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If you have sold or otherwise transferred all of your ordinary shares in ProVen Health VCT plc (the "Company"), please send this document and the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward delivery to the purchaser or transferee. However, the distribution of this document and any accompanying documents into certain jurisdictions (including but not limited to the United States) other than the United Kingdom is or may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities' laws of any such jurisdiction. If you sell or have sold or otherwise transferred only part of your holding of shares in the Company, you should retain this document and the accompanying documents.

This document does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue any security. This document does not constitute a prospectus or prospectus equivalent document. This document should be read in conjunction with the accompanying Prospectus relating to the Company and any decision to acquire New Ordinary Shares under the Offer for Subscription must be made only on the basis of the information contained in and incorporated by reference into the accompanying Prospectus, which has been prepared in accordance with the Prospectus Rules and the Listing Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000.

The definitions used in this document are set out on pages 36 to 40 of this document.

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## **PROVEN HEALTH VCT PLC**

*(a company incorporated in England and Wales with registered number 04131354)*

### **SHAREHOLDER CIRCULAR**

**Recommended proposals for the issue of up to 10 million New Ordinary Shares in connection with the proposed reconstruction and winding up of Longbow Growth and Income VCT plc, an Enhanced Share Buyback and an Offer for Subscription.**

**Proposed change of investment policy of the Company and cancellation of the share premium account**

### **Notice of General Meeting**

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Notice of a general meeting of the Company to be held at 10.00 a.m. on 12 March 2012 at the offices of Beringea LLP, 39 Earlham Street, London WC2H 9LT is set out at the end of this document. A Form of Proxy for use in connection with the General Meeting is enclosed. Whether or not you propose to attend the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed on it. In order to be valid, the Form of Proxy must be completed and returned 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 10.00 a.m. on 8 March 2012.

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

An Offer Application Form and details of the procedures for completion of the Offer Application Form are set out at the end of the accompanying Prospectus. Offer Application Forms must be returned to Beringea LLP, 39 Earlham Street, London WC2H 9LT by no later than 12 noon on 5 April 2012 in respect of the 2011/2012 tax year and by no later than 12 noon on 13 April 2012 in respect of the 2012/13 tax year.

If you are a Qualifying Shareholder holding shares in certificated form and wish to participate in the proposed Enhanced Share Buyback, you should complete and return the accompanying ESBB Application Form to Beringea LLP, 39 Earlham Street, London W2HL 9LT by no later than 1.00 p.m. on 30 March 2012.

If you are a Qualifying Shareholder holding shares in uncertificated form (that is, in CREST) and wish to participate in the proposed Enhanced Share Buyback, you will be required to rematerialise your holding of Ordinary Shares into your own name and thereafter complete and return an ESBB Application Form as described above. Applications for New Ordinary Shares under the Enhanced Share Buyback will need to be made in the name of the beneficial holder for a Qualifying Shareholder to benefit from upfront VCT tax relief

Applications will be made to the Financial Services Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for those shares to be admitted to the London Stock Exchange's main market for listed securities. It is expected that such admission 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.

Your attention is drawn to the letter from the Chairman of the Company in Part 1 of this document, which contains the recommendation of the Board that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

**Your attention is also drawn to the section entitled "Risk Factors" on pages 7 to 10 of this document and to the section entitled "Action to be taken" on pages 20 and 21 of this document.**

10 February 2012

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## EXPECTED TIMETABLES

### EXPECTED TIMETABLE FOR THE COMPANY

	2012
<b>1. THE LGIV SCHEME</b>	
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 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
<b>2. ENHANCED SHARE BUYBACK AND OFFER FOR SUBSCRIPTION</b>	
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 the 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 Enhanced Share Buyback and 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 the 2011/12 tax year on 5 April 2012 and any other date 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).

## 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 paragraph 2 of Part 4 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 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 to invest the cash and liquid funds held by it following completion of the Offer and the LGIV Scheme. It is likely to take a number of months for the Investment Manager to identify suitable investment opportunities. 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 4 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. 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 so 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 cash and reserves available for that purpose and subject to the need to retain funds to 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.

## PART 1 – LETTER FROM THE CHAIRMAN

# PROVEN HEALTH VCT PLC

*(a company incorporated in England and Wales with registered number 04131354)*

*Directors:*

Charles Pinney (*Chairman*)  
Peter Arthur  
Frank Harding  
Diane James

*Registered office:*  
39 Earlham Street  
London  
WC2H 9LT

10 February 2012

*Dear Shareholder*

**Recommended proposals for the issue of up to 10 million New Ordinary Shares in connection with the proposed reconstruction and winding up of Longbow Growth and Income VCT plc, an Enhanced Share Buyback and an Offer for Subscription, a proposed change of investment policy of the Company and cancellation of the share premium account**

### 1. Introduction

Your Board announced on 22 December 2011 that the Company and Longbow Growth and Income VCT plc (“LGIV”) were in discussions in relation to the proposed merger of both companies to be effected by a scheme of reconstruction and winding up of LGIV. The Company and LGIV have now agreed the terms of the merger pursuant to which the Company proposes to acquire LGIV’s net assets in consideration for the issue of New Ordinary Shares. This document provides you with further details of the Company’s proposed participation in the recommended scheme of reconstruction and winding up of LGIV which is subject, amongst other things, to the approval of Shareholders and LGIV Shareholders.

In October 2011, the Board sent a survey to shareholders seeking their views in relation to the future of the Company. In the Shareholder Survey, the Board asked Shareholders: if they would like the Company to continue to focus exclusively on healthcare sector investments; for details of their preferred form of return from an investment in the Company; and whether they would be interested in participating in an enhanced share buyback where they would be given the opportunity to sell their current shareholding in the Company at a small discount to the published Net Asset Value per Share and reinvest the proceeds in the same class of shares (obtaining income tax relief on the amounts reinvested). The majority of respondents confirmed that they would like the Company to broaden its investment remit to include other sectors and that they would like to receive a combination of constant/increasing net asset value of their shares and, where possible, regular dividends. Approximately, 50 per cent. of respondents indicated that they would be interested in participating in an enhanced share buyback.

On 20 December 2011, the Company announced that it was discussing a number of initiatives which would aim to increase returns to Shareholders. At the same time, the Board temporarily suspended dividend payments and share buybacks. The Board has carefully considered the responses provided to the Shareholder Survey and, in conjunction with the proposed merger with LGIV, wishes to take the opportunity to put forward further proposals for an issue of New Ordinary Shares pursuant to an Offer for Subscription, a proposed Enhanced Share Buyback, a change of the Company’s investment policy and the proposals for the cancellation of the Company’s share premium account. The Company also announced today that the temporary suspension on dividend payments and share buybacks has been lifted and that it has declared an interim dividend in respect of the year ended 31 January 2012 (further details of which are set out in paragraph 11 of this letter).

The purpose of this document is to provide you with further details of these Proposals. The Proposals are subject to satisfaction of a number of conditions including the approval of Shareholders. Details of the terms of the Company’s participation in the LGIV Scheme, Offer for Subscription and Enhanced Share Buyback are set out below.

A General Meeting has been convened at which Shareholders will be asked to consider and, if thought fit, approve the Proposals. The General Meeting, notice of which is set out at the end of this document, will be held at 10.00 a.m. on 12 March 2012 at the offices of Beringea LLP at 39 Earlham Street, London WC2H 9LT. The resolutions which will be proposed at the General Meeting are as follows:

- (i) Resolution 1, an ordinary resolution, which is required under the Companies Act 2006 and the Listing Rules, to authorise the Directors to allot New Ordinary Shares to LGIV Shareholders under the LGIV Scheme;
- (ii) Resolution 2, a special resolution, which is required under the Companies Act 2006 and the Listing Rules, to authorise the Directors to allot New Ordinary Shares pursuant to the Enhanced Share Buyback and the Offer for Subscription and disapply pre-emption rights in respect of the issue of such shares for cash;
- (iii) Resolution 3, a special resolution, which is required under the Companies Act 2006 and the Listing Rules, to authorise the Company to make market purchases of Ordinary Shares to implement the Enhanced Share Buyback;
- (iv) Resolution 4, an ordinary resolution, to amend the investment policy of the Company in accordance with the requirements of the Listing Rules to allow the Company to make investments in a diversified portfolio of growth companies across a broad range of industries (rather than restrict investments to companies in the health sector); and
- (v) Resolution 5, a special resolution, will be proposed in accordance with the Companies Act 2006 to approve the cancellation (subject to Court Approval) of the amount standing to the credit of the share premium account of the Company.

Resolutions 1 and 4 (as ordinary resolutions) will require the approval of more than 50 per cent. of the votes cast on the relevant resolution at the General Meeting. Resolutions 2, 3 and 5 (as special resolutions) will require the approval of at least 75 per cent. of the votes cast on each resolution at the General Meeting.

In addition to providing you with further details of the Proposals, this document also explains the reasons why the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting. Your attention is directed to the section entitled "Action to be taken" on pages 20 and 21 of this document which sets out the details of the action you should take.

## **2. The LGIV Scheme**

### ***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, announced a reorganisation of its staff and informed the LGIV Board that it did not propose to assist in relation to a further fundraising round on behalf of LGIV. The LGIV Board has carefully considered the future of LGIV and does not believe that it makes economic sense to operate a listed VCT with assets under management of approximately £1 million. The LGIV Board carried out a review of its management arrangements and has reached agreement with the Company in respect of a recommended merger of the assets of LGIV and the Company pursuant to the LGIV Scheme. The LGIV Scheme will allow LGIV Shareholders to continue their investment in a VCT with a significant focus on the health sector (and retain the upfront VCT income tax relief they obtained on subscription for their LGIV Shares).

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

### ***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 and 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 Liquidator 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 (as described in paragraph 5 below)).

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 met by the Company (save to the extent to be paid or met by Beringea or Longbow Capital (as described in the section entitled "Costs and expenses of the Proposals" of this letter)). 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" of this letter)).

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).

#### ***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.

### **3. The Offer for Subscription**

#### ***Background***

The Company is also 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).

#### ***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 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.

#### ***Terms of the Offer for Subscription***

Up to 2,205,000 New Ordinary Shares (or such lower number of New Ordinary Shares as would raise gross proceeds of £1 million) are being offered pursuant to the Offer: investors are invited to subscribe an amount in pounds sterling, rather than apply for a particular number of New Ordinary Shares. 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.

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. Shareholders wishing to participate in the Offer for Subscription should complete and return an Offer Application Form (set out at the end of the accompanying Prospectus) 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 entitlements of applicants for New Ordinary Shares under the Offer may require 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).

Further details of the Offer for Subscription are set out in the Prospectus published by the Company on 10 February 2012. Offer Application Forms can be found at the end of the Prospectus. Completed Offer Application Forms and accompanying cheques in respect of amounts subscribed should be posted (at the investor's risk) to Beringea LLP, 39 Earlham Street, London WC2H 9LT.

#### **4. 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 applied 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. 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.

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.

**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 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 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 2 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 Enhanced Share Buyback is subject to fulfilment of the condition set out in paragraph 5 of Part 2 of this document including the approval of Shareholders by passing Resolution 2 and Resolution 3 at the General Meeting.

A copy of this document has been submitted to HMRC who have confirmed that, subject to their personal circumstances, Qualifying Shareholders will be eligible for VCT Relief (including income tax relief of up to 30 per cent. of the total amount re-subscribed) under the Enhanced Share Buyback. Qualifying Shareholders who hold Ordinary Shares which carry deferred capital gains are strongly advised to seek the advice of their tax advisers as a disposal of Ordinary Shares will result in any deferred gain becoming subject to capital gains tax at the prevailing rate of tax. Neither the Company nor any of its advisers shall be responsible for, or have any liability in respect of, any loss of tax relief by a Qualifying Shareholder who participates in the Enhanced Share Buyback.

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 for New Ordinary Shares) should complete and return the enclosed 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.

Further details of the Enhanced Share Buyback are set out in Part 2 of this document.

The attention of Shareholders is also drawn to Part 3 of this document which sets out a general guide to certain taxation considerations for investors.

## **5. Change of investment policy of the Company**

The Company's current investment policy is to create a balanced portfolio of growth companies in the health sector. The full text of the Company's existing investment policy is set out in paragraph 10 of Part 4 of this document. 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. 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 passing of Resolution 4.

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 changes 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 the 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.

## **6. 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.

## **7. 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 meet 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 to be approximately £20,000 (including VAT).

## **8. Taxation**

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in Part 3 of this document.

## **9. General Meeting**

The notice convening the General Meeting, which is to be held at 10.00 a.m. on 12 March 2012 at the offices of Beringea LLP, 39 Earlham Street, London WC2H 9LT, is set out at the end of this document. The Company's ability to participate in the LGIV Scheme and to undertake the Enhanced Share Buyback and the Offer for subscription is conditional upon Shareholders' approval at the General Meeting

Five resolutions will be proposed at the General Meeting.

### **(i) *Resolution 1 – Authority to issue New Ordinary Shares in connection with the LGIV Scheme***

Under Resolution 1, Shareholders are being asked to authorise the Directors to allot up to 3 million New Ordinary Shares (being Ordinary Shares with an aggregate nominal value of £30,000 and representing 15.64 per cent. of the Company's issued ordinary share capital as at the date of this document) pursuant to the LGIV Scheme.

Resolution 1 will be proposed as an ordinary resolution. This means that, in order for Resolution 1 to be passed, more than 50 per cent. of the votes cast on the resolution must be in favour. Resolution 1 is subject to and conditional upon the LGIV Scheme becoming unconditional in all respects (other than regards any condition that Resolution 1 is passed).

If granted, this authority will lapse on 31 May 2012.

The authority will be used, if granted, solely for the purpose of implementing the LGIV Scheme. If Resolution 1 is not passed the LGIV Scheme will not be implemented and New Ordinary Shares will not be issued to LGIV Shareholders.

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

### **(ii) *Resolution 2 – Authority to allot New Ordinary Shares and disapplication of pre-emption rights in respect of the Enhanced Share Buyback and the Offer for Subscription***

Resolution 2 will be proposed as a special resolution. This means that, in order for Resolution 2 to be passed, at least 75 per cent. of the votes cast on the resolution must be in favour. The shareholder authorities which are sought under the terms of Resolution 2 are explained in the sections below.

#### *Authority to allot New Ordinary Shares*

Under Resolution 2, Shareholders are being asked to authorise the Directors to allot up to 7 million New Ordinary Shares (being Ordinary Shares with an aggregate nominal value of £70,000 and representing 36.49 per cent. of the Company's issued ordinary share capital as at the date of this document) under the Enhanced Share Buyback and the Offer for Subscription.

#### *Disapplication of pre-emption rights*

Under Resolution 2, the Directors are also seeking the authority of Shareholders to allot up to 7 million New Ordinary Shares pursuant to the Enhanced Share Buyback and the Offer for Subscription for cash without first offering such Shares to Shareholders *pro rata* to their existing holdings of Ordinary Shares.

If granted, the authority given pursuant to Resolution 2 will lapse on 31 May 2012. This authority will only be used for the purpose of implementing the Enhanced Share Buyback and the Offer for Subscription. The Enhanced Share Buyback will not be implemented unless Resolution 2 and Resolution 3 are passed. The Offer for Subscription will not be implemented unless Resolution 2 is passed.

(iii) ***Resolution 3 – Enhanced Share Buyback***

Resolution 3 will be proposed as a special resolution. This means that, in order for Resolution 3 to be passed, at least 75 per cent. of the votes cast on the resolution must be in favour. Resolution 3 is subject to and conditional upon Resolution 2 being passed.

This resolution will authorise the Company to make market purchases of up to 4,795,000 Ordinary Shares (representing approximately 25 per cent. of the issued share capital of the Company as at the date of this document) by means of the Enhanced Share Buyback at the Tender Price. Such price shall constitute both the maximum and the minimum price that may be paid for the Ordinary Shares for the purposes of section 701(3)(b) of the Companies Act 2006. The Directors intend to exercise this authority to implement the Enhanced Share Buyback. The authority conferred by Resolution 3 will lapse on 31 May 2012.

(iv) ***Resolution 4 – Change to investment policy***

Resolution 4 will be proposed as an ordinary resolution to amend the Company's investment policy. This means that, in order for Resolution 4 to be passed, more than 50 per cent. of the votes cast on the resolution must be in favour.

(v) ***Resolution 5 – Cancellation of share premium account***

Resolution 5 will be proposed as a special resolution to approve the cancellation of the amount standing to the credit of the Company's share premium account. This means that, in order for Resolution 5 to be passed, at least 75 per cent. of the votes cast on the resolution must be in favour.

### **10. Action to be taken**

(i) ***General Meeting***

You will find enclosed with this document a Form of Proxy for use by Shareholders in connection with the General Meeting.

Whether or not you propose to attend the General Meeting, you are requested to complete and return the Form of Proxy to Beringea LLP, 39 Earlham Street, London WC2H 9LT in accordance with the instructions printed on it. In order to be valid, the Form of Proxy must be completed and returned to as soon as possible and in any event so as to be received no later than 10.00 a.m. on 8 March 2012. The return of a completed Form of Proxy will not preclude you from attending and voting at the General Meeting in person.

(ii) ***Enhanced Share Buyback***

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. A reply-paid envelope is enclosed.

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 2 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.

(iii) ***Offer for Subscription***

Shareholders wishing to participate in the Offer for Subscription should read the accompanying Prospectus carefully and complete and return an Offer Application Form (set out at the end of the Prospectus) to Beringea LLP 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).

**Shareholders who do not wish or are not eligible to participate in the Enhanced Share Buyback or Offer for Subscription should take no action in respect of the Enhanced Share Buyback or the Offer and should not complete or return an ESBB Application Form or an Offer Application Form, but should return their Form of Proxy for the General Meeting.**

**Shareholders who are in any doubt as to the contents of this document or as to the action to be taken should immediately consult their stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.**

## **11. Interim Dividend**

The Company has declared an interim dividend of 1p per Ordinary Share in respect of the year ended 31 January 2012. The Interim Dividend will be paid on 9 March 2012 to Shareholders on the Register on 24 February 2012. The ex-dividend date for the Interim Dividend is 22 February 2012. The New Ordinary Shares will not qualify for the Interim Dividend or for participation in the Enhanced Share Buyback but will otherwise rank equally in all respects with the existing Ordinary Shares, including as to future dividends.

## **12. Admission and dealings**

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 the New Ordinary Shares to be admitted to trading on the Main Market. It is expected that (i) the New Ordinary Shares to be issued pursuant to the LGIV Scheme will be allotted on 16 March 2012, credited as fully paid, and that the first day of dealings in such shares on the Main Market will be 19 March 2012; and (ii) the New Ordinary Shares to be issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2011/12 tax year will be allotted on 5 April 2012, credited as fully paid, and that the first day of dealings in such shares on the Main Market will be 12 April 2012; and (iii) the New Ordinary Shares to be issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2012/13 tax year will be allotted on 13 April 2012, credited as fully paid, and that the first day of dealings on the Main Market shall be 17 April 2012.

Ordinary Shares purchased by the Company pursuant to the Enhanced Share Buyback will be acquired by the Company on the London Stock Exchange and such shares will subsequently be cancelled.

### **13. Further information**

You are encouraged to read the further information set out in Parts 2, 3 and 4 of this document and the accompanying Prospectus.

### **14. Recommendation and Directors' intentions**

The Board considers that the Resolutions are in the best interests of the Company and Shareholders taken as a whole and accordingly unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

The Directors intend to vote in favour of each of the Resolutions to be proposed at the General Meeting in respect of their own beneficial holdings of Ordinary Shares (amounting in aggregate to 52,174 Ordinary Shares representing approximately 0.27 per cent. of the issued share capital of the Company).

Frank Harding, a Director, intends to apply to participate in the Enhanced Share Buyback in respect of 20,144 Existing Ordinary Shares held by him (representing approximately 0.11 per cent. of the issued share capital of the Company). None of the others Directors has held their Existing Ordinary Shares for sufficient time for it to be appropriate for them to participate in the Enhanced Share Buyback.

Shareholders considering participating in the Enhanced Share Buyback and/or the Offer for Subscription should consult their professional tax adviser as to whether it is appropriate for them to do so. The extent, if at all, to which Shareholders participate in the Enhanced Share Buyback and/or the Offer for Subscription is a matter for each Shareholder to decide and will be influenced by their own individual financial and tax circumstances as well as their personal investment objectives.

Yours sincerely,

**Charles Pinney**

*Chairman*

## PART 2 – 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 Prospectus and the accompanying 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 the enclosed 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 enclosed 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 Prospectus 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 on 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 2;

- 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 Prospectus and/or the accompanying 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 Prospectus 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 Prospectus 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 3 – TAXATION CONSIDERATIONS FOR INVESTORS

The following information is a summary based on the law and practice currently in force in the United Kingdom. It is not exhaustive and assumes that an investor is resident or ordinarily resident in the UK and not in any other jurisdiction. If investors are in any doubt as to their tax position, they should consult their professional advisers. Investors must be individuals aged 18 or over to be eligible for the respective tax reliefs. Tax reliefs will only be given in relation to an individual's total investments in VCTs in any tax year not exceeding £200,000.

### 1. Taxation of a VCT

For each accounting period for which a company is approved by HMRC as a VCT, the company is exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT subject to the requirements of company law. The Company continues to be subject to corporation tax on its income (excluding dividends received from UK and certain overseas companies) after deduction of attributable expenses.

### 2. 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.

#### 2.1 *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 an 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.

#### 2.2 *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.

#### 2.3 *Capital gains tax relief on disposal*

A disposal by an individual investor of his or her 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.

### 3. Withdrawal of tax reliefs

3.1 If a company which has been granted approval or provisional support as a VCT subsequently fails to comply with the conditions for approval, VCT status may be withdrawn or treated as never having been given. The exemption from corporation tax on capital gains will not apply to any gain realised after VCT status is lost (and on any gain realised by the VCT if approval is deemed never to have been given).

3.2 For the investor, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:

3.2.1 the repayment of the 30 per cent. income tax relief on subscription for new VCT shares as utilised by the investor;

3.2.2 income tax becoming payable on subsequent payments of dividends by the company; and

3.2.3 a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the company, except that any part of the gain attributable to the period for which the VCT was approved would be exempt.

#### **4. Consequences of an investor dying or a transfer of shares between spouses**

##### **4.1 *Initial income tax***

If an investor dies at any time after making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for inheritance tax purposes.

##### **4.2 *Tax implications for the beneficiary***

Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax-free dividends and will not pay capital gains tax on any disposal, but will not be entitled to any initial income tax relief.

##### **4.3 *Transfer of shares between spouses***

Transfer of shares in a VCT between spouses is not deemed to be a disposal and therefore all tax reliefs will be retained.

#### **5. Investors not resident in the UK**

Non-resident investors, or investors who may become non-resident, should seek their own professional advice as to the consequences of making an investment in the Company, as they may be subject to tax in other jurisdictions.

#### **6. Stamp duty and stamp duty reserve tax**

No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of New Ordinary Shares. The transfer price on the sale of shares would normally be subject to *ad valorem* stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid where the total consideration exceeds £1,000 or if it forms part of a series of transactions where the total consideration exceeds £1,000. Such duties would be payable by a person who purchases such shares from the original subscriber.

#### **7. Purchases in the market**

Any subsequent purchaser of existing VCT shares, as opposed to a subscriber for new VCT shares, will not qualify for income tax relief on investment but may benefit from dividend relief and from capital gains tax relief on the disposal of his or her VCT shares.

#### **8. Tax consequences of the Enhanced Share Buyback**

When the Company purchases Existing Ordinary Shares from an investor, for tax purposes it will be treated as repaying all the amount of capital that is treated as paid up on each share. To the extent that the amount paid by the Company for the purchase of the share exceeds this amount, the Company will be treated for tax purposes as making a distribution of the amount of the excess. An individual investor would be treated as receiving a distribution of the amount of the excess, and this would be subject to income tax.

Stamp duty at the rate of 0.5 per cent. of the purchase price will be payable by the Company in respect of the repurchase of Existing Ordinary Shares (rounded up to the nearest £5). A disposal of Ordinary Shares by an individual investor who acquired those shares within his or her annual £200,000 limit will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. Where an investor

has acquired shares on more than occasion, shares acquired earlier are treated as being disposed before shares acquired later.

**The above is only a summary of the tax position of individual investors and is based on the Company's understanding of current law and practice. Investors are recommended to consult a professional adviser as to the taxation consequences of their investing in a VCT. All tax reliefs referred to in this document are UK tax reliefs.**

## PART 4 – ADDITIONAL INFORMATION

### 1. Further details of the Issue

- 1.1 Under the LGIV Scheme, LGIV will be put into members' voluntary liquidation and LGIV Shareholders will receive New Ordinary Shares to be issued by the Company.
- 1.2 The Company is proposing to issue up to 3 million New Ordinary Shares in connection with the LGIV Scheme and up to 7 million New Ordinary Shares in aggregate under the Enhanced Share Buyback and the Offer for Subscription.

### 2. Conditions of the LGIV Scheme

- 2.1 The LGIV Scheme is conditional on:
  - 2.1.1 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
  - 2.1.2 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).
- 2.2 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.

### 3. Condition of the Offer for Subscription

- 3.1 The Offer for Subscription is conditional on 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).
- 3.2 If this condition is not satisfied by 31 May 2012, the Offer for Subscription will not become effective.

### 4. Conditions of the Enhanced Share Buyback

- 4.1 The Enhanced Share Buyback is conditional on:
  - 4.1.1 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
  - 4.1.2 the passing of Resolution 3 at the General Meeting (which authorises the purchase by the Company of its own shares to implement the Enhanced Share Buyback).
- 4.2 If either of these conditions is not satisfied by 31 May 2012, the Enhanced Share Buyback will not become effective.

### 5. Dealings and settlement

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. Applications have also been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market. If the Proposals become effective, it is expected that (i) the New Ordinary Shares to be issued pursuant to the LGIV Scheme will be allotted on 16 March 2012, credited as fully paid, and that the first day of dealings in such shares on the Main Market will be 19 March 2012; (ii) the New Ordinary Shares to be issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2011/12 tax year will be allotted on 5 April 2012, credited as fully paid, and that the first day of dealings in such shares on the Main Market will be 12 April 2012; and (iii) the New Ordinary Shares to be issued pursuant to the Enhanced Share Buyback and the Offer in respect of the 2012/13 tax year will be allotted on 13 April 2012, credited as fully paid, and that the first day of dealings in such shares on the Main Market will be 17 April 2012.

The Directors reserve the right to arrange for the listing of New Ordinary Shares under the Offer on such other dates as they see fit provided that where valid applications are received under the Offer in respect of tax year 2011/12 the relevant New Ordinary Shares are allotted and issued on or prior to 5 April 2012 and where valid applications are received under the Offer in respect of tax year 2012/13 the relevant New Ordinary Shares are allotted and issued on or after 6 April 2012.

The New Ordinary Shares will be issued in registered form and may be held in either certificated or uncertificated form. Ordinary Shares purchased by the Company pursuant to the Enhanced Share Buyback will be acquired by the Company on the London Stock Exchange and such shares will subsequently be cancelled.

LGIV Shareholders who hold their LGIV Shares in certificated form will receive their New Ordinary Shares under the LGIV Scheme in certificated form. It is expected that certificates in respect of such New Ordinary Shares will be despatched to the LGIV Shareholders entitled thereto in the week commencing 9 April 2012. No temporary documents of title will be despatched in respect of New Ordinary Shares issued in certificated form and, pending the despatch of definitive share certificates, transfers will be certified against the Register.

LGIV Shareholders who hold their LGIV Shares in uncertificated form will receive their New Ordinary Shares under the LGIV Scheme in uncertificated form. Notwithstanding the foregoing, however, the Company reserves the right to issue such shares in certificated form (which, in normal circumstances, is only likely to be exercised in the event of an interruption, failure or breakdown of CREST or of the facilities or system operated by the Company's registrar in connection with CREST). The Company will procure that Euroclear UK & Ireland Limited is instructed, on the date on which the admission of the New Ordinary Shares to the premium segment of the Official List becomes effective, to credit the appropriate accounts in CREST with the respective entitlements to New Ordinary Shares in uncertificated form.

The ISIN (International Securities Identification Number) code of the New Ordinary Shares will be GB0030199391.

## **6. Fractional entitlements**

Fractional entitlements to New Ordinary Shares will not be issued pursuant to the LGIV Scheme, the Enhanced Share Buyback or the Offer for Subscription and entitlements will be rounded down to the nearest whole number. No cash payments shall be made or returned in respect of any such fractional entitlements which will be retained for the benefit of the Company.

## **7. Directors' interests in 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 unless otherwise stated) and will, if the LGIV Scheme, the Enhanced Share Buyback and the Offer for Subscription are implemented, have the following interests (all of which are beneficial unless otherwise stated) immediately following the implementation of the LGIV Scheme, the Enhanced Share Buyback and the Offer for Subscription (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.

Name	Ordinary Shares currently held	Percentage of current issued Ordinary Shares	New Ordinary Shares held following the Issue <sup>(1)</sup>	Percentage of Ordinary Shares following the Issue
Charles Pinney	9,103	0.05%	9,103	0.04%
Peter Arthur <sup>(2)</sup>	19,507	0.10%	71,011	0.30%
Frank Harding <sup>(3)</sup>	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 the 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 would 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.

**8. Major Shareholders**

- 8.1 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.
- 8.2 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.

**9. No significant change**

There has been no significant change in the trading or financial position of the Company since 31 July 2011 (being the end of the last financial period of the Company for which financial information has been published and incorporated by reference in Part 5 of the Prospectus).

**10. Current investment objective and policy**

The Company's current 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 subsectors 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.

## **11. Incorporation by reference**

The table below sets out the various sections of the Prospectus which are incorporated by reference into this document so as to provide the information required under the Listing Rules.

<i>Section</i>	<i>Page number in Prospectus</i>
Part I (the Company) – investment outlook	28

## **12. Consent**

Dickson Minto W.S., which is authorised and regulated in the UK by the Financial Services Authority, has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

## **13. Miscellaneous**

As at the date of this document, the Company holds no Shares in treasury.

## **14. Documents available for inspection**

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document at the registered office of the Company at 39 Earlham Street, London WC2H 9LT up to and including the close of business on 17 April 2012, and at the venue of the General Meeting for at least 15 minutes prior to and during the General Meeting:

- (i) this document;
- (ii) the Prospectus;
- (iii) the circular sent to LGIV Shareholders dated 10 February 2012 containing full details of the LGIV Scheme; and
- (iv) the Articles.

## DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

<b>Act</b>	the Companies Act 2006 (as amended)
<b>Admission</b>	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
<b>Admission and Disclosure Standards</b>	the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking admission to be admitted to trading, as amended from time to time
<b>AIM</b>	the London Stock Exchange's international market for smaller growing companies
<b>Articles or Articles of Association</b>	the articles of association of the Company
<b>Basic Entitlement</b>	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)
<b>Board</b>	the board of Directors
<b>Business Day</b>	any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)
<b>Calculation Date</b>	the time and date, which is 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
<b>certificated or in certificated form</b>	not in uncertificated form
<b>Closing Date</b>	the closing date of the Enhanced Share Buyback being 1.00 p.m. on 30 March 2012
<b>Company</b>	ProVen Health VCT plc, a company incorporated in England and Wales with registered number 4131354
<b>Costs Contribution</b>	the contribution towards the costs and expenses of the Company and LGIV in relation to the LGIV Scheme to be made by Beringea, Longbow Capital, LGIV and the Company under the Costs Contribution and Process Agreement
<b>Costs Contribution and Process Agreement</b>	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 the Prospectus)
<b>Court Approval</b>	the confirmation of the High Court of England and Wales of the cancellation of the Company's share premium account
<b>CREST</b>	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 CREST Regulations

<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>Directors</b>	the directors of the Company
<b>Disclosure and Transparency Rules</b>	the disclosure and transparency rules made by the Financial Services Authority under Part VI of FSMA as amended from time to time
<b>Effective Date</b>	the date (which is expected to be 16 March 2012) of the 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
<b>Enhanced Share Buyback</b>	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 Prospectus and the ESBB Application Form
<b>Enhanced Share Buyback Record Date</b>	6.00 p.m. on 9 February 2012 (or such other time and date as determined at the sole discretion of the Directors)
<b>Enlarged Company</b>	the Company following implementation of the LGIV Scheme (but before completion of the Enhanced Share Buyback or the Offer)
<b>ESBB Application Form</b>	the application form on which Qualifying Shareholders may apply to participate in the Enhanced Share Buyback
<b>ESBB Issue Price</b>	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
<b>Existing Ordinary Shares</b>	Ordinary Shares held on the Enhanced Share Buyback Record Date
<b>FAV per LGIV Share</b>	the formula asset value of a LGIV Share calculated as at the Calculation Date in accordance with the LGIV Scheme
<b>FAV per Ordinary Share</b>	the formula asset value of an Ordinary Share calculated as at the Calculation Date in accordance with the LGIV Scheme
<b>Form of Proxy</b>	the form of proxy which accompanies this document for use by Shareholders in connection with the General Meeting
<b>FSMA</b>	The Financial Services and Markets Act 2000 (as amended)
<b>General Meeting</b>	the general meeting of the Company convened for 10.00 a.m. on 12 March 2012 (or any adjournment thereof)
<b>HMRC</b>	HM Revenue & Customs
<b>Interim Dividend</b>	the interim dividend payable by the Company in respect of the year ended 31 January 2012 to be paid on 9 March 2012
<b>Investment Manager or Beringea</b>	Beringea LLP, the investment manager of the Company, a limited liability partnership registered in England and Wales with registered number OC342919

<b>Issue</b>	the issue of Ordinary Shares pursuant to the LGIV Scheme, the Enhanced Share Buyback and/or the Offer for Subscription (as the context requires)
<b>Issue Premium</b>	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
<b>LGIV</b>	Longbow Growth and Income VCT plc, a company incorporated in England and Wales with registered number 7423739
<b>LGIV Board or LGIV Directors</b>	the directors of LGIV or any duly constituted committee thereof
<b>LGIV First General Meeting</b>	the general meeting of LGIV convened for 12 noon on 7 March 2012, or any adjournment thereof
<b>LGIV Liquidator</b>	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
<b>LGIV Scheme</b>	the scheme of reconstruction and voluntary winding up of LGIV under section 110 of the Insolvency Act 1986
<b>LGIV Second General Meeting</b>	the general meeting of LGIV convened for 10.00 a.m. on 16 March 2012, or any adjournment thereof
<b>LGIV Shareholders</b>	holders of LGIV Shares
<b>LGIV Shares</b>	ordinary shares of 1p each in the capital of LGIV
<b>Listing Rules</b>	the listing rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended)
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Longbow Capital</b>	Longbow Capital LLP (the investment manager of LGIV), a limited liability partnership registered in England and Wales with registered number OC309046
<b>Main Market</b>	the London Stock Exchange's main market for listed securities
<b>NAV or Net Asset Value</b>	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
<b>New Ordinary Shares</b>	the new Ordinary Shares to be issued pursuant to the Issue
<b>Notice of General Meeting</b>	the notice of General Meeting set out at the end of this document
<b>Offer or Offer for Subscription</b>	the offer for subscription of Ordinary Shares as described in the Prospectus
<b>Offer Application Form</b>	the application form in respect of the Offer set out at the end of the Prospectus
<b>Offer Price</b>	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

<b>Offer Shares</b>	the New Ordinary Shares to be issued pursuant to the Offer for Subscription
<b>Official List</b>	the official list of the UK Listing Authority
<b>Ordinary Shareholders or Shareholders</b>	holders of Ordinary Shares
<b>Ordinary Shares or Shares</b>	ordinary shares of 1p each in the capital of the Company
<b>Overseas LGIV Shareholders</b>	LGIV Shareholders who are resident in, ordinarily resident in, or citizens or nationals of, jurisdictions outside the United Kingdom
<b>Overseas Shareholders</b>	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside of the United Kingdom
<b>Premium Listing</b>	a listing on the premium segment of the Official List
<b>Proposals</b>	the proposals for (i) participation of the Company 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
<b>Prospectus</b>	the prospectus published by the Company on 10 February 2012
<b>Prospectus Rules</b>	the prospectus rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended)
<b>Qualifying Company</b>	a company satisfying the requirements of Chapter 4 of Part 6 of the Income Tax Act 2007 (as amended)
<b>Qualifying Holding</b>	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)
<b>Qualifying Investment</b>	an investment by a VCT in shares in, or securities of, a Qualifying Company
<b>Qualifying Shareholders</b>	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
<b>Receiving Agent</b>	Beringea LLP of 39 Earlham Street, London WC2H 9LT
<b>Register</b>	the register of members of the Company
<b>Registrar</b>	Computershare Investor Services PLC, a company incorporated in England and Wales with registered number 3498808
<b>Regulatory Information Service</b>	a regulatory information service that is on the list of regulatory information services maintained by the Financial Services Authority
<b>Resolution 1</b>	the ordinary resolution to be proposed at the General Meeting to authorise the allotment of New Ordinary Shares in connection with the LGIV Scheme

<b>Resolution 2</b>	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
<b>Resolution 3</b>	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
<b>Resolution 4</b>	the ordinary resolution to be proposed at the General Meeting to approve the adoption of a new investment policy by the Company
<b>Resolution 5</b>	the special resolution to be proposed at the General Meeting to approve the cancellation of the Company's share premium account
<b>Resolutions</b>	Resolution 1, Resolution 2, Resolution 3, Resolution 4 and Resolution 5
<b>Restricted Jurisdictions</b>	Canada, Australia, Japan, South Africa, the United States and any other jurisdictions outside the United Kingdom where either sending this document, the Prospectus or issuing New Ordinary Shares would violate the laws of that jurisdiction
<b>Shareholder Survey</b>	the survey sent to Shareholders by the Company in October 2011
<b>Singer</b>	Singer Capital Markets Limited, a company incorporated in England and Wales with registered number 5792780
<b>Tender Price</b>	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)
<b>Transfer Agreement</b>	the agreement proposed to be entered into on or about the Effective Date between the LGIV Liquidator (in his personal capacity and on behalf of LGIV), the Company and others
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Listing Authority</b>	the Financial Services Authority acting in its capacity as the competent authority for listing for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended)
<b>uncertificated or in uncertificated form</b>	recorded in the register of members of the Company as being in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>VAT</b>	value added tax
<b>VCT or Venture Capital Trust</b>	a venture capital trust as defined in section 259 of the Income Tax Act 2007 (as amended)
<b>VCT Relief</b>	the reliefs from taxation described in the VCT Rules
<b>VCT Rules</b>	the legislation, rules and HMRC interpretation and practice regulatory the establishment and operation of venture capital trusts

# PROVEN HEALTH VCT PLC

*(Incorporated in England and Wales with registered number 04131354)*

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting of ProVen Health VCT plc will be held at 10.00 a.m. on 12 March 2012 at the offices of Beringea LLP, 39 Earlham Street, London WC2H 9LT for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1 and 4 will be proposed as ordinary resolutions and Resolutions 2, 3 and 5 will be proposed as special resolutions.

### ORDINARY RESOLUTION

#### 1. Authority to allot New Ordinary Shares in connection with the LGIV Scheme

THAT, subject to and conditional upon the scheme for the reconstruction and winding up of Longbow Growth and Income VCT plc ("LGIV") (as described in the circular to shareholders of the Company (the "Circular") dated 10 February 2012 of which this notice forms part) becoming unconditional in all respects (other than as regards any condition relating to the passing of this resolution), in addition to any existing authority, the directors of the Company (the "Directors") be and are hereby unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company, such authority being limited to the allotment of (or the grant of rights to subscribe for or to convert any security into) Ordinary Shares with an aggregate nominal value of up to £30,000 for the purposes of the LGIV Scheme, such authority to expire on 31 May 2012.

### SPECIAL RESOLUTIONS

#### 2. Authority to allot New Ordinary Shares pursuant to the Enhanced Share Buyback and the Offer for Subscription and disapplication of pre-emption rights

THAT:

- (a) in addition to any existing authority, the directors of the Company (the "Directors") be and are hereby unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company, such authority being limited to the allotment of (or the grant of rights to subscribe for or to convert any security into) Ordinary Shares with an aggregate nominal value of up to £70,000 for the purposes of the Enhanced Share Buyback and/or the Offer for Subscription; and
- (b) in addition to any existing authority, the Directors be and are hereby generally and unconditionally authorised in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) wholly for cash, pursuant to the authority referred to in resolution 2 (a) above, as if section 561 of the Act did not apply to any such allotment,

such power to expire on 31 May 2012 save that the Company may at any time prior to the expiry of such power make an offer or enter into an agreement which would or might require shares to be allotted or rights to be granted after the expiry of such power and the Directors are authorised to allot equity securities in pursuance of such an offer or agreement as if such power had not expired.

#### 3. Enhanced Share Buyback

THAT, conditional upon the passing of Resolution 2 above, the Company be authorised pursuant to section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") by means of a tender offer to all holders of Ordinary Shares to purchase up to

4,795,000 Ordinary Shares (being approximately 25 per cent. of the issued share capital of the Company as at the date of this document) at a fixed price equal to the Tender Price (as defined in the circular published by the Company on 10 February 2012 of which this notice forms part (the "Circular")) which fixed price shall, for the purposes of section 701(3)(b) of the Act, constitute both the maximum and the minimum price that may be paid for the Ordinary Shares purchased. The authority conferred by this resolution shall lapse on 31 May 2012.

#### **ORDINARY RESOLUTION**

##### **4. Change to investment policy**

THAT the proposed investment policy set out in the circular published by the Company on 10 February 2012 of which this notice forms part be and is hereby approved as the investment policy of the Company to the exclusion of all previous investment policies of the Company.

#### **SPECIAL RESOLUTION**

##### **5. Cancellation of the share premium account**

THAT:

- (a) the share capital of the Company be reduced by cancelling the entire amount standing to the credit of the Company's share premium account at the date the order is made confirming such cancellation by the High Court; and
- (b) subject to any undertaking required by the High Court, the credit thereby arising in the Company's books of account from the cancellation of the Company's share premium account pursuant to paragraph (a) of this resolution be applied in crediting 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 Companies Act 2006 and The Companies (Reduction of Share Capital) Order 2008), including the buy back by the Company of Ordinary Shares.

By order of the Board

Beringea LLP

*Secretary*

*Registered office:*

39 Earlham Street

London

WC2H 9LT

10 February 2012

**Notes:**

- (i) A member entitled to attend and vote at the General Meeting convened by the above Notice of General Meeting is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his or her place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the General Meeting, each proxy must be appointed to exercise the rights attached to a different share held by the member.
- (ii) To appoint a proxy you may use the form of proxy enclosed with this Notice of General Meeting. To be valid, the form of proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned in accordance with the instructions printed thereon to Beringea LLP, 39 Earlham Street, London WC2H 9LT **as soon as possible but in any event by so as to be received by not later than 10.00 a.m. on 8 March 2012.** Amended instructions must also be received by the Company's registrars by the deadline for receipt of forms of proxy.
- (iii) Completion of the form of proxy will not prevent you from attending and voting in person.
- (iv) Any person receiving a copy of this Notice of General Meeting as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a **Nominated Person**) should note that the provisions in notes (i) to (ii) above concerning the appointment of a proxy or proxies to attend the General Meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the General Meeting.
- (v) Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
- (vi) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only Shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days (excluding non-working days) prior to the time fixed for the General Meeting shall be entitled to attend and vote at the General Meeting in respect of the number of Shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned General Meeting is 6.00 p.m. two days (excluding non-working days) prior to the time of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
- (vii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (viii) Shareholders who hold their shares electronically may submit their votes at [proxy@beringea.co.uk](mailto:proxy@beringea.co.uk) so as to be received by the Company's Receiving Agent not later than 48 hours (excluding non-working days) before the start of the meeting.
- (ix) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
- (x) If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Rules and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Rules and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
- (xi) Any questions relevant to the business of the General Meeting may be asked at the General Meeting by anyone permitted to speak at the General Meeting. A Shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xii) At 9 February 2012, the Company's issued capital consisted of 19,183,664 Ordinary Shares carrying one vote each at general meetings of the Company. At 9 February 2012, the Company held no shares in treasury. Therefore, the total voting rights in the Company exercisable at the General Meeting as at 9 February 2012 comprised 19,183,664 votes. Further information regarding the General Meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the General Meeting (including this Notice of General Meeting) can be accessed at [www.provenvcts.com](http://www.provenvcts.com).
- (xiii) In accordance with section 311A of the Companies Act 2006, the contents of this Notice of General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.provenvcts.com](http://www.provenvcts.com).
- (xiv) You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

