their New Ordinary Shares within five years of the date of subscription are

likely to be subject to clawback by HMRC of any income tax relief obtained on subscription for their New Ordinary Shares.

Under the Enhanced Share Buyback, the Company will purchase Existing Ordinary Shares at the Tender Price with the sale proceeds used to subscribe for New Ordinary Shares at the ESBB Issue Price. The difference between the Tender Price and the ESBB Issue Price will contribute towards the costs of the Enhanced Share Buyback. The Tender Price will be an amount equal to 100 per cent. of the NAV per Ordinary Share at the date of calculation before taking into account the costs and expenses of the Proposals (rounded down to the nearest £0.001 per share). New Ordinary Shares will be issued to participants in the Enhanced Share Buyback at the ESBB Issue Price of the most recently published NAV per Ordinary Share divided by 0.955 (to make a contribution towards the costs of the Enhanced Share Buyback of 4.5 per cent.) rounded up to the nearest £0.001 per share.

The Company requires distributable reserves and cash resources to buy back Ordinary Shares pursuant to the Enhanced Share Buyback. Applications in respect of a maximum of 4,795,000 Existing Ordinary Shares in aggregate (representing approximately 25 per cent. of the issued share capital of the Company as at the date of this document) will be accepted under the Enhanced Share Buyback (with scaling back of applications in excess of this number of Existing Ordinary Shares). Ordinary Shares bought back by the Company pursuant to the Enhanced Share Buyback will be cancelled.

The minimum investment per applicant of £5,000 under the Offer for Subscription (which may be spread across two tax years) does not apply in respect of the Enhanced Share Buyback.

The Closing Date for receipt of applications under the Enhanced Share Buyback is 1.00 p.m. on 30 March 2012. Qualifying Shareholders holding their Ordinary Shares in certificated form who wish to participate in the Enhanced Share Buyback should complete the ESBB Application Form in accordance with the instructions printed on it and return the completed ESBB Application Form by post or by hand (during normal business hours) to Beringea LLP, 39 Earlham Street, London WC2H 9LT as soon as possible and in any event so as to be received no later than 1.00 p.m. on 30 March 2012. Qualifying Shareholders who wish to participate in the Enhanced Share Buyback should also return their certificate(s) and/or other documents of title in respect of the Ordinary Shares tendered with their ESBB Application Form.

If you wish to participate in the Enhanced Share Buyback but do not wish to participate in the Offer for Subscription you should not complete and return an Offer Application Form.

Qualifying Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) and wish to participate in the proposed Enhanced Share Buyback will require to rematerialise their holding of Ordinary Shares into their own name and thereafter complete and return an ESBB Application Form (as described in more detail in Part 4 of this document). An application for New Ordinary Shares under the Enhanced Share Buyback will need to be made in the beneficial holder's own name for a Qualifying Shareholder to benefit from up front VCT tax reliefs.

The terms and conditions of the Enhanced Share Buyback are set out in Part 4 of this document.

Life of the Company

Under the Articles of Association, the Board is required to invite the members to consider and debate the future of the Company (including whether the Company should be wound up, sold or unitised) at the annual general meeting of the Company falling after the fifth anniversary of the last allotment of shares by the Company and thereafter at five yearly intervals. Thereafter, the Board shall convene an extraordinary general meeting to propose such resolution as the members attending the annual general meeting may by ordinary resolution require. The Company last allotted shares on 24 June 2011 and expects to allot New Ordinary Shares pursuant to the Proposals.

Dividend policy

The Company's investment objective is to provide investors with an attractive return by maximising the stream of tax-free dividend distributions from the capital gains and income generated from its portfolio of investments.

The Company paid dividends of 1p per Ordinary Share in the financial year ended 31 January 2010, 2p per Ordinary Share in the financial year ended 31 January 2011 and 1p per Ordinary Share in the financial year ended 31 January 2012. In the interim management statement released on 20 December 2011, the Company announced that the Board was evaluating a number of initiatives to improve returns to shareholders. In view of this, the Board decided it would be prudent to temporarily suspend the Company's share buyback policy and not to consider any further dividend payments to shareholders until these evaluations were concluded. Having concluded its evaluations and announced the Proposals, this temporary suspension has been lifted. The Board intends, subject to the availability of sufficient cash and resources to do so, to ensuring sufficient liquidity to meet working capital requirements and any requirement to retain funds to remain at an economically viable size, to pay dividends to Shareholders. The Company has declared an interim dividend of 1p per Ordinary Share in respect of the year ended 31 January 2012 which will be paid on 9 March 2012.

Purchase of Shares by the Company

The Directors have authority to buy back up to 2,935,172 Ordinary Shares (being 14.99 per cent. of the issued share capital of the Company as at the date of publication of the notice of the Company's last annual general meeting) and will consider seeking renewal of this authority, in respect of the enlarged share capital, from Shareholders annually and at other times should this prove necessary. Any buy back of Shares will be made subject to the Act and within guidelines established from time to time by the Board and the making and timing of any buybacks will be at the absolute discretion of the Board. Purchases of Shares will only be made through the market for cash at prices below the prevailing Net Asset Value of the Ordinary Shares (as last published) where the Directors believe such purchases will enhance shareholder value. In the interim management statement released on 20 December 2011, the Company announced the temporary suspension of the Company's share buyback policy whilst the Board evaluated a number of initiatives. Having concluded its evaluations and announced the Proposals, this temporary suspension has been lifted. Under the guidelines currently established by the Board, the Directors aim to provide Shareholders who wish to sell their Ordinary Shares with an opportunity to do so, by operating an active policy of purchasing Ordinary Shares in the market. Subject to ensuring sufficient liquidity to meet working capital requirements and any need to retain funds to remain at an economically viable size, it is the intention that the Company will buy back Ordinary Shares where it has sufficient cash and reserves available to do so at a discount of approximately 10 per cent. to the most recently announced NAV per Ordinary Share (as adjusted for any dividends paid since the announcement). Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than the higher of (i) five per cent. above the average of the middle market quotations of that class of Share for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for that class of Shares nor less than the nominal value of the relevant Share.

The Company will be permitted to hold Ordinary Shares acquired by way of market purchase in treasury, rather than having to cancel them. Such Ordinary Shares may be subsequently cancelled or sold for cash.

Cancellation of the share premium account

In conjunction with the proposed issue of New Ordinary Shares pursuant to the LGIV Scheme, the Enhanced Share Buyback and the Offer for Subscription, the Company is proposing, subject to Shareholder approval and Court Approval, to cancel its share premium account and transfer this amount to reserves, thereby creating a special reserve which shall be able to be applied in any manner in which the Company's profits available for distribution are able to be applied (as determined in accordance with the Act and The Companies (Reduction of Share Capital) Order 2008), including the buy back by the Company of Ordinary Shares.

Further issues of Shares

The Directors have authority to allot Ordinary Shares up to an aggregate nominal amount of £195,808 (being 100 per cent. of the issued share capital as at the date of publication of the notice of the Company's last annual general meeting). This authority lapses on the conclusion of the Company's next annual general meeting or 9 September 2012, whichever is the later. The provisions of the Act which would confer pre-emption rights have been disapplied in respect of the allotment or transfer out of treasury of Ordinary Shares pursuant to this authority. Any further issues of Ordinary Shares will be made in accordance with the Listing Rules and the Prospectus Rules.

The issue of the New Ordinary Shares will be separately authorised pursuant to resolutions to be proposed at the General Meeting to be held on 12 March 2012. As at 8 February 2012 (the latest practicable date prior to publication of this document), the Ordinary Shares were trading at a discount of 21.97 per cent. to their latest published Net Asset Value per Share (calculated as at 31 October 2011).

Directors

The Directors, all of whom are non-executive and independent of the Investment Manager, are responsible for the determination of the investment policy and the overall supervision of the Company.

The Directors are as follows:

Charles Pinney (Chairman) – Mr Pinney is a director of Baronsmead VCT 5 plc and Amati VCT plc. He was previously a director of Barclays Private Bank Limited, with overall responsibility for the operations of the investment department, and was managing director of BZW Portfolio Management Limited. From 2003 to 2009 he was a consultant to Rathbones Investment Management. He is a fellow of both the Association of Chartered Certified Accountants and the Chartered Institute for Securities & Investment. He is a former director of APCIMS (the Association of Private Client Investment Managers & Stockbrokers).

Peter Arthur – Mr Arthur is chairman of Aberdeen Asian Income Fund Ltd, a non-executive director of LGIV, a Board member of the Association of Investment Companies (AIC) and also a non-executive director of a number of private companies. He was previously a managing director of ISIS Asset Management plc (now F&C Asset Management), where he was responsible for the institutional and investment trust businesses, and formerly chairman of Artemis VCT plc. He had previously worked for Franklin Templeton Inc and Edinburgh Fund Managers plc. Mr Arthur is a solicitor and a fellow of the Chartered Institute of Secretaries and Administrators.

Frank Harding – Mr Harding is chairman of KLM Cityhopper UK Limited and until February 2006 was chairman of Provalis plc (a listed health sector company). He is a chartered accountant with over 40 years' experience at KPMG, of which 29 years was as an audit/general practice partner, latterly specialising in advising UK companies with subsidiaries outside the UK and non-UK companies with subsidiaries in Europe. Mr Harding was president of the International Federation of Accountants from 1997 to 2000.

Diane James – Ms James is an independent adviser to a number of healthcare organisations involving healthcare innovation in the UK and Europe. She was formerly the chair of the Surrey & Sussex CLRN (Comprehensive Local Research Network), part of the National Institute for Health Research which was established by the UK Department of Health in 2006, to support clinical innovation research in the UK. She has a wide range of healthcare experience at senior management level in both the public and private sectors and has founded, developed and divested a specialist healthcare communications business.

Further details of the Directors are set out in paragraph 4 of Part 6 of this document.

Investment management arrangements

Under the Investment Management Agreement, Beringea has been appointed with responsibility for the management of the Company's assets subject to the overall supervision of the Directors. Beringea also provides administration, company secretarial and custodian services to the Company as part of this arrangement. Beringea is entitled to receive an annual investment management fee of 2.5 per cent. of the Company's net assets, calculated and paid on a quarterly basis, and a fee for administration and company

secretarial services of £30,000 plus VAT per annum. However, the Annual Running Costs of the Company are capped at 3.6 per cent. of its net assets; any excess will either be paid by the Investment Manager or refunded to the Company by way of a reduction to the Investment Manager's fees.

Under the terms of the Investment Management Agreement, a performance incentive may be payable to the Investment Manager if the following conditions are met: (i) the net asset value per Ordinary Share on 31 January in any year plus the aggregate amount of dividends per Ordinary Share paid up to that date is equal to or greater than 174 pence; and (ii) not less than 50 pence of the amount referred to in (i) has been paid in the form of dividends. The latest published net asset value per Ordinary Share was calculated as at 31 October 2011 and is 45.5p. No performance fees have been paid by the Company to the Investment Manager under the Investment Management Agreement.

Further details of the Investment Management Agreement (including the fees payable thereunder) are set out in paragraph 5.1 of Part 6 of this document.

VAT

Fees for management services to be payable by the Company are exempt from VAT under current tax legislation. Should this position change, VAT at the applicable UK rate would be added to the management fees due.

Costs and expenses of the Proposals

Costs and expenses of participation in the LGIV Scheme

The aggregate costs and expenses to be incurred by the Company and LGIV in connection with the LGIV Scheme are expected to be approximately £100,000 (including VAT and stamp duty). The Company has agreed to meet £75,000 of those costs and expenses with all of this amount to be reimbursed to the Company by Beringea by means of a partial management fee waiver over two years commencing on the Effective Date (with £9,375 of the management fees otherwise payable to Beringea waived each quarter until the £75,000 of costs and expenses paid by the Company have been recovered in full). Longbow Capital has agreed to meet the balance of the costs and expenses payable by the Company and LGIV in connection with the LGIV Scheme.

If the LGIV Scheme does not become effective, the Company will bear abort costs and expenses estimated at approximately £45,000 (including VAT). Beringea has agreed to reimburse these costs and expenses by means of a management fee waiver.

Costs and expenses of the Offer for Subscription

The Company intends to carry out an Offer for Subscription to raise gross proceeds of up to £1 million. The Company has agreed to pay Beringea a commission of 5.5 per cent. of the gross funds raised pursuant to the Offer for Subscription on the allotment of the New Ordinary Shares pursuant to the Offer for Subscription plus an annual commission of 0.2 per cent. of the amounts raised under the Offer for Subscription for a period of five years. Out of these fees, Beringea will be responsible for paying all of the costs of the Offer for Subscription, including professional fees, marketing expenses and commission to authorised financial advisors (including any trail commissions). If the Offer for Subscription does not become effective, Beringea will bear any abort costs and expenses.

Costs and expenses of the Enhanced Share Buyback

The Company has also put forward proposals for an enhanced share buyback whereby existing Shareholders will be provided with the opportunity to sell back their Existing Ordinary Shares and subscribe for New Ordinary Shares (whilst obtaining new income tax relief of up to 30 per cent. of the amount re-subscribed). The costs and expenses of the Enhanced Share Buyback will vary depending on the number of valid applications made. It is estimated that the Company's costs and expenses in connection with the Enhanced Share Buyback will be a maximum of £80,000 (including VAT). These costs and expenses will be met in whole or in part by participating Shareholders (as the Tender Price will be lower than the ESBB Issue Price). If valid applications are received in respect of at least 2,700,000 Existing Ordinary Shares in

aggregate (representing approximately 14.1 per cent. of the issued share capital of the Company) all of the costs and expenses of the Enhanced Share Buyback will be met by participating Shareholders. If the Enhanced Share Buyback does not become effective, the Company will bear any abort costs and expenses which are estimated at approximately £20,000 (including VAT).

Annual operating expenses

In addition to investment management fees, the Company incurs annual expenses in the operation of its business. These expenses include, without limitation, audit fees, Directors' fees, registrars' fees, custodian fees, regulatory fees, directors' insurance premiums and printing costs. It is estimated that, on the assumption that the Proposals are implemented, these costs and expenses will be approximately £380,000 per annum. As described in the paragraph entitled 'Investment management arrangements' above, the Annual Running Costs of the Company are capped at 3.6 per cent. of its net assets with any excess either to be paid by the Investment Manager or refunded to the Company by way of a reduction to the Investment Manager's fees.

Accounting policies

The accounting policies of the Company have been determined by the Board after considering all material factors. The Company prepares its financial statements under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts published by the AIC in January 2009 ("SORP"). The financial statements are prepared under the historical cost convention except for certain financial instruments measured at fair value. The Company implements new Financial Reporting Standards issued by the Accounting Standards Board when required.

One of the key accounting policies is that investment management fees are charged 75 per cent. to the capital account and 25 per cent. to the revenue account, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company. The Company's other annual operating expenses are charged 100 per cent. to the revenue account save for (i) expenses which are incidental to the acquisition of an investment which are charged to the capital account; (ii) expenses which are incidental to the disposal of an investment which are deducted from the disposal proceeds of the investment; and (iii) expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated.

The Board reserves the right to alter the Company's accounting policies during the life of the Company.

Corporate governance

The Chairman and each of the other Directors is independent of the Investment Manager.

Peter Arthur is a director of the Company and LGIV.

The Board has taken appropriate steps to ensure that the Company has in place arrangements which it considers appropriate for a venture capital trust to ensure proper corporate governance. As at the date of this document, the Company complies with the AIC Code and the UK Corporate Governance Code save as disclosed below.

The UK Corporate Governance Code, includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. As the Company has no chief executive or executive directors and its portfolio management, administration, accounting and company secretarial functions are provided by the Investment Manager, the Board considers that these provisions are not relevant to the Company being an externally managed VCT.

Board

The Company currently has a Board of four non-executive directors. Frank Harding is the approved Senior Independent Director.

The Board reviews regularly the independence of its members having due regard to the prevailing guidelines on independence issued by the Association of Investment Companies. The Board currently considers all Directors to be independent of the Investment Manager.

The Combined Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance, that of its committees and that of individual Directors. In order to review its effectiveness, it is the policy of the Board to undertake a process of formal self-appraisal, in which the Directors consider how the Board functions as a whole and also review the individual performance of its members. This process of review is led by the Chairman and encompasses qualitative and quantitative measures of performance which are determined in advance in line with prevailing good market practice.

Directors are not appointed for specified terms but are subject to re-election by shareholders at the first opportunity after their appointment and to further re-election thereafter at three yearly intervals. Directors who have been on the Board for more than nine years are subject to annual re-election provided that the Board is satisfied as to their continued independence. Frank Harding has served on the Board for more than nine years and is subject to annual re-election. The Board is satisfied of Mr Harding's continuing independence as, prior to the appointment of Beringea as investment manager, he had no previous dealings with them in either a professional or personal capacity.

Committees of the Board

The Company has an audit committee, nomination committee and remuneration committee, all of which have defined terms of reference and duties, which are available from the Company Secretary and on the Investment Manager's website, www.provenvcts.co.uk. A management engagement committee has not been constituted with matters thereon being dealt with by the Board as a whole.

Audit committee

The Board has established an audit committee comprising all of the Directors. The terms of reference of the audit committee require that it meets at least twice per year. It is the policy of the Board to review these terms of reference annually. Frank Harding is the chairman of the audit committee.

The audit committee reviews the Company's annual and half-yearly financial statements, the accounting policies applied therein and ensures compliance with financial and regulatory reporting requirements, reviews the scope and results of the audit and the effectiveness of the audit process and reviews the Company's internal financial controls. The committee is also responsible for reviewing and monitoring the external auditors' independence and objectivity, with particular regard to the provisions of non-audit services taking into account relevant UK professional and regulatory requirements.

Nomination committee

The Board has established a nomination committee. The nomination committee comprises Peter Arthur (Chairman), Frank Harding and Diane James. The terms of reference of the nomination committee require that it meets at least annually and at such other times as required. It is the policy of the Board to review these terms annually. The nomination committee: (i) reviews the structure of the Board, its size and composition and makes recommendations to the Board with regard to any changes that are deemed necessary; (ii) is responsible for identifying and nominating candidates for the approval of the Board and to fill Board vacancies as and when they arise as well as putting in place plans for succession, in particular, of the Chairman of the Company; (iii) makes recommendations to the Board for the continuation (or not) in service of any Director who has reached the age of 70; (iv) makes recommendations to the Board for the continuation (or not) in service of any Director who has held office for more than nine years; and (v) recommends Directors who are retiring by rotation to be put forward for re-election.

Remuneration committee

The Board has established a remuneration committee. The remuneration committee comprises Peter Arthur (Chairman), Frank Harding and Diane James. The remuneration committee: (i) ensures that provisions regarding disclosure of remuneration are fulfilled; (ii) produces an annual report of the remuneration policy which forms part of the Company's annual report and accounts and ensures that each year it is put to shareholders for approval at the annual general meeting.

Conflicts of interest

Investment Manager's conflicts of interest

The Investment Manager, its officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager may provide investment management services, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company.

The Investment Manager will have regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise. Having regard to these obligations, the Company may buy investments from or sell investments to other clients of the Investment Manager only on an arm's length basis. In particular, the Investment Manager will use reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Investment Manager that fall within the Company's investment objective and policy on the best terms reasonably obtainable at the relevant time having regard to the interests of the Company. In order to ensure that new investment opportunities are apportioned fairly between the Beringea managed VCTs and their various share classes their allocation is governed by the terms of the Co-investment Agreement (further details of which are set out in paragraph 5.2 of Part 6 of this document). The Investment Manager will take into consideration the appropriateness of investments for inclusion in the Company's portfolio, the level of uninvested cash held by the Company and the size of investments available, such that allocations of investments which are *de minimis* in size will normally not be made.

Reports to Shareholders and Net Asset Values

The annual report and accounts of the Company will be made up to 31 January in each year. Copies of the annual report and accounts are expected to be sent to Shareholders in April or May each year. Shareholders will also receive an unaudited interim report covering the first six months of each financial year of the Company. In addition, interim management statements will be released each year via a Regulatory Information Service by an announcement in respect of the quarters to 30 April and 31 October.

It is intended that the annual general meeting of the Company will be held in June of each year.

The Net Asset Value of an Ordinary Share is calculated by the Investment Manager in accordance with the Company's accounting policies and published quarterly through a Regulatory Information Service. The Net Asset Value per Share will not be calculated (or may be delayed in publication) in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations (or any delay in publication as the case may be) will be announced through a Regulatory Information Service.

The unaudited Net Asset Value per Ordinary Share as at 31 October 2011 (including current income) was 45.5 pence.

Taxation

The Directors intend to continue to conduct the affairs of the Company in such a manner so as to satisfy the conditions to qualify as a VCT. The Company has retained PricewaterhouseCoopers LLP to advise it on VCT taxation matters.

In respect of each accounting period for which the requirements for qualification as a VCT are satisfied, the Company will be exempt from UK taxation on any capital gains. The Company will, however, remain liable to UK corporation tax on its income (excluding, in general, dividend income) in the normal way.

A guide to the general UK taxation position as at the date of this document is set out in Parts 7 and 8 of this document. If you are in any doubt as to your taxation position, or are subject to taxation in a jurisdiction other than the UK, you should consult a professional adviser without delay.

PART 2

THE OFFER FOR SUBSCRIPTION

Background

The Company is proposing to raise gross proceeds of up to £1 million pursuant to an Offer for Subscription of up to 2,205,000 New Ordinary Shares. The Offer will provide existing Shareholders with the opportunity to add to their current shareholding while benefiting from the tax reliefs available on an issue of new VCT shares for either the tax year 2011/12 or 2012/13, or both. New investors will also be able to participate in the Offer and gain exposure to the Company's portfolio of investee companies. The net proceeds of the Offer for Subscription will be invested in accordance with the Company's investment policy (or its proposed new investment policy if approved at the General Meeting).

The Offer is conditional upon, *inter alia*, the passing of Resolution 2 at the General Meeting. The Offer is not conditional upon approval of implementation of the Company's participation in the LGIV Scheme or upon the Enhanced Share Buyback proceeding.

Reasons for the Offer for Subscription

The Board believes that there are currently a significant number of attractive investment opportunities available to the Company. The funds raised pursuant to the Offer for Subscription would also allow the Company to enhance its portfolio diversification. The publication by the Company of the Prospectus in connection with the LGIV Scheme and the Enhanced Share Buyback gives the Company the opportunity to issue New Ordinary Shares pursuant to the Offer for Subscription in a cost effective manner.

Portfolio

The Company's investment portfolio consists of holdings in ten companies diversified across the health sector and at different stages of development. Of these holdings, two are in quoted companies and eight are in unquoted companies. As at 31 October 2011 (being the date of the latest unaudited valuations of the Company's portfolio), the aggregate valuation of the Company's investment portfolio was £5.1 million; the Company also held approximately £3.71 million in cash and liquidity funds. As at 31 October 2011, the Company had unaudited net assets of £8.77 million (45.5 pence per Ordinary Share).

Source: Beringea LLP.

Terms of the Offer for Subscription

General

Up to 2,205,000 New Ordinary Shares (or such lower number of New Ordinary Shares as would raise gross proceeds of up to £1 million) are being offered pursuant to the Offer. There is no minimum subscription level for the Offer to proceed and the Offer is not underwritten.

Applicants under the Offer must specify a fixed sum in sterling, being the aggregate subscription price for the New Ordinary Shares for which they wish to apply at the Offer Price. The minimum investment per applicant is £5,000 (which may be spread across two tax years) and applications in excess of that amount should be made in multiples of £1,000. There is no maximum investment per applicant. However, potential investors should be aware that the maximum investment in VCTs on which tax relief is currently available is £200,000 in respect of each of the 2011/12 and 2012/13 tax years. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

The Offer will open on 10 February 2012 and close at 12 noon on (i) 5 April 2012 in respect of applications for the tax year 2011/12 and (ii) 13 April 2012 in respect of applications for the tax year 2012/13. Persons wishing to participate in the Offer for Subscription should complete and return an Offer Application Form (set out at the end of this document) to Beringea LLP, 39 Earlham Street, London WC2H 9LT by no later than 12 noon on 5 April 2012 (in respect of applications for the 2011/12 tax year) and 12 noon on 13 April 2012 (in respect of applications for the 2012/13 tax year).

The New Ordinary Shares will be issued at the Offer Price. The Offer Price shall be the NAV per Ordinary Share divided by 0.945 (to take account of the 5.5 per cent. commission payable by the Company to Beringea on the allotment of the New Ordinary Shares pursuant to the Offer) rounded up to the nearest £0.001 per share.

Although no *pro rata* offer is being made to existing Shareholders, the Offer is to be made available to all potential investors, including existing Shareholders.

The New Ordinary Shares will rank equally in all respects with the existing issued Ordinary Shares (save that the New Ordinary Shares will not qualify for the Interim Dividend in respect of the year ended 31 January 2012, to be paid by the Company on 9 March 2012, or be entitled to participate in the Enhanced Share Buyback).

The procedure for, and the terms and conditions of, application under the Offer for Subscription are set out on page 39 of this document and the Offer Application Form for use under the Offer for Subscription is set out at the end of this document.

Completed Offer Application Forms and the accompanying payment in relation to the Offer for Subscription must be posted or delivered by hand (during normal business hours only) to Beringea LLP, 39 Earlham Street, London WC2H 9LT.

Scaling back

Up to 2,205,000 New Ordinary Shares (or such lower number of New Ordinary Shares as would raise gross proceeds of £1 million in aggregate) are being offered pursuant to the Offer. Applications in excess of this number will be scaled back at the discretion of the Directors.

The maximum number of Shares available under the Offer for Subscription should not be taken as an indication of the number of New Ordinary Shares which will be finally issued.

The results of the Offer, and any scaling back, will be announced through a Regulatory Information Service. The balance of subscription monies in the event of scaling back will be posted to applicants by cheque at the applicant's own risk. No interest will be paid in respect of returned subscription monies.

Condition of the Offer for Subscription

The Offer is conditional upon the passing of Resolution 2 at the General Meeting (which authorises the allotment of the New Ordinary Shares on a non pre-emptive basis for cash pursuant to the Offer for Subscription). If this condition is not satisfied by 31 May 2012, the Offer for Subscription will not become effective.

Admission and dealings

It is expected that the New Ordinary Shares to be issued pursuant to the Offer in respect of the tax year 2011/12 will be admitted to the premium segment of the Official List and to trading on the Main Market on 12 April 2012. It is expected that the New Ordinary Shares to be issued pursuant to the Offer in respect of the tax year 2012/13 will be admitted to the premium segment of the Official List and to trading on the Main Market on 17 April 2012. No dealings will commence before these dates.

New Ordinary Shares issued pursuant to the Offer will be in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of the New Ordinary Shares issued pursuant to the Offer will be despatched by post within 15 Business Days of the allotment of the relevant New Ordinary Shares.

Temporary documents of title will not be issued. Pending despatch of certificates in respect of the New Ordinary Shares, transfers will be certified against the register. The Offer cannot be revoked after dealings in the New Ordinary Shares have commenced.

When admitted to trading, the New Ordinary Shares will be registered with ISIN number GB0030199391 and SEDOL number 3019939.

Costs and expenses of the Offer for Subscription

The Company has agreed to pay Beringea (as promoter of the Offer for Subscription) a commission of 5.5 per cent. of the gross funds raised pursuant to the Offer for Subscription on the allotment of the New Ordinary Shares pursuant to the Offer for Subscription plus an annual commission of 0.2 per cent. of the amounts raised under the Offer for Subscription for a period of five years. Out of these fees, Beringea will be responsible for paying all of the costs and expenses of the Offer for Subscription, including professional fees, marketing expenses and commission. On the assumption that gross proceeds of £1 million are raised under the Offer, such costs and expenses are expected to be approximately £13,000 (including VAT). This includes initial commissions payable to authorised financial intermediaries. Trail commissions of up to 1.25 per cent. of the Offer Price will be payable to authorised intermediaries by the Investment Manager (as described below).

As the only costs payable by the Company under of the Offer are the commissions payable to Beringea, the net proceeds of the Offer will be 93.5 per cent. of the gross proceeds of the Offer.

Details of the costs and expenses of the Company's participation in the LGIV Scheme and the Enhanced Share Buyback are set out on page 32 of Part 1 of this document.

Intermediary commissions

Authorised financial intermediaries will usually be paid an initial commission by the Investment Manager of either 3 per cent. or 2.5 per cent. 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 per cent., normally at the rate of 0.25 per cent. 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 June 2013 in respect of the financial year to 31 January 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 Offer Application Form the basis on which they wish to receive their commission.

Investor profile

The Directors believe that a typical investor in the Company 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 and may include retail, institutional and sophisticated investors and high net-worth individuals. The individual should be comfortable with the risk factors set out on pages 8 to 11 of this document and be willing to retain the investment for at least five years.

Overseas investors

No action has been or will be taken in any jurisdiction by, or on behalf of, the Company which would permit a public offer of New Ordinary Shares in any jurisdiction other than the United Kingdom. Persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom should note that this document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The Issue is not being made, directly or indirectly, in or into, or by the use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan, South Africa or any other Restricted Jurisdiction. The New Ordinary

Shares have not been, and they will not be, registered under the US Securities Act or under any of the relevant securities laws of any state of the United States or of Canada, Australia, Japan or South Africa. Accordingly, unless an exemption under such act or laws is applicable, the New Ordinary Shares may not be offered, sold or delivered directly or indirectly in or into the United States, Canada, Australia, Japan or South Africa.

Application procedure

The terms and conditions of applications under the Offer, which should be read in full, are set out in Part 9 of this document.

Offer Application Forms can be found at the end of this Prospectus together with explanatory notes. Completed Offer Application Forms should be posted or delivered by hand to **Beringea LLP, 39 Earlham Street, London WC2H 9LT**, together with a remittance for the full amount payable in respect of the application.

If investors have any questions regarding an investment in the Company they should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 without delay. For questions relating to the application procedure please contact Beringea on 0845 686 0225 or email info@beringea.co.uk. Please note that no investment or tax advice can be given.

PART 3

MERGER OF THE COMPANY AND LGIV

Background to and reasons for the LGIV Scheme

In July 2011, LGIV completed an offer for subscription raising gross proceeds of approximately £1.1 million and its shares were admitted to listing on the Official List with a Premium Listing and trading on the main market of the London Stock Exchange. Subsequently, LGIV's investment manager, Longbow Capital, informed the LGIV Board, following a reorganisation of its staff, that it did not propose to assist in relation to a further fund-raising round on behalf of LGIV. In light of Longbow Capital's decision, the LGIV Board reviewed its management arrangements and concluded, against the background of its belief that it does not make economic sense to operate a listed VCT with assets under management of only approximately £1 million, that LGIV Shareholders' interests will be best served by a merger with another listed VCT. After considering available options, the LGIV Board has reached agreement with the Board in respect of a recommended merger of the assets of LGIV and the Company pursuant to a scheme of reconstruction and winding up of LGIV under section 110 of the Insolvency Act 1986. The LGIV Scheme will allow LGIV Shareholders to continue their investment in a VCT with a significant focus on the health sector (and to retain the upfront VCT income tax relief they obtained on subscription for their LGIV Shares).

The LGIV Scheme

Under the LGIV Scheme, LGIV will be wound up voluntarily pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986. The LGIV Scheme provides for the net assets of LGIV to be transferred to the Company in consideration for the issue of New Ordinary Shares of an equivalent value to LGIV Shareholders. The LGIV Scheme is subject to, amongst other conditions, its approval by LGIV Shareholders and approval by the Shareholders of the Company.

Benefits of the LGIV Scheme to the Company

The Board believes that the LGIV Scheme provides an excellent opportunity for the Company to increase the size of the Company in a cost effective manner. The main benefits of the LGIV Scheme for Shareholders are as follows:

- the Enlarged Company will have increased cash resources from which to create a more diversified portfolio thereby dispersing the portfolio risk across a broader range of investments and businesses;
- Beringea, an investment manager with significant experience in investing in small and medium sized unquoted companies, will continue to manage the Company;
- Beringea will make a contribution of £75,000 towards the costs and expenses of the Company's participation in the LGIV Scheme which will be made by way of a partial management fee waiver. The costs and expenses of the Company's participation in the LGIV Scheme will be recovered pursuant to this Costs Contribution and will not be dilutive to the net asset value of existing Ordinary Shares (after taking into account the Costs Contribution);
- the assets to be acquired from LGIV will comprise an investment in Polytherics Limited (in which the Company already holds an investment) and cash. Accordingly, there will be no need to realign the assets acquired from LGIV; and
- when combined with the benefits of other initiatives currently being pursued by the Company as set out in this document, the Board believes the Company will be better positioned to deliver improved returns to Shareholders.

New Ordinary Shares to be issued to LGIV Shareholders

If the LGIV Scheme is implemented, the Company will acquire all of LGIV's assets (save to the extent required by the LGIV Liquidators to satisfy the liabilities of LGIV). The consideration for such acquisition shall be the issue of New Ordinary Shares to LGIV Shareholders. The assets to be transferred to the Company

comprise an investment in Polytherics Limited (in which the Company already holds an investment) and approximately £0.85 million of cash. These assets therefore comply with the Company's existing investment policy (and its proposed new investment policy).

The number of New Ordinary Shares to be issued to LGIV Shareholders under the LGIV Scheme will be based on the adjusted Net Asset Value of an Ordinary Share (the "FAV per Ordinary Share") and the adjusted Net Asset Value of a LGIV Share (the "FAV per LGIV Share"). The FAV per Ordinary Share and the FAV per LGIV Share will be calculated as at 5.00 p.m. on 13 March 2012 using each company's respective accounting policies (which are substantially similar). LGIV's only investment in a portfolio company is in Polytherics Limited (in which the Company also holds an investment). The Company's investments which are listed, quoted or traded on a recognised stock exchange will be valued by reference to the bid price on the principal stock exchange where the relevant investment is listed, quoted or dealt. Unquoted investments held by the Company will be valued at their fair value as at the Calculation Date as determined by the Directors (with the Company's investment in Polytherics Limited valued on the same basis as LGIV's investment in that company).

The FAV per Ordinary Share will be the net asset value of an Ordinary Share adjusted by making a deduction in respect of the Interim Dividend (which LGIV Shareholders will not receive in respect of their New Ordinary Shares) and any costs and expenses of the Proposals to be borne by the Company (save to the extent to be paid or met by the Costs Contribution to be made by Beringea or Longbow Capital (as described in the section entitled "Costs and expenses of the Proposals" in Part 1 of this document)). The FAV per LGIV Share will be calculated in accordance with the LGIV Scheme and will be the net asset value of a LGIV Share after an adjustment in respect of any costs and expenses of the LGIV Scheme to be met by LGIV (save to the extent to be paid or reimbursed by Longbow Capital (as described in the section entitled "Costs and expenses of the Proposals" in Part 1 of this document)).

LGIV Shareholders will be issued such number of New Ordinary Shares in the Company with a FAV per Ordinary Share equal to 100 per cent. of the FAV per LGIV Share of their LGIV Shares.

The New Ordinary Shares issued pursuant to the LGIV Scheme will rank equally in all respects with the existing issued Ordinary Shares (save that the New Ordinary Shares will not qualify for the Interim Dividend in respect of the year ended 31 January 2012 to be paid by the Company on 9 March 2012) and holders of the New Ordinary Shares will not be entitled to participate in the Enhanced Share Buyback.

For illustrative purposes only, had the Calculation Date been 31 October 2011 (being the date of the latest published NAV per Ordinary Share prior to publication of this document) and assuming that all of the LGIV Shareholders are eligible to receive New Ordinary Shares under the LGIV Scheme, the FAV per Ordinary Share and FAV per LGIV Share would have been 44.50 pence and 90.95 pence respectively and 2,161,527 New Ordinary Shares would have been issued to former LGIV Shareholders under the LGIV Scheme, representing approximately 10 per cent. of the issued Ordinary Share capital of the Enlarged Company.

Note: The above illustrative figures are calculated before taking into account any Existing Ordinary Shares bought back by the Company pursuant to the Enhanced Share Buyback or any New Ordinary Shares issued pursuant to the Enhanced Share Buyback or the Offer for Subscription.

The cash paid to the Company by LGIV under the LGIV Scheme will be invested in accordance with the Company's existing investment policy (or its proposed new investment policy if approved at the General Meeting).

Conditions of the LGIV Scheme

The LGIV Scheme is conditional on:

- (i) the passing of the resolutions to approve the LGIV Scheme at the LGIV First General Meeting and the LGIV Second General Meeting and the LGIV Scheme becoming unconditional; and
- (ii) the passing of Resolution 1 at the General Meeting (which authorises the allotment of the New Ordinary Shares to LGIV Shareholders pursuant to the LGIV Scheme).

If either of these conditions is not satisfied by 31 May 2012, the LGIV Scheme will not become effective and no New Ordinary Shares will be issued to LGIV Shareholders.

Announcement of the results of the LGIV Scheme

The number of New Ordinary Shares to be issued pursuant to the LGIV Scheme, the FAV per Ordinary Share and the FAV per LGIV Share will all be announced through a Regulatory Information Service as soon as practicable following the Calculation Date.

PART 4

TERMS AND CONDITIONS OF THE ENHANCED SHARE BUYBACK

1. General

- 1.1 The Enhanced Share Buyback provides the means for Qualifying Shareholders to apply to tender some or all of their Existing Ordinary Shares (subject to scaling back) to the Company for repurchase and to subscribe for New Ordinary Shares on the terms and subject to the conditions set out in this document, the Circular and the ESBB Application Form.
- 1.2 Shareholders who do not wish to participate in the Enhanced Share Buyback should not take any action and must not complete or return an ESBB Application Form.
- 1.3 Qualifying Shareholders who only wish to participate in the Enhanced Share Buyback (pursuant to which they apply to sell Ordinary Shares back to the Company and apply the sale proceeds to subscribe for New Ordinary Shares) should complete and return the ESBB Application Form (but should not complete the Offer Application Form). Only investors who wish to subscribe for additional New Ordinary Shares under the Offer should complete and return the Offer Application Form.

2. Participation in the Enhanced Share Buyback

- 2.1 Qualifying Shareholders are invited to participate in the Enhanced Share Buyback in respect of their Existing Ordinary Shares held on the Enhanced Share Buyback Record Date on the terms and subject to the conditions set out in this document, the Circular and the ESBB Application Form.
- 2.2 The Enhanced Share Buyback is open to all Qualifying Shareholders. Qualifying Shareholders may participate by tendering all or a proportion of their holdings of Existing Ordinary Shares and simultaneously applying to subscribe for New Ordinary Shares.
- 2.3 The Enhanced Share Buyback is open to all Ordinary Shareholders (other than Shareholders resident in, or citizens of, a Restricted Jurisdiction) on the Company's share register on the Enhanced Share Buyback Record Date.
- 2.4. Under the Enhanced Share Buyback:
 - 2.4.1 Existing Ordinary Shares will be bought back by the Company from participating Qualifying Shareholders at the Tender Price;
 - 2.4.2 New Ordinary Shares will be issued by the Company to participating Qualifying Shareholders at the ESBB Issue Price; and
 - 2.4.3 a maximum of 4,795,000 Existing Ordinary Shares in aggregate (representing approximately 25 per cent. of the issued share capital of the Company as at the date of this document) will be bought back by the Company from participating Qualifying Shareholders.
- 2.5 If valid applications are made to tender more than 4,795,000 Existing Ordinary Shares under the Enhanced Share Buyback applications in excess of the Basic Entitlement will be satisfied in proportion to the amount of Ordinary Shares in excess of the Basic Entitlement applied for by each Qualifying Shareholder (rounded down to the nearest whole number of Ordinary Shares).
- 2.6 The Enhanced Share Buyback will be carried out by the Receiving Agent and no cash requires to be paid by participating Qualifying Shareholders. The Enhanced Share Buyback is treated as a tender offer under the Listing Rules notwithstanding this conditionality.

3. Settlement

- 3.1 Existing Ordinary Shares in respect of which a valid application is made under the Enhanced Share Buyback will be purchased by Singer as agent for the Company from Qualifying Shareholders at the

Tender Price on 5 April 2012 (where applications are made in respect of the 2011/12 tax year) and 13 April 2012 (where applications are made in respect of the 2012/13 tax year).

- 3.2 New Ordinary Shares will be issued by the Company to Qualifying Shareholders participating in the Enhanced Share Buyback at the ESBB Issue Price on 5 April 2012 (where applications are made in respect of the 2011/12 tax year) and 13 April 2012 (where applications are made in respect of the 2012/13 tax year).
- 3.3 The Receiving Agent will act as agent for Qualifying Shareholders for the purpose of applying all amounts payable to the Qualifying Shareholders by the Company in respect of Existing Ordinary Shares repurchased by the Company and amounts payable by the Qualifying Shareholders to the Company in respect of the subscription for New Ordinary Shares under the Enhanced Share Buyback. The application of such amounts in respect of the subscription for New Ordinary Shares will fully discharge any obligation of the Company, the Receiving Agent and/or Singer to pay to such Shareholder the consideration which he is entitled under the Enhanced Share Buyback. No balancing payments will be made to any Qualifying Shareholders in respect of any residual amounts which will be retained by and for the benefit of the Company.
- 3.4 The Receiving Agent will process applications under the Enhanced Share Buyback from Qualifying Shareholders to sell Existing Ordinary Shares to the Company and to subscribe for New Ordinary Shares.
- 3.5 If the Enhanced Share Buyback does not become unconditional, no Existing Ordinary Shares tendered under the Enhanced Share Buyback will be purchased by the Company.
- 3.6 All New Ordinary Shares will be issued and credited as fully paid.
- 3.7 Fractions of New Ordinary Shares will not be issued under the Enhanced Share Buyback and fractions of New Ordinary Shares will be rounded down to the nearest whole number.

4. Overseas Shareholders

- 4.1 Shareholders with a registered address in one of the Restricted Jurisdictions are not being sent an ESBB Application Form. The distribution of this document and the ESBB Application Form and making the Enhanced Share Buyback available to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions.
- 4.2 No action has been or will be taken by the Company, the Receiving Agent, Singer or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the tendering of Existing Ordinary Shares or the issue of New Ordinary Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.
- 4.3 Qualifying Shareholders who are citizens, residents or nationals, of other countries should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Qualifying Shareholder to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents that may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any such Qualifying Shareholder will be responsible for payment of any such issue, transfer or other taxes or other requisite payments due by whomsoever payable and the Company, Singer and/or the Receiving Agent and any person acting on either's behalf shall be entitled to be fully indemnified and held harmless by such Qualifying Shareholder for any such issue, transfer or other taxes as such person may be required to pay.

5. Condition

- 5.1 The Enhanced Share Buyback is subject to and conditional upon the passing of Resolution 2 and Resolution 3.
- 5.2 If this condition is not satisfied by 31 May 2012 (or such later date as the Company may, determine and announce via a Regulatory Information Service), Singer (as agent for the Company) will not acquire any Existing Ordinary Shares, no New Ordinary Shares will be issued by the Company pursuant to the Enhanced Share Buyback and the Enhanced Share Buyback will lapse.

6. ESBB Application Forms

Each Qualifying Shareholder by whom, or on whose behalf, an ESBB Application Form is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and Singer, so as to bind such holder and their personal or legal representatives, heirs, successors and assigns to the following effect:

- 6.1 that the execution of the ESBB Application Form shall constitute an irrevocable offer to sell the total number of Existing Ordinary Shares inserted or deemed to be inserted in Box 2 of the ESBB Application Form, on and subject to the terms and conditions set out or referred to in this document and the ESBB Application Form;
- 6.2 that such Qualifying Shareholder has full power and authority to tender, sell, assign or transfer the Existing Ordinary Shares in respect of which such irrevocable offer is accepted (together with all rights attaching thereto) and, when the same are purchased by Singer (as agent for the Company), the Company will acquire such Existing Ordinary Shares free and clear from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all the rights attaching thereto including the right to receive all dividends and other distributions declared, paid or made after that date (other than the dividend to be paid on 9 March 2012) and shall not be extinguished by such purchase;
- 6.3 that the execution of the ESBB Application Form will, subject to the Enhanced Share Buyback becoming unconditional, constitute the irrevocable appointment of any director or officer of, or other person nominated by, the Company and Singer as such Shareholder's attorney and agent ("attorney"), and an irrevocable instruction to the attorney, to complete and execute all or any instruments of transfer and/ or other documents at the attorney's discretion in relation to the purchase of Existing Ordinary Shares referred to in paragraph 6.1 above and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Enhanced Share Buyback;
- 6.4 that such Qualifying Shareholder agrees to ratify and confirm each and every act or thing that may be done or effected by the Company and/or Singer or any of their directors or any person nominated by them in the proper exercise of its or his or her powers and/or authorities hereunder;
- 6.5 that such Qualifying Shareholder will deliver to the Receiving Agent their share certificates and/or other documents of title in respect thereof, or an indemnity acceptable to the Company and Singer in lieu thereof, or will procure the delivery of such documents to such person as soon as possible after and, in any event, before completion of the Enhanced Share Buyback;
- 6.6 that such Qualifying Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by the Company and Singer to be desirable, in each case to complete the purchase of the Existing Ordinary Shares and/or to subscribe for any New Ordinary Shares issued to it under the Enhanced Share Buyback and/or to perfect any of the authorities expressed to be given hereunder;
- 6.7 that the execution of an ESBB Application Form constitutes, subject to the Enhanced Share Buyback becoming unconditional, an irrevocable authorisation and a request to the Company and Singer to procure that settlement occurs on the basis described in paragraph 3 of this Part 4;

- 6.8 that such Shareholder is not resident or ordinarily resident in, or a citizen of, or a corporation, partnership or other entity created or organised under the laws of any Restricted Jurisdiction or a person who is a nominee of or custodian, trustee or guardian for citizens, residents in or nationals of, a Restriction Jurisdiction;
- 6.9 its offer to sell Existing Ordinary Shares to Singer (as agent for the Company) and any acceptance thereof, shall not be unlawful under the laws of any jurisdiction;
- 6.10 that in making the application it is not relying on any information or representation in relation to the Company other than that contained in this document, and that the Qualifying Shareholder applying to participate in the Enhanced Share Buyback accordingly agrees 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 any such information or representation not so contained and further agrees that, having had the opportunity to read this document, it will be deemed to have had notice of all information in relation to the Company contained in this document;
- 6.11 that such Qualifying Shareholder requests that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and the ESBB Application Form, subject to the Articles of Association;
- 6.12 represent and warrant to the Company and Singer that they are not, nor are they applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law and they are not applying with a view to re-offering, re-selling, transferring or delivering any of the New Ordinary Shares which are the subject of their application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which an application to participate in the Enhanced Share Buyback is prevented by law (except where proof satisfactory to the Company has been provided to the Company that they are able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying to participate in the Enhanced Share Buyback;
- 6.13 represents and warrants to the Company and Singer that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- 6.14 the execution of an ESBB Application Form constitutes such Shareholder's submission to the jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Enhanced Share Buyback; and
- 6.15 if the appointment of attorney provision under paragraph 6.3 above shall be unenforceable or invalid or shall not operate so as to afford any director or officer of the Company or Singer the benefit or authority expressed to be given therein, the Shareholder shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable the Company or Singer to secure the full benefits of paragraph 6.3 above.

7. Miscellaneous

- 7.1 If the Enhanced Share Buyback is terminated or lapses, all documents lodged pursuant to the Enhanced Share Buyback will be returned promptly by post not later than ten Business Days after such date. In these circumstances, ESBB Application Forms will cease to have any effect.
- 7.2 Qualifying Shareholders will not be obliged to pay brokerage fees and commissions or transfer taxes or duty in the UK on the sale of Existing Ordinary Shares to the Company under the Enhanced Share Buyback.

- 7.3 The delivery of share certificates for Existing Ordinary Shares and all other required documents and all remittances will be at the risk of the Qualifying Shareholder participating in the Enhanced Share Buyback.
- 7.4 If you are in any doubt as to the procedure for acceptance, please contact the Receiving Agent.
- 7.5 The failure of any person to receive a copy of this document or the ESBB Application Form shall not invalidate any aspect of the Enhanced Share Buyback. Additional copies of this document and ESBB Application Forms can be obtained from the Receiving Agent. No acknowledgement of receipt of any ESBB Application Forms, share certificates and/or other documents of title will be given.
- 7.6 All powers of attorney and authorities conferred by or referred to in this document are given by way of security for the performance of the obligations of Qualifying Shareholders.
- 7.7 References in this paragraph to a holder of Existing Ordinary Shares or a Qualifying Shareholder shall include references to the person or persons executing an ESBB Application Form and, in the event of more than one person executing an ESBB Application Form, the provisions of this paragraph shall apply to them jointly and to each of them.
- 7.8 The terms and conditions set out in this document, the Circular and/or the ESBB Application Form relating to the participation of Overseas Shareholders in the Enhanced Share Buyback may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and Singer in their absolute discretion.

8. Invalid applications

- 8.1 The Company and Singer reserve the absolute right to inspect (either themselves or through their agents) all ESBB Application Forms, and may consider void and reject any ESBB Application Form that does not in the sole judgment of the Company and Singer satisfy the terms and conditions of the Enhanced Share Buyback. None of the Company, Singer, the Receiving Agent nor any other person will be under any duty to give notification of any defects or irregularities in applications or correct any liability for failure to give any such notification. The Company and Singer reserve the right, in their sole discretion, to treat as valid in whole or in part any ESBB Application Form that is not entirely in order or that is not accompanied by the relevant share certificates and/or other documents of title. In that event, however, settlement will only occur when the ESBB Application Form is entirely in order, and the relevant share certificates and/or other documents of title or indemnity (to the satisfaction of the Company and Singer) have been received.
- 8.2 All applications received in respect of Existing Ordinary Shares must be made on an ESBB Application Form delivered to the Receiving Agent.

9. Closing Date and right to extend

The Enhanced Share Buyback will close on the Closing Date and no applications that are received after that time will be accepted unless the Company and Singer, in their sole and absolute discretion, shall have extended the period during which the Enhanced Share Buyback is open, in which event the term "Closing Date" shall mean the latest time and date at which the Enhanced Share Buyback, as so extended by the Company and Singer, shall close. The Company shall notify the Receiving Agent of any extension of the Closing Date by oral or written notice and shall notify the holders of Existing Ordinary Shares of such extension by public announcement via a Regulatory Information Service not later than 8.30 a.m. on the next Business Day following the original Closing Date.

10. Right to terminate or amend the Enhanced Share Buyback

- 10.1 If at any time prior to the Closing Date there shall occur any change in the financial position or prospects and/or circumstances of the Company or there shall occur any change in national or international, financial, economic, political, fiscal, or market conditions, or any change in the rules governing VCT Relief or HMRC interpretation thereof which, in the opinion of the Company (acting

in its absolute discretion), renders the Enhanced Share Buyback temporarily or permanently impracticable or inadvisable (taking into account the background to and reasons for the Enhanced Share Buyback) the Company shall be entitled to determine that the Enhanced Share Buyback is terminated and that no Existing Ordinary Shares tendered under the Enhanced Share Buyback shall be purchased by the Company and no New Ordinary Shares shall be issued by the Company pursuant to the Enhanced Share Buyback. If it is determined that the Enhanced Share Buyback is terminated, it shall cease absolutely and the Company shall, as soon as practicable thereafter, notify Qualifying Shareholders in writing and return any share certificates and/or other documents of title submitted by post no later than ten Business Days after such lapse.

- 10.2 The terms and conditions of the Enhanced Share Buyback are as set out in this document, the Circular and the ESBB Application Form only. No other terms apply.
- 10.3 The courts of England have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Enhanced Share Buyback, this document, the Circular or the ESBB Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Enhanced Share Buyback, this document or the ESBB Application Form. By making an application in respect of Existing Ordinary Shares in accordance with the instructions set out in this document and, where applicable, the ESBB Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the English courts and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.
- 10.4 All enquiries in connection with the procedure for application and completion of the ESBB Application Form should be addressed to the Receiving Agent. Please note that the Receiving Agent cannot provide financial or legal advice on the merits of the Enhanced Share Buyback or as to whether applicants should make an application to participate in respect of all or any of their Existing Ordinary Shares. Calls may be recorded and monitored for security and training purposes.

PART 5

FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

1. Introduction

Statutory accounts of the Company for the three financial years ended 31 January 2011 in respect of which the Company's auditors, PKF (UK) LLP, Farringdon Place, 20 Farringdon Road, London EC1M 3AP, who are members of the Institute of Chartered Accountants in England and Wales, made unqualified reports under section 235 of the Companies Act 1985 (or, as the case may be, under section 495 or section 497 of the Act), have been prepared in accordance with UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" January 2009 and have been delivered to the Registrar of Companies in England and Wales and such reports did not contain any statements under section 237(2) or (3) of the Companies Act 1985 (or, as the case may be, under sections 498(2) or (3) of the Act). Copies of the statutory accounts of the Company for the three financial years ended 31 January 2011 together with a copy of the Company's unaudited half yearly report and accounts for the six months ended 31 July 2010 and 31 July 2011 are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW.

2. Historical financial information

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three years ended 31 January 2011 and the unaudited half yearly report and accounts for the six months ended 31 July 2010 and 31 July 2011 as set out in the table below and is incorporated by reference into this document.

<i>Nature of information</i>	<i>Statutory accounts for year ended 31 January 2009 Page No.</i>	<i>Statutory accounts for year ended 31 January 2010 Page No.</i>	<i>Statutory accounts for year ended 31 January 2011 Page No.</i>	<i>Unaudited half-yearly report for six months ended 31 July 2010 Page No.</i>	<i>Unaudited half-yearly report for six months ended 31 July 2011 Page No.</i>
Financial summary	2	1	1	1	1
Income statement	29	29	31	7	8
Balance sheet	30	30	32	6	7
Statement of changes in equity	29	29	31	7	8
Statement of cash flow	31	31	33	9	9
Independent auditors' report	27-28	27-28	29-30	N/A	N/A
Notes to the financial statements	32-42	33-43	34-45	12-13	10-11

3. Selected financial information

The information in this paragraph 3 has been extracted directly from the financial information referred to in paragraph 2 of this Part 5. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 31 January 2011 and for the six months ended 31 July 2010 and 31 July 2011 is set out in the following table:

	<i>As at 31 January 2009</i>	<i>As at 31 January 2010</i>	<i>As at 31 January 2011</i>	<i>As at 31 July 2010</i>	<i>As at 31 July 2011</i>
Net asset value					
Net assets (£'000)	9,950	10,018	9,199	9,069	8,780
Net asset value per Share (p)	51.5	52.1	48.0	46.9	45.3
Share price (p)	40.0	49.0	42.0	48.0	41.3

	<i>Year ended 31 January 2009</i>	<i>Year ended 31 January 2010</i>	<i>Year ended 31 January 2011</i>	<i>Six months ended 31 July 2010</i>	<i>Six months ended 31 July 2011</i>
Income					
Revenue (loss) after expenses and taxation (£'000)	(47)	(174)	(170)	(85)	(62)
Revenue (loss) per Share (p)	(0.2)	(0.9)	(0.9)	(0.4)	(0.3)
Dividends per Share paid (p)	Nil	1.0	2.0	1.0	1.0
Total expenses					
As a percentage of Shareholders' funds	3.6%	3.7%	3.7%	1.8%	1.8%

4. Operating and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Manager's Review" and "Investment Portfolio" in the published statutory accounts and unaudited half-yearly reports of the Company for the periods stated as follows and are incorporated by reference into this document:

<i>Nature of information</i>	<i>Statutory accounts for year ended 31 January 2009 Page No.</i>	<i>Statutory accounts for year ended 31 January 2010 Page No.</i>	<i>Statutory accounts for year ended 31 January 2011 Page No.</i>	<i>Unaudited half-yearly report for six months ended 31 July 2010 Page No.</i>	<i>Unaudited half-yearly report for six months ended 31 July 2011 Page No.</i>
Chairman's Statement	4-5	2-3	2-3	2-3	1-3
Investment Manager's Review	6-7	4-5	4-5	4-5	4-5
Investment Portfolio	8-12	6-11	6-11	10-11	6

5. Significant change

Since 31 July 2011 (being the end of the last financial period of the Company for which financial information has been published) there has been no significant change in the financial or trading position of the Company.

6. Significant gross change

The participation of the Company in the LGIV Scheme and the Offer for Subscription will constitute a significant gross change in relation to the Company. Had the LGIV Scheme become effective and the Offer for Subscription been undertaken at the date of this document and had the Company completed the acquisition of LGIV's net assets on that date, the effect of this significant gross change would have been to increase the net assets of the Company by the aggregate of the net proceeds of the Offer for Subscription and net assets of LGIV. The participation of the Company in the LGIV Scheme and the Offer for Subscription are not expected to have a material impact on the Company's earnings per share.

7. Capitalisation and indebtedness

The following table shows the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 31 December 2011.

	<i>As at 31 December 2011</i>
Total current debt	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	64
Total non-current debt	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	–
Shareholders' equity	
Share capital	192
Legal reserve	7,427
Other reserves	977
Total debt and Shareholders' equity	<u>8,660</u>

The information in the table above is unaudited financial information of the Company as at 31 December 2011, extracted from internal accounting records. There has been no material change to the capitalisation of the Company since 31 December 2011.

The following table shows the Company net indebtedness at 31 December 2011.

	<i>£'000</i>
A. Cash	1,800
B. Cash equivalent	1,811
C. Trading Securities	–
D. Liquidity (A + B + C)	3,611
E. Current financial receivable	16
F. Current bank debt	–
G. Current portion of non-current debt	–
H. Other current financial debt	64
I. Current financial debt (F + G + H)	64
J. Net current financial indebtedness (I – E – D)	(3,563)
K. Non-current bank loans	–
L. Bonds issued	–
M. Other non-current loans	–
N. Non-current financial indebtedness (K + L + M)	–
O. Net financial indebtedness (J + N)	(3,563)

The information in the table above is unaudited financial information of the Company and has been extracted from internal accounting records as at 31 December 2011 and has not been reported on by an accountant.

8. Working capital

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

9. Analysis of the Company's investment portfolio

As at the date of this document, the Company's portfolio comprised of 10 venture capital investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £5.12 million and £3.70 million in cash and liquidity funds. The following tables show the distribution of the portfolio by region, sector, asset class, currency and category of listing as at the date of this document (the valuations are as at 31 October 2011, the latest date for which results have been announced):

<i>By region</i>	%
UK	79.5
Ireland	20.5
	<hr/> 100.0
<i>By sector</i>	%
Cash and liquid funds	42.0
Speciality Pharma	25.7
Healthcare services	23.8
Drug development services	8.5
	<hr/> 100.0
<i>By asset class</i>	%
Equity	52.1
Liquidity fund	20.5
Cash	21.5
Loan stock	5.9
	<hr/> 100.0
<i>By currency</i>	%
Sterling	100.0
Other	0.0
	<hr/> 100.0
<i>By category of listing</i>	%
Listed on regulated market	23.9
Unregulated market (including AIM)	4.4
Unquoted/other	71.7
	<hr/> 100.0

10. Analysis of LGIV's investment portfolio

As at the date of this document, LGIV's portfolio comprises an investment in Polytherics Limited (a company incorporated and registered in England and Wales). LGIV's investment in Polytherics Limited comprises ordinary shares representing 1.3 per cent. of that company's equity at a cost of £135,000 with an unaudited value of £135,000 as at 8 February 2012, calculated in accordance with LGIV's accounting policies.

11. Investment portfolios of the Company, LGIV and the Enlarged Company

The following unaudited information represents the investments of the Company and LGIV as at the date of this document (the valuations are as at 31 October 2011 for the Company and 30 September 2011 for LGIV, the latest dates for which results have been announced):

<i>Investee Company</i>	<i>Company</i>		<i>LGIV</i>		<i>Enlarged Company</i>	
	<i>Value (£'000)</i>	<i>% of Portfolio</i>	<i>Value (£'000)</i>	<i>% of Portfolio</i>	<i>Value (£'000)</i>	<i>% of Portfolio</i>
Altacor Limited	1,241	14.0	0	0.0	1,241	12.6
Population Genetics Technologies Limited	1,210	13.7	0	0.0	1,210	12.3
Polytherics Limited	750	8.5	135	12.6	885	8.9
Digital Healthcare Limited	518	5.9	0	0.0	518	5.2
Sinclair IS Pharma plc*	387	4.4	0	0.0	387	3.9
Community Pharmacies (UK) Limited	375	4.3	0	0.0	375	3.8
Omni Dental Sciences Limited	339	3.8	0	0.0	339	3.4
Vectura Group plc**	297	3.4	0	0.0	297	3.0
Other venture capital investments***	0	0.0	0	0.0	0	0.0
Total venture capital investments	5,117	58.0	135	12.6	2,252	53.1
Liquidity Funds	1,809	20.5	0	0.0	1,809	18.3
Cash at bank and in hand	1,897	21.5	934	87.4	2,831	28.6
Total investments	8,823	100%	1,069	100%	9,892	100%

* Quoted on AIM

** Listed on the Main Market of the London Stock Exchange

*** Two of the Company's venture capital investments are valued at £Nil

All investments are unquoted unless otherwise stated.

The information in this paragraph 11 is unaudited information on the Company and LGIV, which has been extracted from internal accounting records held by the Company and LGIV and has not been reported on by an accountant.

Investments in the Company's portfolio have been valued in accordance with the Company's normal accounting policies with listed investments measured at their quoted bid or SETS prices. Unquoted investments are valued at fair value which is determined by the Directors, through discussion with the Investment Manager and with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Board.

Set out below are further details of the largest investments of the Company and the Enlarged Company in aggregate representing approximately 53.1 per cent. of the Enlarged Company as at the date of this document (based on the valuations as at 31 October 2011 for the Company and 30 September 2011 for LGIV, being the date of the latest unaudited valuations of the Company's portfolio and LGIV's portfolio respectively):

(i) *Altacor Limited*

Altacor Limited is an ophthalmology speciality pharmaceutical company which develops and markets products directed to the needs of both ophthalmologists and patients. Altacor Limited uses its drug development skills and in depth market knowledge to build a portfolio of high quality, differentiated prescription medicines that set new standards in the sector. Altacor Limited's pipeline consists of development and in-licensed products which address ocular surface disease, ocular infection and glaucoma.

The Company's investment in Altacor Limited comprises ordinary shares representing 15.6 per cent. of that company's equity with a cost of £1,020,000 and a value of £1,241,000.

(ii) Population Genetics Technologies Limited

Population Genetics Technologies Limited is creating new paradigms for performing large-scale population genetics studies. This novel technology, conceived by Nobel laureate Professor Sydney Brenner, samples large populations to identify the genetic variation responsible for human disease and drug response.

The Company's investment in Population Genetics Technologies Limited comprises ordinary shares representing 11.4 per cent. of that company's equity, with a cost of £1,129,000 and a value of £1,210,000.

(iii) Polytherics Limited

Polytherics Limited is a biotechnology company that applies precision chemistry to develop protein and peptide-based drugs.

The Company's investment in Polytherics Limited comprises ordinary shares representing 7.4 per cent. of that company's equity at a cost of £750,000 with a value of £750,000. LGIV's investment in Polytherics Limited comprises of ordinary shares representing 1.3 per cent. of that company's equity at a cost of £135,000 with a value of £135,000.

(iv) Digital Healthcare Limited

Digital Healthcare Limited delivers software solutions that address some of the world's fastest growing healthcare issues. Founded to provide image management and storage solutions for the ophthalmology sector, the company has extended its product range based on its core competencies in clinical information and patient care management.

The Company's investment in Digital Healthcare Limited comprises ordinary shares representing 11.1 per cent. of that company's equity at a cost of £1,010,000 with a value of £518,000.

(v) Sinclair IS Pharma plc

In May 2011, Sinclair Pharma plc merged with IS Pharma plc. Sinclair IS Pharma plc is an international speciality pharmaceutical company providing solutions to treat wounds and dermatological and oral diseases through advanced surface technology and innovative delivery systems.

The Company's investment in Sinclair IS Pharma plc comprises ordinary shares representing 0.4 per cent. of that company's equity at a cost of £585,000 with a value of £387,000.

(vi) Community Pharmacies (UK) Limited

Community Pharmacies (UK) Limited ("CPL") is a newly established chain of pharmacies. The Company's investment in CPL comprises ordinary shares representing 19.8 per cent. of that company's equity at a cost of £115,000 and a value of £115,000 and loan notes at a cost of £260,000 and a value of £260,000.

(vii) Omni Dental Sciences Limited

Omni Dental Sciences Limited is the holding company for two trading companies - Oraldent Limited which develops and sells oral care products and Professional Dental Supplies Limited which sells cross infection products. The core business is to provide high added value dental products where there is a proven market and scientific support for the products.

The Company's investment in Omni Dental Sciences Limited comprises ordinary shares representing 38.0 per cent. of that company's equity at a cost of £500,000 with a value of £75,000 and loan notes with a cost of £250,000 and a value of £264,000.

(viii) Vectura Group plc

Vectura Group plc develops products to treat respiratory diseases such as asthma, chronic obstructive pulmonary disease and cystic fibrosis. The company also develops products for non-respiratory diseases, where optimised delivery via the lungs could provide significant benefits, such as a rapid onset of action, improved efficacy and improved tolerability compared with current therapies.

The Company's investment in Vectura Group plc comprises ordinary shares representing 0.2 per cent. of that company's equity with a cost of £250,000 and a value of £297,000.

PART 6

ADDITIONAL INFORMATION

1. Incorporation and general

- 1.1 The Company was incorporated and registered in England and Wales on 20 December 2000 as a public company limited by shares with registered number 04131354. The Company operates under the Act (and the regulations from time to time made thereunder). Its registered office is at 39 Earlham Street, London WC2H 9LT. Its principal place of business is 39 Earlham Street, London WC2H 9LT (telephone number 020 7845 7820). Save for its compliance with the Act (and the regulations from time to time made thereunder), the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not an authorised or regulated entity.
- 1.2 Application has been made to the UK Listing Authority for all of the New Ordinary Shares to be issued to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market. It is expected that such Admissions will become effective and that dealings: (i) in the New Ordinary Shares issued pursuant to the LGIV Scheme will commence on 19 March 2012; (ii) in the New Ordinary Shares issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2011/12 tax year will commence on 12 April 2012; and (iii) in the New Ordinary Shares issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2012/13 tax year will commence on 17 April 2012.
- 1.3 The Company gave notice to the Register of Companies on 7 August 2006 pursuant to section 266(3) of the Companies Act 1985 of its intention to cease carrying on business as an investment company.
- 1.4 The Investment Manager was incorporated and registered in England and Wales on 27 January 2009 as a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC342919. The Investment Manager operates under the Limited Liability Partnerships Act 2000 and the regulations from time to time made thereunder. Its registered office is at 39 Earlham Street, London WC2H 9LT. Its principal place of business is 39 Earlham Street, London WC2H 9LT (telephone number 020 7845 7820). The Investment Manager is authorised and regulated by the FSA. The Investment Manager acts as custodian in respect of the Company's unquoted investments.
- 1.5 Execution Noble Limited (the Company's custodian in respect of its quoted investments) is a company established under the laws of England and Wales whose registered office is at 10 Paternoster Square, London EC4M 7AL (telephone number 020 7456 9191). The custodian's business in the UK is authorised and regulated by the FSA. The custodian holds the listed securities of the Company and settles all transactions relating to those securities as agent for the Company.

2. Share capital and indebtedness

- 2.1 The Company has an authorised share capital of £2,450,000. The issued share capital of the Company (all of which is, and will be, fully paid) as at the date of this document and immediately following completion of the Issue (assuming the maximum number of New Ordinary Shares available under the Issue are issued) is and will be:

	<i>Number of Ordinary shares</i>	<i>Nominal value of each share</i>
As at the date of this document		
Ordinary Shares	19,183,664	£0.01
Immediately following completion of the Issue⁽¹⁾		
Ordinary Shares	24,388,664	£0.01

Notes: The above table assumes that: (i) 4,795,000 Existing Ordinary Shares are purchased by the Company pursuant to the Enhanced Share Buyback and cancelled; and (ii) 10 million New Ordinary Shares in aggregate are issued pursuant to the LGIV Scheme, the Enhanced Share Buyback and the Offer for Subscription.

As at the date of this document, no Shares are held by the Company in treasury.

- 2.2 The following changes have occurred in the share capital of the Company between 1 February 2008 and 31 July 2011 (being the period covered by the historical financial information incorporated by reference into this document:
- 2.2.1 Between 1 February 2008 and 31 January 2009 a total of 708,339 Ordinary Shares of 1p each were allotted at a price of 79.2p per share pursuant to an offer for subscription.
 - 2.2.2 Between 1 February 2008 and 31 January 2009 a total of 238,100 Ordinary Shares of 1p each were purchased by the Company at an average price of 68.25p per share for a total consideration of £163,804.
 - 2.2.3 On 7 December 2009, 67,382 Ordinary Shares were issued at 54.2p per share under the Company's dividend reinvestment scheme. The aggregate consideration for the shares was £36,000 with related share issue costs thereon amounting to £7,000.
 - 2.2.4 Between 1 February 2009 and 31 January 2010 the Company purchased 150,291 Ordinary Shares for cancellation for an aggregate consideration of £74,000 at an average price of 49.0p per Ordinary Share (approximately equal to a 10 per cent. discount to the most recently published NAV at the time of purchase) and representing 0.8 per cent. of the issued Ordinary Share capital at 1 February 2009.
 - 2.2.5 Between 1 April 2010 and 28 May 2010, 311,188 shares were issued at an average price of 53.4p. The aggregate consideration for the shares was £166,000 with related share issue costs thereon amounting to £9,000.
 - 2.2.6 On 11 June 2010, 65,437 shares were issued at 51.5p per share under the Company's dividend re-investment scheme. The aggregate consideration for the shares was £34,000 with related share issue costs thereon amounting to £2,000.
 - 2.2.7 On 26 November 2010, 70,513 shares were issued at 46.5p per share under the Company's dividend reinvestment scheme. The aggregate consideration for the shares was £33,000 with related share issue costs thereon amounting to £7,000.
 - 2.2.8 Between 1 February 2010 and 31 January 2011 the Company purchased 491,217 shares for cancellation for an aggregate consideration of £219,000 at an average price of 44.3p per share (approximately equal to a 10 per cent. discount to the most recently published NAV at the time of purchase) and representing 2.6 per cent. of the issued share capital at 1 February 2010.
 - 2.2.9 On 5 April 2011, 400,074 Ordinary Shares of 1p each were issued at a price of 50.8p per Ordinary Share pursuant to an offer for subscription that opened on 24 January 2011.
 - 2.2.10 On 21 April 2011, 59,316 Ordinary Shares of 1p each were issued at a price of 50.8p per Ordinary Share pursuant to an offer for subscription that opened on 24 January 2011.
 - 2.2.11 On 26 May 2011, 20,706 Ordinary Shares of 1p each were issued at a price of 49.8p per Ordinary Share pursuant to an offer for subscription that opened on 24 January 2011.
 - 2.2.12 On 14 June 2011, the Company purchased 186,048 Ordinary Shares of 1p each for cancellation at a price of 39.5p representing approximately 0.95 per cent. of the issued share capital at 14 June 2011.
 - 2.2.13 On 24 June 2011, 75,495 Ordinary Shares of 1p each were issued under the Company's dividend re-investment scheme at a price of 43.8p per share.
 - 2.2.14 On 7 July 2011, the Company purchased 84,675 Ordinary Shares of 1p each for cancellation at a price of 39.5p representing approximately 0.43 per cent. of the issued share capital at 7 July 2011.

- 2.2.15 On 29 July 2011, the Company purchased 85,000 Ordinary Shares of 1p each for cancellation at a price of 39.5p representing approximately 0.44 per cent. of the issued share capital at 29 July 2011.
- 2.3 At the annual general meeting of the Company held on 9 June 2011, *inter alia*:
- 2.3.1 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to allot shares in the Company up to an aggregate nominal amount of £195,808 (such authority to expire on the conclusion of the Company's next annual general meeting or on the expiry of fifteen months following the passing of the resolution, whichever is later);
- 2.3.2 the Directors were generally and unconditionally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant (save in relation to a transfer of equity shares out of treasury) to the authority referred to in paragraph 2.3.1 above, as if section 561 of the Act did not apply to any such allotment (such authority to expire on the conclusion of the Company's next annual general meeting or on expiry of fifteen months following the passing of the resolution, whichever is later); and
- 2.3.3 the Company was authorised, generally and unconditionally, in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of up to 14.99 per cent. of the issued Ordinary Shares (such authority to expire on the conclusion of the Company's next annual general meeting or, if earlier, on the expiry of fifteen months from the passing of the resolution).
- 2.4 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5 The disapplication of statutory pre-emption rights in the terms provided under the special resolutions noted at paragraph 2.3.2 of this Part 6 has given the Company the flexibility to resell Ordinary Shares which it may purchase and hold in treasury for cash without first being required to offer such Ordinary Shares to existing Shareholders in proportion to their existing holdings.
- 2.6 In order for the Company to issue the New Ordinary Shares, Ordinary Shareholders will be asked at the General Meeting to pass resolutions in relation to the Company's share capital to authorise the Directors to allot New Ordinary Shares in connection with the Proposals without regard to statutory pre-emption rights.
- 2.7 The provisions of section 561 of the Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply except as referred to in paragraphs 2.3, 2.5 and 2.6 of this Part 6.
- 2.8 It is expected that the New Ordinary Shares will be allotted pursuant to resolutions of the Board on or around 16 March 2012, 5 April 2012.
- 2.9 Under the terms of the Issue, the New Ordinary Shares will be issued in registered form and may be held in certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments. The Articles permit the holding of Shares under the CREST system.
- 2.10 Temporary documents of title will not be issued in respect of the New Ordinary Shares in certificated form. Definitive certificates for New Ordinary Shares issued pursuant to the LGIV Scheme are expected to be despatched in the week commencing 9 April 2012. Share certificates for New Ordinary Shares issued pursuant to the Enhanced Share Buyback and/or the Offer are expected to be despatched within 15 Business Days of each allotment.
- 2.11 Winterflood acts as market maker in respect of the Ordinary Shares.

3. Summary of the Company's articles of association

The Articles were adopted on 11 September 2009 by way of special resolution and contain, *inter alia*, provisions as summarised below.

In this paragraph 3 of Part 6, "Statutes" means the Act and every statute (including any orders, regulations or other subordinate legislation made under the Act) from time to time in force concerning companies in so far as it applies to the Company.

3.1 Rights attaching to the Ordinary Shares

The Ordinary Shares (which at the date of this document are the only class of share in issue in the Company) have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this paragraph 3.1.

3.1.1 As to dividends:

The Company may by ordinary resolution declare dividends and no dividend shall exceed the amount recommended by the Board. The Board may also from time to time declare and pay such interim dividends as appear to them to be justified by the profits of the Company available for distribution and the position of the Company. Any such dividend so declared shall be paid proportionately to the amounts paid up or credited as paid up on the member's shares in the accounting period in respect of which the dividend is paid.

The Company may pay dividends of specific assets (rather than cash) where this is recommended by the Board and approved by ordinary resolution of the members.

Any dividend unclaimed for a period of 12 years after having become payable shall be forfeited and shall revert to the Company.

In the event that a disenfranchisement notice (as detailed in paragraph 3.1.4(b) below) has been served, and the person holding the default shares holds at least 0.25 per cent. in nominal value of the shares in the Company, the Board shall withhold the payment of all dividends (including shares issued in lieu of dividends) due on those restricted shares.

3.1.2 The Board may with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, provided that the Company has sufficient unissued shares and undistributed profits or reserves to give effect to it, offer to any holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid, in whole or in part instead of cash in respect of the whole or some part (to be determined by the Board) of any dividend specified by the ordinary resolution.

3.1.3 As to liquidation rights:

The Company may be wound up (voluntarily or by the Court). The liquidator may, with the authority of an extraordinary resolution, divide among the members in specie the whole or any part of the assets of the Company. The liquidator may, with the authority of a special resolution, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any assets in respect of which there is a liability.

3.1.4 As to voting:

(a) General voting rights

The members (other than those who have restrictions imposed on any shares such that they are not entitled to receive notice from the Company) shall be entitled to receive notice of and to attend and vote at all general meetings in person (or, if a corporation, by a duly authorised representative) or by proxy. At any general meeting, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative and entitled to

vote shall have one vote and upon a poll every such member present in person, by corporate representative or by proxy shall have one vote in respect of each share held by him. However, no member shall be entitled to exercise a vote at any general meeting (or class meeting); (i) in relation to an Ordinary Share if any call or other sum immediately payable by him in respect of that Ordinary Share remains unpaid; or (ii) in relation to any shares if a member has been served with a disenfranchisement notice by the Directors in the manner described in paragraph (b) below and has failed to supply to the Company with the information required thereby within the prescribed period from the date of service of the notice.

(b) Restrictions on voting

If a member or any person appearing to be interested in shares held by that member, is served with a statutory notice by the Company under the Act (which notice demands the disclosure of certain information regarding the recipient's interest in the shares) but defaults in supplying to the Company the information thereby required within the prescribed period from the date of the service of such notice then the Directors may serve on the holder of those shares a further notice (a "disenfranchisement notice") the effect of which is, *inter alia*, to prevent the holder from voting at any general meeting or class meeting of the Company in respect of those shares.

3.2 Transfer of shares

Any member may transfer all or any of his shares by an instrument of transfer in writing in any usual form or in any form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share), the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members of the Company in respect of it.

However the Board may, in its absolute discretion and without giving any reason refuse to register any share transfer unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of shares;
- (iv) it is in favour of a single-transferee or not more than four joint transferees;
- (v) it is duly stamped (if so required); and
- (vi) it is delivered for registration to the registered office of the Company, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

No transfer of any share shall be made:

- (i) to a minor; or
- (ii) to a bankrupt; or
- (iii) to any person who is, or may be, suffering from mental disorder and either:

- (A) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or any similar statute relating to mental health (whether in the United Kingdom or elsewhere); or
- (B) an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs,

and the Directors shall refuse to register the purported transfer of a share to any such person.

3.3 ***Variation of class rights***

3.3.1 Sanction to variation

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of the issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares duly convened and held.

3.3.2 Class meetings

All the provisions of the Articles as to general meetings of the Company (described at section 3.9 below) shall, mutatis mutandis, apply to any such separate general meeting, save that the necessary quorum shall be not less than two persons holding or representing by proxy at least one-third of the nominal value paid up on the issued shares of the class (excluding any shares of that class held as treasury shares), (but so that at any adjourned meeting not less than one holder present in person or by proxy (whatever the number of shares held by him) shall be a quorum), that every holder of shares of the class present in person or by proxy (excluding any shares of that class held as treasury shares) shall be entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and that any holder of shares of the class present in person or by proxy may demand a poll. The foregoing provisions shall apply to the variation of any special rights which only attach to certain shares of a particular class as if the shares carrying such special rights formed a separate class.

3.4 ***Untraced members***

The Company shall be entitled to sell at the best price reasonably obtainable any share of a member or any share to which a person is entitled by transmission if and provided that:

- (i) during a period of 12 years at least three cash dividends (whether interim or final) on those Shares have become payable and no such dividend during that period has been claimed by the person entitled to it;
- (ii) on or after expiry of the said period of 12 years the Company has given notice of its intention to sell such share by advertisements in both a national daily newspaper published in the United Kingdom and in a newspaper circulating in the area in which the last known address of such member or person appeared;
- (iii) the said advertisements, if not published on the same day, shall have been published within 30 days of each other;

- (iv) during the further period of three months following the date of publication of the said advertisements (or, if published on different dates, the later or latest of them) and prior to the exercise of the power of sale the Company has not received any communication in respect of such share from the member or person entitled by transmission; and
- (v) the Company has given notice to the London Stock Exchange of its intention to make such sale and shall have obtained the approval of the Quotations Department to the proposed form of the said advertisement, if shares of the class concerned are listed or dealt in on that exchange.

3.5 **Reserves**

The Board may, before recommending any Dividend (whether preferential or otherwise), carry to reserve out of the profits of the Company such sums as it thinks fit. All sums standing to reserve may be applied from time to time, at the discretion of the Board, for any other purpose to which the profits of the Company may be properly applied and pending such application may either be employed in the business of the Company or be invested in such investments as the Board thinks fit and so that it shall not be necessary to keep any investment constituting the reserve separate or distinct from any other investment of the Company. The Board may divide the reserve into such special funds as it thinks fit and may consolidate into one fund any special fund or any part of any special fund into which the reserve may have been divided as it thinks fit. Any sum which the Board may carry to reserve out of the unrealised profit of the Company shall not be mixed with any reserve to which profits available for distribution have been carried. The Board may also, without placing the same to reserve, carry forward any profit which it may think prudent not to distribute.

3.6 **Borrowing powers**

The Board may exercise all of the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to procure (as regards its subsidiaries in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Group (exclusive of moneys borrowed by one Group company from another and after deducting cash deposited) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 10 per cent. of the adjusted capital and reserves.

The term "moneys borrowed" includes not only moneys borrowed but also the following except in so far as otherwise taken into account:

- (i) the nominal amount of any issued and paid up share capital and the principal amount of any debenture or borrowings of any debenture or borrowings of any person together with any fixed or minimum premium payable on redemption, the beneficial interest in which or right to repayment to which is not for the time being owned by a Group company but the payment or repayment of which is the subject of a guarantee or indemnity by a Group company or is secured by the assets of a Group company;
- (ii) the principal amount raised by any Group company by acceptances or under any acceptance credit opened on its behalf by any bank or acceptance house other than those relating to the purchase for goods or services in the ordinary course of trading and outstanding for 6 months or less;
- (iii) the principal amount of any debenture (whether secured or unsecured) of a member of the Group beneficially owned otherwise than by a member of the Group;

- (iv) any fixed or minimum premium payable by a member of the Group on final repayment of any borrowing or deemed borrowing; and
- (v) any fixed amount in respect of a hire-purchase agreement or of a finance lease payable in either case by a Group company which would be shown at the material time as an obligation in a balance sheet as prepared in accordance with the accounting principles used in the preparation of the relevant balance sheet.

but do not include:

- (vi) moneys borrowed by any Group company for the purpose of repaying within 6 months of being first borrowed the whole or any part of any moneys borrowed and then outstanding (including any premium payable on final repayment) of that or any other Group company pending their application for such purpose within that period;
- (vii) moneys borrowed by any Group company for the purpose of financing any contract in respect of which any payment of the price receivable under the contract by that or any other Group company is guaranteed or insured by the Export Credits Guarantee Department or by any other institution fulfilling a similar function up to an amount equal to but not exceeding that part of the price receivable under the contract which is so guaranteed or insured;
- (viii) an amount equal to the moneys borrowed of any company outstanding immediately after it becomes a Group company provided that it became a Group company during the 6 months preceding the calculation;
- (ix) an amount equal to the amount secured on an asset immediately after it was acquired by a Group company provided that it was acquired during the 6 months preceding the calculation;
- (x) notwithstanding paragraphs (i) to (v), the proportion of moneys borrowed by a Group company (and not owing to another Group company) which is equal to the proportion of its issued equity share capital not attributable directly or indirectly to the Company; and
- (xi) amounts borrowed or raised which are for the time being deposited with H.M. Customs & Excise or any other body designated by any relevant legislation or order in connection with import deposits or any similar government scheme to the extent that a member of the group retains an interest in them.

3.7 **Directors**

3.7.1 Number of Directors

The minimum number of Directors is two and the maximum number of Directors is 10.

3.7.2 Appointment and removal of Directors

The Company may by ordinary resolution appoint any person who is willing to act to be a Director (either as an addition to the Board or to fill a vacancy). The Board may also appoint any person to the Board (either as an addition or to fill a vacancy) for the period from the date of appointment until the next annual general meeting, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

At every annual general meeting a Director shall retire by rotation if he held office as a director at the two immediately preceding annual general meetings and did not retire at either of those meetings.

The Company may remove a Director at any time by ordinary resolution of which special notice has been given in accordance with the Act. The office of Director shall also be vacated if:

- (i) he resigns his office by notice in writing and the Board resolves to accept such offer; or
- (ii) he ceases to be a Director by virtue of company law or is removed from office pursuant to the Articles.
- (iii) he becomes bankrupt or compounds with his creditors generally; or
- (iv) a registered medical practitioner who is treating that Director gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a director and may remain so for more than three months; or
- (v) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or
- (vi) he is requested to resign by notice in writing addressed to him at his address as shown in the register of Directors and signed by all the other Directors; or
- (vii) he is convicted of an indictable offence and the Directors shall resolve that it is undesirable in the interests of the Company that he remains a Director of the Company.

3.7.3 Directors' fees, expenses and remuneration

The fees paid to Directors for their services as Directors shall not exceed £100,000 in aggregate or such higher amount as the Company may in general meeting determine. A Director may also be paid his reasonable travelling, hotel and other expenses of attending and returning from meetings of the Board (or any committee thereof) and any other meeting that he is entitled to attend and all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties. A Director who is appointed to any executive office or who performs services which, in the opinion of the Board, go beyond the ordinary duties of a Director may be paid such reasonable additional remuneration as the Board (or any committee thereof) may from time to time determine.

3.7.4 Directors' interests

- (i) Subject to the provisions of the Act and provided that the Articles are complied with, a Director, notwithstanding his office:
 - (a) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
 - (b) may hold any other office or place of profit under the Company (except that of the auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the remuneration committee may arrange either in addition to or in lieu of any remuneration provided for by any other Article;
 - (c) may be a member of or a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(d) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate; and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

(ii) Disclosure of interests to Board

A Director who to his knowledge is in any way (directly or indirectly) interested in any contract arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

3.7.5 Voting and quorum

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

3.8 *Winding up*

On a winding up of the Company (whether the liquidation is voluntary or by the Court), the liquidator may, with the authority of an extraordinary resolution of the Company, divide among the members in specie the whole or any part of the assets of the Company. Further details are given at paragraph 3.1.3 above.

3.9 *General meetings*

Annual general meetings and extraordinary general meetings convened for the passing of a special resolution or a resolution appointing a person as a Director or, subject to certain exceptions, a resolution of which special notice has been given to the Company shall be convened by not less than 21 clear days' notice in writing. All other general meetings shall be called by not less than 14 clear days' notice in writing. The notice shall specify whether the meeting is an annual general meeting or a general meeting, the place, day and time of the meeting, the general nature of the business to be transacted, the intention to propose a special resolution and that a member is entitled to appoint one or more proxies. Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the Shares they hold, are not entitled to receive such notices from the Company, and also to the Directors and the Auditors.

4. **Directors' and others' interests**

4.1 It is estimated that the aggregate financial remuneration to be paid, and benefits in kind granted, to the Directors by the Company for the financial period of the Company to 31 January 2012 will not exceed £70,000. The total financial remuneration to be paid and benefits in kind granted to the Directors will not be varied as a consequence of the Issue.

- 4.2 Each of Charles Pinney, Peter Arthur, Frank Harding and Diane James has been appointed pursuant to the terms of letters of appointment with the Company dated 27 July 2007, 22 April 2008, 1 August 2006 and 2 February 2011 respectively. Frank Harding and Diane James have also entered into consultancy agreements with the Company dated 1 August 2006 and 9 June 2011 respectively. The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance with the Articles and may terminate the appointment upon 3 months notice or payment in lieu of notice. The current fees payable are £20,000 per annum for Charles Pinney (Chairman) and £15,000 per annum for each of the other Directors. The fees will be reviewed annually by the Board and may be increased in line with market rates. No amounts have been set aside by the Company to provide pension, retirement or similar benefits. Save as set out in this paragraph 4.2, there are no existing or proposed service contracts or letters of engagement between any Director and the Company.
- 4.3 No Director has, or has had, any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.
- 4.4 No loan or guarantee has been granted or provided by the Company for the benefit of the Directors.
- 4.5 The Directors do not have any options over Ordinary Shares. As at the date of this document, the Directors, or their immediate families and related trusts, had the following interests in the issued share capital of the Company (all of which are beneficial) and will, if the Proposals are implemented, have the following interests (all of which are beneficial) immediately following the implementation of the Proposals (based on the assumptions set out below): (a) which are required to be notified to the Company pursuant to the Disclosure and Transparency Rules; or (b) being interests of persons connected (within the meaning given in the Disclosure and Transparency Rules) with the Directors which would, if such persons were a Director, be required to be disclosed under (a) above and the existence of which was known to or could, with reasonable diligence, be ascertained by the Director.

<i>Name</i>	<i>Ordinary Shares currently held</i>	<i>Percentage of current issued Ordinary Shares</i>	<i>New Ordinary Shares held following the Issue⁽¹⁾</i>	<i>Percentage of Ordinary Shares following the Issue</i>
Charles Pinney	9,103	0.05%	9,103	0.04%
Peter Arthur ⁽²⁾	19,507	0.10%	71,011	0.30%
Frank Harding ⁽³⁾	23,564	0.12%	22,657	0.10%
Diane James	Nil	Nil	Nil	Nil

Notes:

- (1) The above table assumes that 2,161,527 New Ordinary Shares are issued pursuant to the LGIV Scheme, 4,795,000 Existing Ordinary Shares are purchased pursuant to the Enhanced Share Buyback, 7 million New Ordinary Shares in aggregate are issued pursuant to the Enhanced Share Buyback and Offer for Subscription and 23,550,191 Ordinary Shares are in issue following the Issue.
- (2) Peter Arthur holds 25,200 LGIV Shares and it is assumed that he will be issued 51,504 New Ordinary Shares under the LGIV Scheme.
- (3) The above table assumes that Frank Harding participates in the Enhanced Share Buyback in respect of 20,144 of his holding of Ordinary Shares, none of the other Directors participates in the Enhanced Share Buyback and that 0.955 New Ordinary Shares are issued for every Existing Ordinary Share under the Enhanced Share Buyback.
- 4.6 The Directors are not aware of any person or persons who directly or indirectly, jointly or severally, exercise control over the Company or could do so following completion of the Issue.
- 4.7 As at 8 February 2012 (being the latest practicable date prior to publication of this document), the Company is not aware of any person who is or, following the Issue will be, interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company.
- 4.8 There are no different voting rights for any Shareholder, save those which derive from the Articles.

4.9 Details of those companies (other than the Company) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time during the five years immediately preceding the date of this document (apart from their directorships of the subsidiaries of any issuers of which the Directors are or have been members of the administrative, management or supervisory bodies) are as follows:

	<i>Current directorships</i>	<i>Previous directorships</i>
Charles Pinney	Amati VCT plc Baronsmead VCT 5 plc	199 Victoria Rise Management Limited
Peter Arthur	Cordatus Partners Holdings Limited Longbow Growth and Income VCT plc The Association of Investment Companies	Loretto School Limited Loretto Enterprises Limited Artemis VCT plc Fletcher Jones Ltd
Frank Harding	Otto Schiff Housing Association KLM Cityhopper UK Limited The Wiener Library Institute of Contemporary History Six Point Foundation	The National Hospital for Neurology and Neurosurgery Development Foundation Paintings in Hospitals
Diane James	Iduna Ventures Limited	International Healthcare Communications Limited

4.10 As at the date of this document, none of the Directors:

4.10.1 has any convictions in relation to fraudulent offences for at least the previous five years;

4.10.2 has in the past five years immediately preceding the date of this document been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 4.9 of this Part 6; or

4.10.3 has been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

4.11 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. All of the Directors are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

4.12 Peter Arthur, a Director, is also a director of LGIV.

5. Material contracts

The following are the only material contracts (being contracts other than contracts entered into in the ordinary course of business) that have been entered into by the Company during the period beginning two years prior to publication of this document and which are, or may be, material to the Company, or are all of the contracts which have been entered into by the Company and contain any provisions under which the Company has any obligations or entitlements which are material as at the date of this document:

5.1 *Investment Management Agreement*

An investment management agreement dated 12 February 2001 between the Company and Sitka Limited ("Sitka"), under which Sitka was appointed manager of the Company. Pursuant to a deed of novation dated 1 July 2007, Noble Fund Managers Limited was appointed manager of the Company with effect from that date. Pursuant to a further deed of novation dated 23 December 2008, the Investment Manager was appointed manager of the Company and agreed to provide investment management services to the Company in respect of its portfolios of qualifying investments. The

investment management agreement was for an initial period of four years from 26 March 2001 and continues thereafter unless terminated by either party giving not less than one year's prior written notice. The investment management agreement is subject to earlier termination in the event of, *inter alia*, a party committing a material breach of the investment management agreement and or becoming insolvent, and by the Company if the Investment Manager is guilty of fraud, wilful deceit or gross negligence or ceases to carry on business or materially fulfil its obligations under the investment management agreement or the Directors resolve that it is desirable to terminate the investment management agreement to preserve the status of the Company as a venture capital trust. The Investment Manager is entitled to receive management fees of 2.5 per cent. per annum of the net assets of the Company calculated on a quarterly basis.

Under the terms of the Investment Management Agreement, a performance incentive may be payable to the Investment Manager if the following conditions are met: (i) the net asset value per Ordinary Share on 31 January in any year plus the aggregate amount of dividends per Ordinary Share paid up to that date is equal to or greater than 174 pence; and (ii) not less than 50 pence of the amount referred to in (i) has been paid in the form of dividends.

The performance fees payable by the Company will be, for each financial year after the conditions are satisfied (including the financial year in which it is first satisfied), an aggregate amount equal to 20 per cent. of the Excess Return. Unless decided otherwise by the Directors, the amount of performance fee paid in any financial year shall not exceed an amount equal to 5 per cent. of the net asset value of the Company as shown in the accounts by reference to which the amount of the performance fee has been calculated. Any amount which cannot be paid as a result shall be carried forward and paid, with interest, at such time or times as such payment can be made without contravening the 5 per cent. limit. In the event that a Target Return is not achieved in respect of any financial year, the shortfall of such return will be carried forward into subsequent periods and the performance fee will only be paid once all previous and current Target Returns have been met.

The Company's annual running costs (which exclude trail commission and will exclude the annual commission of 0.2 per cent. of the amounts raised under the Offer for Subscription for a period of five years payable to Beringea under the Offer Commission Agreement) are capped at 3.6 per cent. of the net assets at the year end. Any excess will be paid by the Investment Manager by reducing their fees payable. In the financial period ending 31 January 2011 the Investment Manager's fee was capped, with the total fee due being reduced to £87,000. As Beringea had taken a lower fee during the year (to account for the cap), at the year end £1,000 was due from Beringea in respect of the overpaid management fees.

5.2 ***Co-investment Agreement***

It is expected that the Company may co-invest funds received pursuant to the LGIV Scheme or raised under the Offer alongside other VCTs managed by the Investment Manager, namely ProVen VCT plc, ProVen Growth and Income VCT plc and ProVen Planned Exit VCT plc. In order to ensure that new investment opportunities are apportioned fairly between the VCTs and their various share classes, their allocation is governed by the terms of a co-investment agreement dated 17 October 2011. This agreement broadly provides that each new investment will be apportioned to those VCTs for which it meets their investment policy, and the various share classes within each relevant VCT, pro-rata to the VCT value of their investments. It is intended that the terms of this agreement will be amended to reflect the Company's new investment policy if Resolution 4 is approved at the General Meeting. A share class will not generally be apportioned part of any new investment once its VCT qualifying percentage has reached 75 per cent. Each follow on investment will be offered first to those share classes that already have an investment in the target company pro-rata to the VCT value of their existing investments. The agreement also contains override provisions designed to ensure that each company retains its VCT qualifying status.

5.3 **Administration and company secretarial services agreement**

On 1 February 2009 Beringea replaced Noble Corporate Management Limited as the providers of administration and company secretarial services to the Company under a deed of novation and variation dated 23 December 2008. This appointment is terminable on cessation of the Investment Management Agreement. Beringea is entitled to receive a fee of £30,000 per annum for its services under this agreement.

For each of the three financial periods ending 31 January 2009, 31 January 2010 and 31 January 2011, the Company paid £36,000 (including VAT) for its administration and company secretarial services. The fees for the financial period ended 31 January 2009 were paid to Noble Corporate Management Limited. The fees for the periods ended 31 January 2010 and 31 January 2011 were paid to Beringea.

No fees for administration and company secretarial services have been paid to Beringea for the period ended 31 January 2012.

5.4 **Costs Contribution and Process Agreement**

The Company, LGIV, the Investment Manager and Longbow Capital entered into a costs contribution and process agreement dated 10 February 2012, whereby the parties have agreed to allocate the liability for costs incurred in relation to the Proposals and the Issue and their conduct in relation to certain matters relevant to the implementation of the LGIV Scheme. Under this agreement, the Company agrees to pay £75,000 (including VAT and stamp duty) of the Company's and LGIV's costs and expenses in relation to the LGIV Scheme. Beringea agrees to reimburse this amount to the Company by means of a partial management fee waiver over two years commencing on the Effective Date (with £9,375 of the management fees otherwise payable to Beringea waived each quarter until the £75,000 of costs paid by the Company have been recovered in full). Longbow Capital has also agreed to meet the balance of the costs and expenses payable by the Company and LGIV in connection with the LGIV Scheme. If the LGIV Scheme does not become effective, the Company will bear abort costs and expenses estimated at approximately £45,000 (including VAT). Under the Costs Contribution and Process Agreement, Beringea has agreed to pay these costs by means of a management fee waiver.

5.5 **Offer Commission Agreement**

The Company and the Investment Manager entered into the Offer Commission Agreement dated 10 February 2012 under which the Company agreed to pay the Investment Manager a fee of 5.5 per cent. of the gross funds raised pursuant to the Offer for Subscription on the allotment of the New Ordinary Shares pursuant to the Offer for Subscription plus an annual commission of 0.2 per cent. of the amounts raised under the Offer for Subscription for a period of five years. In consideration for the Company agreeing to pay these fees, the Investment Manager agreed to pay all of the costs of the Offer for Subscription, including professional fees, marketing expenses and commission to authorised financial advisors (including any trail commissions). If the Offer for Subscription does not become effective, the Investment Manager will bear any abort costs and expenses payable in relation thereto.

5.6 **Transfer Agreement**

The Company, LGIV, the Investment Manager and Longbow Capital have irrevocably undertaken, in connection with the LGIV Scheme, to enter into the Transfer Agreement on the Effective Date, pursuant to which the net assets of LGIV will be transferred to the Company in exchange for the issue of New Ordinary Shares to the LGIV Shareholders. Each of the parties to the Transfer Agreement has undertaken to use its reasonable endeavours to give effect to the LGIV Scheme, provided that the conditions to the LGIV Scheme have been fulfilled.

6. Investment and other restrictions

- 6.1 The Company is a closed-ended investment fund and must comply with Chapter 15 of the Listing Rules. In accordance with Chapter 15 of the Listing Rules, the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with this published investment policy. A detailed description of the current investment policy of the Company and its proposed new investment policy are set out in Part 1 of this document. In accordance with Chapter 15 of the Listing Rules, the Company will not make any material changes to its investment policy without the approval of its Shareholders by ordinary resolution passed at a general meeting of the Company. Such an alteration would be announced by the Company through a Regulatory Information Service provider. The Company will be subject to and will comply with the restrictions regarding investments for closed ended investment funds that are contained in the Listing Rules.
- 6.2 In the event of any breach of the Company's investment policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company and/or the Investment Manager (at the time of such a breach) by an announcement issued through a Regulatory Information Service provider.
- 6.3 The Company is not required to be, and is therefore not, regulated by the Financial Services Authority. In order to obtain venture capital trust status, the Company must, however, be approved by HMRC. Under Part 6 of the Income Tax Act 2007, the following conditions must be satisfied in respect of the Company's most recent accounting period to obtain and retain such status:
- 6.3.1 the Company must not be a close company;
 - 6.3.2 each class of its ordinary share capital has been quoted on a regulated market in the European Economic Area;
 - 6.3.3 the Company's income must be derived wholly or mainly from shares or securities (including loans to companies with a five year or greater maturity period);
 - 6.3.4 at least 70 per cent. by value of the Company's investments (including any uninvested funds held) must be represented by shares or securities in Qualifying Holdings, of which at least 30 per cent. by value must be represented by holdings of ordinary shares carrying no preferential rights;
 - 6.3.5 for funds raised after 5 April 2011, at least 70 per cent. by VCT Value of the Company's must be qualifying investments in "eligible shares", which will include shares with certain preferential rights to dividends;
 - 6.3.6 the Company must have at least 10 per cent. by VCT Value of each qualifying holding in ordinary shares which carry no preferential rights to dividends or assets on a winding-up and no rights to be redeemed (for funds raised after 5 April 2011, at least 10 per cent. in "eligible shares");
 - 6.3.7 not more than 15 per cent. by value of the Company's investments can (at the time of investment) be held in a single company or group (other than a VCT) and the Company must not control the companies in which it invests in such a way as to render them subsidiary undertakings; and
 - 6.3.8 the Company must not retain more than 15 per cent. of the income derived in that period from shares and securities.
- 6.4 In order to comply with VCT legislation, the Company must invest the cash acquired from LGIV pursuant to the LGIV Scheme and subscribed pursuant to the Offer in qualifying investee companies. To be qualifying holdings, VCT funds raised after 5 April 2006 (which would include the amounts invested in New Ordinary Shares) must be invested in smaller companies with gross assets of not more than £7 million prior to the investment and £8 million post investment. In addition, to be

qualifying holdings, VCT funds raised after 5 April 2007 must be invested in companies which have fewer than 50 full time (equivalent) employees and do not obtain more than £2 million of investment from VCTs and individuals claiming relief under the Enterprise Investment Scheme in any rolling 12 month period. The Government has announced that it intends to introduce legislation in the Finance Bill 2012 to allow investment in companies with gross assets of not more than £15 million prior to investment and £16 million after investment, with fewer than 250 employees and increase the maximum annual amount that can be invested in an individual company to £10 million. However, these changes are subject to EU State Aid approval.

- 6.5 The Company is regulated by Part 6 of the Income Tax Act 2007 in respect of the investments it makes. The Company has appointed PwC as its VCT status adviser. PwC will report twice yearly to the Company in its annual and half yearly reporting obligations. In respect of any breach of the VCT rules, the Company will report the matter immediately to HMRC.
- 6.6 The Company will not invest in any derivatives or currencies save for the purpose of efficient portfolio management, that is, solely for the purpose of reducing, transferring or eliminating investment risk in underlying investments.
- 6.7 The Company does not intend to conduct any significant trading activity.
- 6.8 In accordance with Chapter 15 of the Listing Rules, the Company will not invest more than 10 per cent. in aggregate of the value of its total assets at the time of a new investment in other closed-ended investment funds listed on the premium segment of the Official List (except to the extent that those closed-ended investment funds have published investment policies to invest no more than 15 per cent. of their total assets in other closed-ended investment funds listed on the premium segment of the Official List).

7. Related party transactions

Save for the Investment Management Agreement, the Administration Agreement, the Costs Contribution and Process Agreement and the Offer Commission Agreement the Company is not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) in the period from 1 February 2008 (being the start of the period covered by the historical financial information in Part 5 of this document up to the date of this document).

8. General

- 8.1 The aggregate costs and expenses to be incurred by the Company and LGIV in connection with the LGIV Scheme are expected to be approximately £100,000 (including VAT and stamp duty). The Company has agreed to meet £75,000 of those costs and expenses with all of this amount to be reimbursed to the Company by Beringea by means of a partial management fee waiver. Longbow Capital has agreed to meet the balance of the costs and expenses payable by the Company and LGIV in connection with the LGIV Scheme. If the Offer for Subscription is fully subscribed, the costs and expenses are expected to be approximately £13,000 (including VAT). These costs and expenses will be paid by the Investment Manager (who will receive a commission of 5.5 per cent. of the gross funds raised pursuant to the Offer for Subscription (payable from the Issue Premium), plus an annual commission of 0.2 per cent. of gross funds raised under the Offer for Subscription for a period of five years). The costs and expenses of the Enhanced Share Buyback will vary depending on the number of valid applications made. It is estimated that the Company's costs and expenses in connection with the Enhanced Share Buyback will be a maximum of £80,000 (including VAT). These costs and expenses will be met in whole or in part by participating Shareholders (as the Tender Price will be lower than the ESBB Issue Price). If valid applications are received in respect of at least 2,700,000 Existing Ordinary Shares in aggregate (representing approximately 14.1 per cent. of the issued share capital of the Company) all of the costs and expenses of the Enhanced Share Buyback will be met by participating Shareholders.

- 8.2 Assuming gross proceeds of £1 million are raised under the Offer, the net proceeds of the Offer and cash received by the Company under the LGIV Scheme available for investment by the Company following Admission will be approximately £1.7 million in aggregate. These proceeds will be used to make investments which are in accordance with the Company's investment policy described in Part 1 of this document.
- 8.3 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past (covering the 12 months preceding the date of this document), significant effects on the financial position or profitability of the Company.
- 8.4 The Company has no subsidiaries.
- 8.5 The Company has no employees and owns no premises.
- 8.6 Certain information contained in this document has been sourced from third parties. Such information (which can be identified by the word "source" followed by the source) has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9. Mandatory bids, squeeze-out and sell-out rules

9.1 *Mandatory bids*

As a company incorporated in England and Wales with shares to be admitted to trading on the London Stock Exchange, the Company will be subject to the provisions of the Takeover Code. The Takeover Code is issued and administered by the Panel on Takeovers and Mergers. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Takeovers Directive. Following the implementation of the Takeovers Directive, the rules set out in the Takeover Code which are derived from the Takeovers Directive now have a statutory basis in the United Kingdom.

Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buy back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

9.2 *Squeeze-out and sell-out rules*

Other than as provided by the Act, there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Shares.

10. Restrictions on Transfer

10.1 General

The distribution of this document and offer of New Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

10.2 European Economic Area

10.2.1 In relation to each of the EEA States (other than the United Kingdom) which has implemented the Prospectus Directive (each, a “relevant member state”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “relevant implementation date”) no New Ordinary Shares have been offered or will be offered pursuant to an offer to the public in that relevant member state, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of New Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any New Ordinary Shares or to whom any offer is made under the Offer will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

10.2.2 For the purpose of the expression an “offer of any New Ordinary Shares to the public” in relation to any New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Issue and the terms of the Offer of any New Ordinary Shares, so as to enable a potential investor to decide to purchase or subscribe for the New Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

11. Disclosure requirements and notification of interest in shares

Under Chapter 5 of the Disclosure and Transparency Rules, subject to certain limited exceptions, a person must notify the Company (and, at the same time, the FSA) of the percentage of voting rights he or she holds (within two trading days) if he or she acquires or disposes of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which he or she holds as a shareholder (or, in certain cases, which he holds indirectly) or through his or her direct or indirect holding of certain types of financial instruments (or a combination of such holdings):

11.1 reaches, exceeds or falls below three per cent. and each one per cent. threshold thereafter; or

11.2 reaches, exceeds or falls below an applicable threshold in paragraph 11.1 of this Part 6 above as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

Such notification must be made using the prescribed form TR1 available from the FSA's website at <http://www.fsa.gov.uk>. Under the Disclosure and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights.

The FSA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

12. Documents available for inspection

Copies of the following documents are available for inspection in person during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW until 17 April 2012:

- (i) the articles of association of the Company;
- (ii) the letters of appointment as referred to in paragraph 4.2 of this Part 6;
- (iii) a draft (subject to non-material updating and amendment) of the Transfer Agreement and undertakings to enter into the Transfer Agreement;
- (iv) the Company's report and accounts for the three financial years to 31 January 2011 and unaudited interim report and accounts for the periods to 31 July 2010 and 31 July 2011;
- (v) the Circular;
- (vi) the LGIV Circular; and
- (vii) this document.

13. Availability of Prospectus

The Prospectus is available for inspection at www.hemscott.com/nom.do and, until the Offer for Subscription closes, copies are available for collection, free of charge, from the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW on any weekday (Saturdays, Sundays and English public holidays excepted).

10 February 2012

PART 7

TAXATION POSITION OF INVESTORS

The following paragraphs apply to the Company and to persons holding Shares as an investment who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive Shares under the LGIV Scheme or under the Offer.

The Company

The Company has obtained approval as a VCT under Chapter 3 of Part 6 ITA 2007.

The Board considers that the Company has conducted its affairs and will continue to do so to enable it to qualify as a VCT. The implementation of the LGIV Scheme will not affect the VCT status of the Company.

Receipt by LGIV Shareholders of New Ordinary Shares under the LGIV Scheme

The effective exchange of existing LGIV Shares for New Ordinary Shares should not constitute a disposal of such shares for the purposes of UK taxation. Instead, the new holding of Ordinary Shares should be treated as having been acquired at the same time and at the same cost as the existing LGIV Shares from which they are derived.

LGIV Shareholders holding (together with their associates) more than 5 per cent. of the LGIV Shares in issue, are advised that a clearance has been obtained from HMRC in terms of section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5 per cent. of the LGIV Shares in issue should also apply to them.

Existing Shareholders of the Company and New Shareholders under the LGIV Scheme

Existing Shareholders and New Shareholders under the LGIV Scheme should all be afforded the usual tax reliefs as shareholders of a VCT.

Tax reliefs for individual investors

Individuals aged 18 or over who invest in the shares of a VCT qualify for the tax reliefs outlined below.

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

An investor subscribing up to £200,000 in any tax year for eligible shares in a VCT will be entitled to claim income tax relief at the rate of 30 per cent. (provided that the relief is limited to the amount that reduces the investor's income tax liability to nil). Relief from all or some income tax on subscription for shares in a VCT will be withdrawn if the shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period. A husband and wife can each invest up to £200,000 in any one tax year with each enjoying the tax reliefs.

(ii) ***Dividend relief***

An investor who subscribes for shares in a VCT (up to a maximum of £200,000 in any tax year) will not be liable for UK income tax on dividends paid by the VCT. An individual who purchases VCT shares in the market will not be liable to income tax on dividends paid by the VCT on those shares.

(iii) ***Capital gains tax relief on disposal***

A disposal by an individual investor of his shares in a VCT will neither give rise to a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of shares acquired within the £200,000 annual limit for any tax year described above.

(iv) ***Purchases in the market***

An individual purchaser of existing VCT shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph (iii) above).

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 three years if issued after 5 April 2000 but before 6 April 2006) or if the VCT loses its approval within this period.

Withdrawal of approval

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval as a VCT, approval may be withdrawn or treated as never having been given. In these circumstances, reliefs from income tax on the initial investment are repayable unless loss of approval occurs more than five years after the issue (three years if issued after 5 April 2000 but before 6 April 2006) of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in an 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.

Shareholders not resident in the United Kingdom

Shareholders not resident in the United Kingdom should seek their own 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 United Kingdom.

PART 8

TAXATION POSITION OF THE COMPANY

The Company has to satisfy a number of tests to continue to qualify as a VCT. A summary of these tests is set out below. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

Qualification as a VCT

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

- not be a close company;
- have each class of its ordinary share capital quoted on a regulated European market;
- derive its income wholly or mainly from shares or securities;
- have at least 70 per cent. by VCT Value of its investments in shares or securities in qualifying holdings, of which 30 per cent. by VCT Value must be in ordinary shares carrying no preferential rights to dividends or assets on a winding-up and no rights to be redeemed;
- for funds raised after 5 April 2011, have at least 70 per cent. by VCT Value of the Company's qualifying investments in "eligible shares", which will include shares with certain preferential rights to dividends;
- have at least 10 per cent. by VCT Value of each qualifying holding in ordinary shares which carry no preferential rights to dividends or assets on a winding-up and no rights to be redeemed (for funds raised after 5 April 2011, at least 10 per cent. in "eligible shares");
- not have more than 15 per cent. by VCT Value of its investments in a single company at the time of investment (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- not retain more than 15 per cent. of its income derived from shares and securities in any accounting period.

Qualifying Holdings

A qualifying holding 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 not more than £1 million was subscribed in any one tax year (nor more than £1 million in, broadly, any period of six months straddling two tax years). It is proposed to remove this requirement for investments made on or after 6 April 2012. The conditions are detailed but include for funds raised before 6 April 2006, that the company must be a qualifying company, that it has gross assets not exceeding £15 million immediately before and not exceeding £16 million immediately after the investment and £7 million and £8 million immediately after the investment for funds raised thereafter, applies the money raised for the purposes of a qualifying trade within certain time periods and that it is not controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on AIM and the PLUS Markets) 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 be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter). Qualifying

Companies must at all times 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 per cent. owned.

For the investment of funds raised after 5 April 2007 a Qualifying Company is one with less than 50 full-time equivalent employees and which has not had more than £2 million of VCT funds raised after 5 April 2007 (together with funds under the Enterprise Investment Scheme) in any rolling 12 month period.

Finance Bill 2012

The Government has announced that it intends to introduce legislation in the Finance Bill 2012 to allow investment in companies with gross assets of not more than £15 million prior to investment and £16 million after investment, with fewer than 250 employees and increase the maximum annual amount that can be invested in an individual company to £10 million. However, these changes are subject to EU State Aid approval.

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, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such funds need to meet the relevant tests.

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 time to time when notice is given to the VCT but, in relation to capital gains tax 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.

Changes in legislation concerning VCTs in general, and VCT qualifying investments and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

PART 9

TERMS AND CONDITIONS OF APPLICATIONS UNDER THE OFFER

1. These Terms and Conditions apply to any application made under the Offer. Save where the context otherwise requires, terms used in these Terms and Conditions, the Offer Application Form and the explanatory notes in relation thereto bear the same meaning as given in the Prospectus.
2. Applications must be made on the Offer Application Form at the end of the Prospectus or as otherwise published by the Company. The minimum application amount is £5,000 (which may be spread across two tax years) and applications in excess of that amount must be made in multiples of £1,000.
3. The contract created by the acceptance of an application (in whole or in part) under the Offer will be conditional upon:
 - 3.1 the passing of Resolution 2 at the General Meeting (which authorises the allotment of the New Ordinary Shares on a non pre-emptive basis for cash pursuant to the Enhanced Share Buyback and the Offer for Subscription); and
 - 3.2 the admission of the New Ordinary Shares to be issued pursuant to the Offer for Subscription to the Official List with a Premium Listing and to trading on the Main Market, subject only to the allotment of such shares.
4. The Company reserves the right to present all cheques and banker's drafts for payment on receipt and to retain share certificates and application monies pending clearance of successful applicants' cheques and banker's 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 or by BACS transfer to the bank account specified on the Offer Application Form. In the meantime, application monies will be retained by the Receiving Agent in a separate account. Multiple applications by investors are permitted.
5. By completing and delivering an Offer Application Form, you:
 - 5.1 offer to subscribe for the amount of money specified in your Offer Application Form or such lesser amount for which your Offer Application Form is accepted, which shall be applied to purchase New Ordinary Shares at the Offer Price and subject to the conditions contained in these Terms and Conditions, and subject to the memorandum and articles of association of the Company;
 - 5.2 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 other than by means of the procedures referred to in this document (including, for the avoidance of doubt and without limitation, pursuant to the Enhanced Share Buyback and the LGIV Scheme), or pursuant to the Company's dividend reinvestment scheme, your application may not be revoked until after 31 May 2012 (or such later date as the Company and its agents may agree, not being later than 31 July 2012). You agree that this paragraph shall constitute a collateral contract between you, the Company and the Investment Manager which will become binding when your Offer Application Form is received by the Receiving Agent;
 - 5.3 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 share certificate in respect of the New Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such New Ordinary Shares unless and 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 the Company 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 any other rights it may have) terminate the agreement to allocate New Ordinary Shares to you, without liability to you, and may allocate such New Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such 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;

- 5.4 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;
- 5.5 agree that any monies refundable to you (which shall not bear interest) may be retained by the Receiving Agent:
 - 5.5.1 pending clearance of your remittance;
 - 5.5.2 pending investigation of any suspected breach of the warranties contained in paragraph 6 below or any other suspected breach of these Terms and Conditions; and
 - 5.5.3 any verification of identity which is, or which the Company or the Receiving Agent may consider may be, required for the purposes of the Money Laundering Regulations 2007.
- 5.6 authorise the Receiving Agent 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 (or BACS transfer to the bank account specified in the Offer Application Form), by post, without interest, to your address set out in the Offer Application Form and to procure that your name is placed on the relevant register of members of the Company in respect of such New Ordinary Shares;
- 5.7 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 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 before any court of competent jurisdiction;
- 5.8 confirm that, in making your application, you are not relying on any information or representation in relation to the Company other than the information contained in this document 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;
- 5.9 irrevocably authorise the Receiving Agent or any person authorised by 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 to execute any document required therefor;
- 5.10 agree that, having had the opportunity to read these documents, you shall be deemed to have had notice of all information and statements concerning the Company and the New Ordinary Shares contained herein;

- 5.11 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, Australia, Japan or South Africa 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, Australia, Japan or South Africa;
 - 5.12 declare that you are an individual aged 18 or over;
 - 5.13 agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent will be sent at the risk of the applicant;
 - 5.14 agree, on request by the Company, to disclose promptly in writing to the Company, any information which the Company may reasonably request in connection with your application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 and authorise the Company to disclose any information relating to your application as they consider appropriate;
 - 5.15 agree that Beringea will not treat you as a 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 its customers;
 - 5.16 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;
 - 5.17 declare that the Offer Application Form has been completed to the best of your knowledge;
 - 5.18 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
 - 5.19 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.
6. No person receiving a copy of this document or an Offer Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Offer Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Offer Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside of the United Kingdom wishing to make an application to satisfy himself or herself 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. The Company reserves the right in its absolute discretion to reject any application received from outside of the United Kingdom.
 7. 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. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Investment 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 United States.
 8. The basis of allocation will be determined by the Company as set out in the Prospectus. There is no maximum individual subscription level under the Offer but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in each of the 2011/2012 and 2012/2013 tax years. 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.

9. Authorised financial intermediaries who, acting on behalf of their clients, return valid Offer Application Forms bearing their stamp and FSA number will normally be paid by Beringea either:

9.1 3 per cent. of the amount invested by their client (and no trail commission); or

9.2 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 the amount invested by their client. The trail commission in respect of applications for New Ordinary Shares is expected to be paid first in June 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) for up to five years, subject normally to a maximum aggregate annual trail commission of 1.25 per cent. of the Offer Price, and will cease to be payable if the Company is wound up.

Beringea will maintain a register of intermediaries entitled to trail commission. Beringea will be entitled to rely on a notification from an investor that he or she has changed his or her 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 Offer Application Forms submitted bearing their stamp to substantiate any claim for trail commission. No commission shall be payable in respect of New Ordinary Shares issued pursuant to the Enhanced Share Buyback. All commissions shall be paid by Beringea (not the Company).

Beringea will collate the Offer 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 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 Offer Application Form the basis on which they wish to receive their commission.

11. Money laundering

Important note for applications of 15,000 Euros (approximately £12,500) or more

The verification of identity requirements of the Money Laundering Regulations 2007 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 has been accepted.

If the total price of the New Ordinary Shares applied for exceeds 15,000 Euros (approximately £12,500 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:

11.1 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

11.2 if a cheque is drawn by a third party, you must ensure that both of the following documents are enclosed with the Offer 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 and showing your current address. A copy passport or driving licence should be certified as a true and correct copy of the original by a solicitor or bank. Original documents will be returned to you by post at your risk.

NOTES ON HOW TO COMPLETE THE OFFER APPLICATION FORM

ONLY COMPLETE THE OFFER APPLICATION FORM IF YOU WISH TO INVEST NEW OR ADDITIONAL FUNDS IN NEW ORDINARY SHARES. SHAREHOLDERS WHO ONLY WISH TO REINVEST SALE PROCEEDS PURSUANT TO THE ENHANCED SHARE BUYBACK SHOULD NOT COMPLETE AND RETURN AN OFFER APPLICATION FORM (THEY SHOULD COMPLETE AND RETURN AN ESBG APPLICATION FORM IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT IN THE CIRCULAR PUBLISHED BY THE COMPANY ON 10 FEBRUARY 2012).

Please send your completed Offer Application Form together with your cheque or banker's draft and proof of identity if required (please see paragraph 5.14 of the Terms and Conditions on page 81 of this document in this regard) to **ProVen Health VCT Offer for Subscriptions, Beringea LLP, 39 Earlham Street, London, WC2H 9LT.**

If you have any questions on how to complete the Offer Application Form please contact Beringea on 0845 686 0225 or 0207 845 7820. Please note that for legal reasons Beringea will not be able to provide advice on the merits of the Offer or give any personal tax, investment or financial advice.

Section 1

Please insert your full name and permanent address in BLOCK CAPITALS, your daytime telephone number, date of birth and national insurance number in Section 1 of the Offer 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 husbands, wives and civil partners may apply separately.

Section 2

Specify the amount you wish to invest in New Ordinary Shares under the Offer in respect of the tax year 2011/12 in Box A (state nil if appropriate)

Specify the amount you wish to invest in New Ordinary Shares under the Offer in respect of the tax year 2012/13 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.

Please note that the minimum investment is £5,000 (which may be spread across two tax years) and applications in excess of that amount must be made in multiples of £1,000.

Make cheques payable to "ProVen Health VCT Offer for Subscription". Cheques must be drawn on a recognised UK bank account and your payment must relate solely to this application.

If you are applying for New Ordinary Shares under the Offer in respect of the tax year 2011/12 and the tax year 2012/13, you must submit a separate cheque or banker's draft for each tax year. Cheques may be post dated to 6 April 2012 for applications under the Offer in respect of the tax year 2012/13.

If the value of the New Ordinary Shares applied for exceeds 15,000 Euros (approximately £12,500 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;
- (ii) if a cheque is drawn by a third party, you must ensure that both of the following documents are enclosed with the Offer 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

Read the declaration below and sign and date the Offer 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 Prospectus dated 10 February 2012 and have read the Terms and Conditions therein and agree to be bound by them;
- (ii) I will be the beneficial owner of the New Ordinary Shares issued to me under this Offer; and
- (iii) 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 (iii) above and attach the power of attorney under which I have authority to sign on behalf of such individual.

Section 4

Please complete the mandate instruction if you wish to have dividends paid directly into your bank or building society account. If any Offer Application Form is not accepted in full, the balance of the application amount may be repaid (without interest) to the bank account specified.

Section 5

Authorised financial intermediaries who are entitled to receive commission should stamp and complete Section 5, 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 to be waived and reinvested in additional New Ordinary Shares.

OFFER APPLICATION FORM

ProVen Health VCT plc – Offer for Subscription

DO NOT COMPLETE THIS OFFER APPLICATION FORM IF YOU ONLY WISH TO PARTICIPATE IN THE ENHANCED SHARE BUYBACK AND DO NOT WISH TO INVEST ADDITIONAL FUNDS IN THE COMPANY.

Before completing this Offer Application Form you should read the Terms and Conditions and the Notes on How to Complete the Offer Application Form. The Offer opens on 10 February 2012 and the closing date in respect of the Offer will be 12 noon on 5 April 2012 (in respect of applications for the 2011/2012 tax year) and 13 April 2012 (in respect of the 2012/2013 tax year) (or earlier if the maximum subscription has been reached before then).

Please send this Offer Application Form together with your cheque or banker's draft and proof of identity if required, to **ProVen Health VCT Offer for Subscription, Beringea LLP, 39 Earlham Street, London, WC2H 9LT.**

Please complete in block capitals

Section 1

Title (Mr/Mrs/Miss/Ms/Other)		Surname	
Forename(s) in full			
Date of Birth	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	National Insurance Number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

(You should be able to find your NI number on a payslip, form P45 or P60, a letter from the Inland Revenue, a letter from the DWP, or pension order book)

Permanent residential address			
	Postcode		
Email			
	Please insert your email address to receive updates regarding the progress of the Company by email.		
Telephone (work)		Telephone (home)	

Section 2

I offer to subscribe the following amount for New Ordinary Shares on the Terms and Conditions of Application under the Offer set out in this document, the Notes on How to Complete the Application Form, the Prospectus and the Memorandum and Articles of Association of the Company. **The minimum application amount (which may be spread across two tax years) is £5,000. Applications in excess of £5,000 must be made in multiples of £1,000 in total.**

2011/2012 Offer (income tax year 2011/2012)	£	A
2012/2013 Offer (income tax year 2012/2013)	£	B
TOTAL INVESTMENT (A+B) (to be at least £5,000)	£	C

I ENCLOSE (A) CHEQUE(S) OR BANKER'S DRAFT(S) DRAWN ON A UK CLEARING BANK MADE PAYABLE TO "ProVen Health VCT Offer for Subscription"

(Note: If you are applying for New Ordinary Shares in both the 2011/2012 tax year and the 2012/2013 tax year, you must submit a separate cheque or banker's draft for each of the tax years).

Section 3

I confirm that I have read the Prospectus and make this application on the Terms and Conditions of Application under the Offer set out in the Prospectus.

Signature		Date	
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Section 4

All dividends on Shares held in the Company may be paid directly into bank and building society accounts. In order to facilitate this, please complete the mandate instruction form below.

Please note that if you are an existing shareholder in the Company this instruction applies to all your shareholdings in the Company and completing the form below will direct the Company to send all dividend payments due on all your shareholdings to this bank account.

Dividends paid directly to your account will be paid in cleared funds on the dividend 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 Health 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 and Beringea do not accept responsibility if any details quoted by you are incorrect.

Section 5

For completion by authorised financial intermediaries only

Name of firm:		Stamp	
Address:			
Telephone:			
Fax:			
Email address:			
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 by Beringea			
B: Commission to be waived and invested in additional shares for your client			
Signature of authorised signatory of authorised financial intermediary		Date	

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

