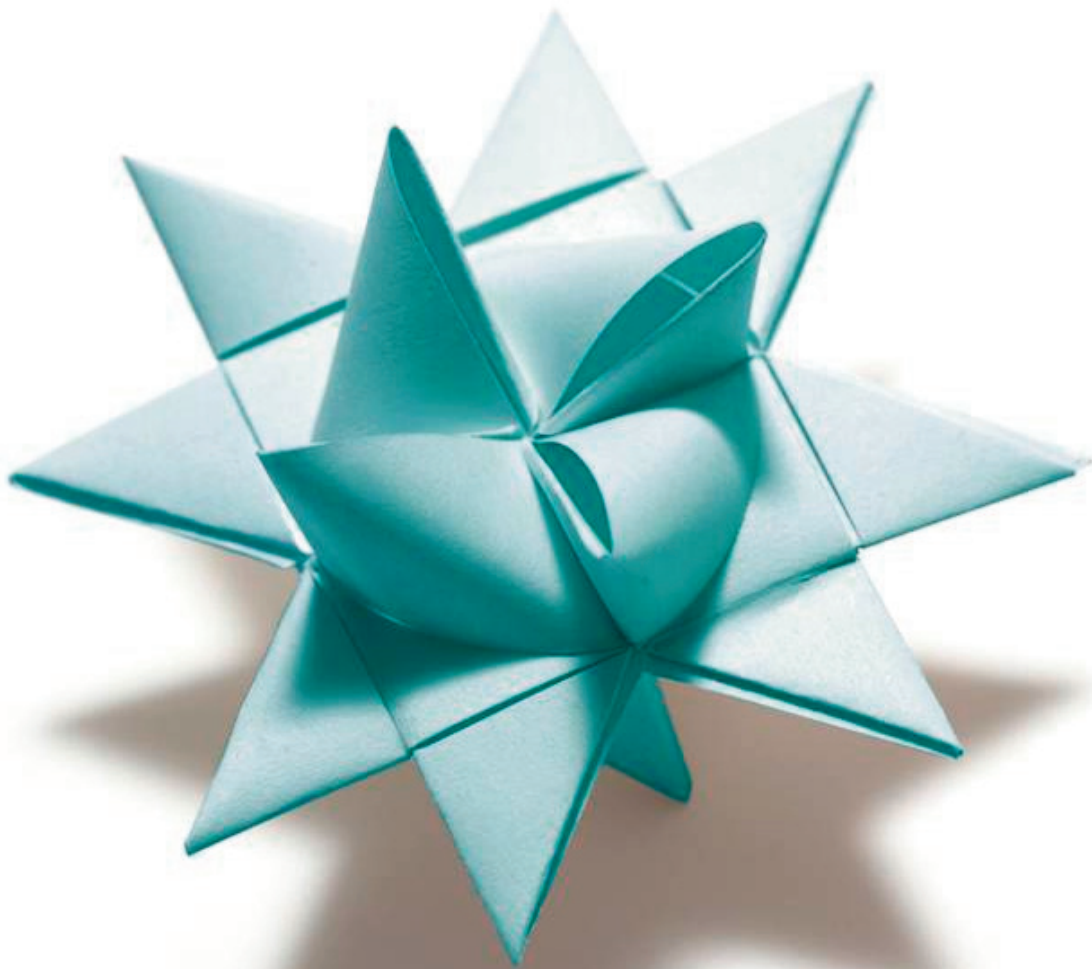


pembroke

VENTURE CAPITAL TRUST



TOP-UP OFFER 2013/14 & 2014/2015 OFFER DOCUMENT

Target to raise £1,649,200 by way
of an issue of New Shares
in the Company

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should seek your own financial advice from a person authorised under the Financial Services and Markets Act 2000.

This document, which is a financial promotion and not a prospectus, is issued by Pembroke VCT plc (the “Company”) and has been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by Oakley Capital Management Limited, which is authorised and regulated by the Financial Conduct Authority (registration number 506482), on behalf of the Company.

The Top-Up Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa or their respective territories or possessions, and documents related to the Top-Up Offer should not be distributed, forwarded or transmitted in or into such territories. The New Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or US Investment Company Act of 1940 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa.

Oakley Capital Management Limited is acting exclusively for the Company in connection with the Top-Up Offer and will not be

responsible to anyone other than the Company for providing the protections afforded to clients in accordance with the rules of the Financial Conduct Authority or for advising any such person in connection with the Top-Up Offer.

The terms and conditions are set out on pages 24 to 26 of this document, together with the application procedure and an application form for use in connection with the Top-Up Offer. The minimum subscription per investor is £3,000 per tax year. The completed application form(s) in respect of the Top-Up Offer should be sent by post or delivered to: The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF by no later than noon on 4 April 2014, in respect of the 2013/14 tax year and noon on 30 June 2014 in respect of the 2014/15 tax year.

Application will be made to the UK Listing Authority for all the New Shares issued under the Top-Up Offer to be admitted to the premium segment of the Official List. Application will also be made to the London Stock Exchange for all such shares to be admitted to trading on the London Stock Exchange’s Main Market for Listed Securities. It is expected that admission of those shares will become effective and dealings will commence within 20 business days following allotment.

Any decision on whether or not to invest should be based on a reading of the whole of this document. Your attention is drawn to the “Risk Factors” set out on pages 1 to 3 of this document.

Prospective investors should consider carefully the following risk factors, as well as the other information in this document, before investing in the New Shares. Prospective investors should read the whole of this document and not rely solely on the information in the section entitled “Risk Factors”. The business and financial condition of the Company could be adversely affected if any of the following risks were to occur and as a result the trading price of the New Shares could decline and investors could lose part or all of their investment.

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

The Directors draw the attention of potential investors to the following risk factors which may affect an investment in shares in the Company (“New Shares”), the Company’s performance and/or the availability of tax reliefs.

- The New Shares will usually trade at a discount to their underlying net asset value. The value of an investment in the Company depends on the performance of its underlying assets and that value and the income derived from the investment may go down as well as up and an investor may not get back the amount invested.
- Although the New Shares will be listed on the Official List and admitted to trading on the London Stock Exchange, shares in VCTs are inherently illiquid and there may be a limited market in the New Shares primarily because the initial tax relief is only available to those subscribing for newly issued Shares and Shareholders may, therefore, have difficulty in selling them.
- The Directors are committed to maintaining the Company’s VCT status but there can be no guarantee that the Company will fulfil the criteria to obtain, or to enable it to maintain, full VCT status. If the Company loses its approval as a VCT before investors have held their shares for five years, the 30% income tax relief obtained will have to be repaid by such investors. Following a loss of VCT status, an investor will be taxed on dividends paid by the Company, and in addition, a liability to capital gains tax may arise on any subsequent disposal of Shares.
- Where full approval as a VCT is not maintained, any dividends previously paid to holders of Shares will be liable to be assessed to income tax in the year in which they were paid. Interest may also be due. The Company will also lose its exemption from corporation tax on capital gains. If at any time VCT status is lost, dealings in the Shares will normally be suspended until such time as the Company has published proposals to continue as a VCT or be wound up.
- The information in this document is based on existing legislation, including taxation legislation. The tax reliefs described are those currently available. Levels and bases of, and relief from taxation are subject to change. Such change could be retrospective. The value of tax reliefs depends on the personal circumstances of holders of shares, who should consult their own tax advisers before making any investment.
- Smaller unquoted companies, usually with limited trading records, requiring venture capital frequently experience significant change. Investments in such companies carry substantially higher risks than would an investment in larger or longer-established businesses.
- Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in the main market. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Proper information for determining their value or the risks to which they are exposed may also not be available.
- Valuations of unquoted companies are determined by the Directors within IPEVC guidelines. However these valuation policies take account of stock market price earning ratios for the relevant industry sectors, discounted

for non-marketability, and, therefore, the valuation of the portfolio and opportunities for realisation depend on stock market conditions.

- The Company's investments may be difficult to realise. There may also be constraints imposed on the realisation of investments by reason of the need to maintain the tax status of the Company.
- The Company may make investments into companies with similar trading profiles and with exposures in the same industry and/or to the same customer base. The Company will have no more than 15% by value of its investments in any single company or group at the time any investment is made or added to. The level of returns to the Company may, therefore, be adversely affected by any downturn in those sectors or the sources within those sectors from which income is derived.
- The Company does not intend to invest in a large number of Qualifying Investments, instead concentrating on a limited number of Qualifying Investments but at the same time ensuring that no one investment represents more than 15% (by value) of its total investments. By concentrating on a smaller number of Qualifying Investments, risk is not spread as widely but is more concentrated between a smaller number of Qualifying Investments. (Qualifying Investment means a qualifying investment for the purposes of Chapter 4 of Part 6 of the Income Taxes Act 2007 (as amended)).
- Although the Company expects to receive certain conventional venture capital rights in connection with its unquoted investments, as a minority investor it will not control the companies in which it invests (or their boards of directors) and may not always be in a position to fully protect its interests.
- An investment in the Company should be regarded as long-term in nature as a sale by investors of their Shares within 5 years will require a repayment of the 30% income tax relief obtained and is, therefore, not suitable for all individuals. Potential Investors should consult their professional advisers prior to making any investment decision in relation to the Top-Up Offer.
- The past performance of members of the Management Team is no indication of future performance.
- The Manager will provide discretionary and advisory investment management services to the Company in respect of its portfolio of investments. If the Manager does not perform its obligations in accordance with the agreement regulating the provision of these services, the performance of the Company and/or its ability to achieve or maintain VCT status, may be adversely affected.
- The term of the investment management agreement between the Manager and the Company is ten years (with the exception of termination in certain circumstances e.g. insolvency events of the Manager, unremedied material breach, etc), and the Company will, therefore, be unable to terminate this agreement as a result of underperformance by the Manager.
- The Manager, or any of its officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an 'Interested Party') may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. An Interested Party may not be liable to account for any profit made in connection with these activities. For example, and without limitation, an Interested Party may:
 - (a) deal or invest in any investment, whether or not for its own account and notwithstanding that similar investments may be held by the Company;
 - (b) enter into or be interested in any financial or other transaction with any entity any of whose securities are held by or for the account of the Company;
 - (c) allocate investment opportunities among the funds and accounts it manages in accordance with its internal policies;
 - (d) arrange for the Company to acquire investments from or dispose of investments to any Interested Party or any investment fund or account advised or managed by any such person.

In the event of a conflict of interest arising in relation to the above circumstances, and so far as it is within their powers to do so, the Directors will endeavour to ensure that it is resolved fairly and in accordance with the conflicts policy from time to time relating to the Company. To the extent that the Company intends to invest in a company in which another fund managed by the Manager has invested or intends to invest, the investment must be approved by the Board.

- Businesses in which the Company invests may incur unplanned costs and delays as a result of statutory and regulatory requirements in areas such as labour and health and safety, or where construction operations do not proceed as planned, which may prevent them from fulfilling their business plans and reduce the level of returns to the Company.
- The level of returns from investments may be reduced if there are delays in the investment programme, such that part of the net proceeds of the Top-Up Offer are held in cash or cash-based similar liquid investments for longer than anticipated, or if the investments cannot be realised at the expected time and values.

Risks associated with exposure to Non-Qualifying Investments

In addition to the risks shared with Qualifying Investments, there are certain risks specifically associated with investments in Non-Qualifying Investments which should be carefully considered by prospective investors:

- The performance of the Company's Non-Qualifying Investments is affected by the selection of funds and managers by the Manager and by investment decisions of such portfolio managers. There is no guarantee (whether from the Manager or any other party) that the Company will meet its investment objective.
- Potential Investors in the United Kingdom are advised that all or most of the protections provided by the UK regulatory system do not apply to the Company's investments in or exposure to the Non-Qualifying Investments. For example, the Company will not benefit from the Financial Services Compensation Scheme and may not be eligible to make an application under the Financial Services Ombudsman Scheme.
- The Company's portfolios of Non-Qualifying Investments are subject to market fluctuations. There can be no assurance that appreciation will occur or that losses will not be incurred.
- The ability of the Company to return funds to Shareholders may be adversely affected by illiquidity in underlying assets.
- It may be difficult to deal in investments for which there is no recognisable market or to obtain reliable information about their value or the extent of the risks to which such investments are exposed.
- Non-Qualifying Investments may have redemption periods that result in investments being illiquid and not readily realisable, and which could result in the premature realisation of other investments.
- Initially, whilst suitable Qualifying Investments are being identified in accordance with the Company's investment policy, the Company's funds will be invested in a range of Non-Qualifying Investments. The risks stated above may have a greater impact on the Company's assets during the period until the Company's funds are fully invested for the purposes of the VCT rules.

Key Terms of The Top-Up Offer

Offer Price per New Share	100p
Maximum number of New Shares to be issued in the Top-Up Offer	1,649,200 New Shares (being 10% of the shares in issue as at the date of this document)
Minimum subscription per investor under the Top-Up Offer	£3,000
Promoter's fee	2% of sum subscribed
Annual running costs (including management fees)	Capped at 2% of NAV
Payments to intermediaries:	
(i) Initial commission payable to intermediaries in respect of either retail investors subscribing through an authorised intermediary on an execution only basis or professional investors subscribing through an authorised intermediary.	2% of sum subscribed
(ii) Annual trail commission payable to intermediaries in respect of either retail investors subscribing through an authorised intermediary on an execution only basis or professional investors subscribing through an authorised intermediary.	0.25% of sum subscribed for up to four years

Expected Timetable

2013/2014 Offer opens	27 February 2014
2013/2014 Offer closes	Noon, 4 April 2014
2014/2015 Offer opens	6 April 2014
2014/2015 Offer closes	30 June 2014
Allotments	As determined by the Manager
Dealings in New Shares commence	Within 20 business days following allotment
CREST accounts credited	The business day following allotment
Definitive share certificates and income tax relief certificated despatched	Within 14 days of allotment

Notes:

1. Successful Applicants (and/or where appropriate their authorised financial intermediaries) will receive an acknowledgement letter from the Receiving Agent on receipt of their Application Form.
2. The Offers may close earlier than the dates stated above if they are fully subscribed by an earlier date. The Directors of the Company reserve the right to accept Application Forms and to allot and arrange for the listing of New Shares in respect of applications received in respect of the Offers on or prior to the closing dates of the Offers as the Directors of the Company see fit.
3. The allotment of New Shares by the Company is at the discretion of the Directors of the Company and is expected to be made on 5 April 2014 in respect of tax year 2013/2014 and on 30 June 2014 in respect of tax year 2014/2015, although there may be additional allotments (at the Manager's discretion). All allotments will be made at a price of 100p per share as set out under "Key Terms of the Top-Up Offer" on page 4.
4. Revocation of applications cannot occur after New Shares have been allotted.

Letter from the Chairman of the Company

Pembroke VCT plc

(Registered in England and Wales No 08307631,
an investment company under section 833 of the Companies Act 2006)

Directors

Jonathan Djanogly (Chairman)
Laurence Blackall
Peter Dubens

Registered office

3 Cadogan Gate
London
SW1X 0AS

27 February 2014

Dear Investor,

Pembroke VCT plc (the “Company” or “Pembroke”) was a new venture capital trust (VCT) launched in 2013 which raised £16.5 million in its first public offer and is now seeking to supplement that with a Top-Up Offer targeting a fundraise of an extra £1.65million. The Company’s objective is to invest in a diversified portfolio of smaller unquoted companies, with the object of generating significant returns whilst enabling Investors to benefit from substantial tax benefits. In other words, Pembroke provides investors with access to a private equity style investment strategy.

Pembroke seeks opportunities which are capable of significant organic growth and sustainable cash generation. The Company aims to replicate the smaller company investment strategy successfully implemented by Peter Dubens since 2004 with the support of the team that has since joined him. A key feature of this strategy will be an investment bias towards consumer-facing businesses which have an established brand or with the potential to develop their brand.

Since completing its first issue of Ordinary Shares in April 2013, the Company has made an initial 14 investments totaling £7.6m in aggregate and with a further £2.6m set aside as deferred consideration or for follow-on investments, as set out in more detail later in this document. The New Shares to be issued in the Top-Up Offer will rank equally with the existing issued Ordinary Shares and will participate pro rata in the existing investments of the Company.

Peter Dubens, a director of the Company and the founder of the Manager, Oakley Capital Management Limited, has built a strong track record of investment in unquoted companies over the last eight years spanning various market cycles and investment conditions. The Company expects the majority of investments will continue to be sourced through a network of existing personal and professional contacts of Peter Dubens and the team.

VCTs offer significant tax advantages over most investment products (provided the qualifying criteria are complied with), including:

- income tax relief of 30% is available on the amount invested, provided those shares are held for a minimum of 5 years
- dividend payments are tax free
- no capital gain arising when shares are sold

Investment Management Team – Background

Peter Dubens and certain members of his team (together the “Management Team”) have worked together for a number of years, principally under the banner of Oakley Capital Limited (“Oakley”). Oakley was established in 2000 by Peter Dubens to capitalise on his entrepreneurial and investment experience. From 2000 to 2006, Peter, supported by the team at Oakley, focused primarily on the operational improvement and consolidation strategies of both 365 Media Group plc (“365 Media”) and Pipex Communications plc (“Pipex”). Investments in these businesses together generated a realised gross IRR of 29% over the life of the investment and a cash multiple of 2.6x the original investment cost (*source: unaudited figures provided by the Manager*).

Oakley Capital Private Equity L.P. was established in 2007 and focuses on investments in the UK and Western European middle-market (the “Oakley Private Equity Fund”). At final closing it had €288 million of committed capital. Since launch, it has generated a realised and unrealised gross IRR of 43% and a 2.2x cash multiple as at 30 June 2013. To 30 June 2013 Oakley Capital Private Equity L.P. had returned to its investors an amount equivalent to 84% of their paid-in capital (*source: unaudited figures provided by the Manager*).

The Management Team is described on pages 8 and 9.

It should be noted that past performance is not a guarantee of future success.

The Top-Up Offer

The Company is seeking to raise up to a further £1.65 million from investors to invest in Qualifying Investments and Non-Qualifying Investments, in accordance with its investment policy.

The Company offers a differentiated investment strategy which focuses on making investments in consumer-facing businesses capable of building a brand in their chosen marketplaces. Initially, whilst suitable Qualifying Investments are being identified, the Manager will continue to invest the net proceeds of the Offer and the Top-Up Offer in a range of Non-Qualifying Investments intended to generate a positive return which may include money market securities, gilts, listed securities, cash deposits and unquoted companies. The Company will continue to hold up to 30% of its net assets in such products after it is fully invested under the VCT Rules.

As investments in investee companies are sold, the Company intends to pay the net proceeds it receives from each sale to Investors. It is anticipated that realisations of Qualifying Investments will occur within 3-7 years of the date the Company invests.

The Company has been structured as a VCT to take advantage of the substantial tax reliefs available to UK income taxpayers investing in VCTs, including 30% income tax relief on the amount invested. This results in an investment with a net cost of 70p being worth 100p within the fund, less issue costs of 2p.

The Company is taking advantage of the rule which permits it to issue a further 10% of its existing share capital in order to “top-up” the earlier and successful prospectus offer made by the Company pursuant to a prospectus dated 15 February 2013.

If you have any questions in relation to participation in the Top-Up Offer please do not hesitate to contact James Bruce at the Manager (james.bruce@oakleycapital.com) but please note that he is not able to give investment advice and if you have any doubt as to whether or not you should invest in New Shares you should seek your own financial advice from a person experienced and authorised to give such advice.

Yours sincerely,

Jonathan Djanogly
Chairman

1. INTRODUCTION

The objective of the Company is to invest in a diversified portfolio of small, principally unquoted companies, and select those which the Manager believes provide the opportunity for value appreciation, following a private equity style investment strategy.

2. THE MANAGER

Oakley Capital Management Limited is the current Manager of the Company and was appointed on 15 February 2013. The Manager is authorised and regulated by the Financial Conduct Authority ("FCA") to conduct investment business. In view of the range of the services provided and the diverse investment mandates undertaken by the Oakley group and the Manager, the Oakley group believe that the interests of the Oakley group and its investors would be better served by having the Company and other similar investment management mandates undertaken by an investment manager separate from the Oakley group. Therefore, it is proposed that a new entity, Pembroke Investment Managers LLP ("PM"), will act as investment manager to the Company. PM's application for the necessary authorisation and regulatory permissions from the FCA for PM to conduct investment business has recently been approved. It is intended that the Investment Management Agreement ("IMA") will be novated across to PM very shortly. There will be no change in the terms of the IMA or any fee chargeable to the Company under the IMA. The Management Team to the Company will remain the same.

2.1 The VCT Management Team

Peter Dubens

Peter Dubens is the founder of Oakley and its associated group of businesses, a privately owned asset management and advisory group which now comprises private equity, asset management, venture capital, corporate finance and capital introduction operations, managing over US\$1 billion of discretionary capital. Peter has, over the last 27 years, managed the acquisition, restructuring and consolidation of public and private companies, including the formation of two public companies, namely of 365 Media Group plc ("365 Media") and Pipex Communications plc ("Pipex"). The 365 Media Group plc consolidated 12 businesses within the online sports information and betting industry and Pipex Communications plc consolidated 14 businesses within the telecoms and internet industries. 365 Media was sold for over £102 million to BSkyB and the main operating divisions of Pipex were sold for £370 million. Peter is Managing Partner of Oakley and will focus on deal origination in relation to the Company.

Andrew Wolfson

Andrew Wolfson joined Oakley in 2009. Andrew has worked on a number of the small company portfolio companies including KX, Tom Aikens and James Perse. Prior to joining Oakley, Andrew ran a number of businesses working across a breadth of sectors from hospitality to manufacturing and telecoms. Andrew is also a director of Benesco Charity Limited, and a trustee of The Charles Wolfson Charitable Trust.

Tristan Manuel

Tristan joined the Oakley group in 2013 and focuses on evaluating new investment opportunities, executing transactions and ongoing portfolio management for Pembroke. Prior to this, Tristan worked at Nomura in their investment banking division advising on healthcare M&A transactions. Previously he also worked at KPMG in their Transactions Services team in the private equity group where he performed financial due diligence on a diverse range of European private equity assets. Tristan qualified as a Chartered Accountant in 2009, and holds a first class degree from the University of Nottingham in Genetics.

Flora McAlpine

Flora joined the Oakley group in 2011 having graduated from Oxford University with a BA (Hons) degree in History. She focuses on evaluating the brand value of new investment opportunities and working with management teams to aid development within Pembroke portfolio businesses. Prior to Pembroke she worked on other small company portfolio companies within the Oakley group, developing digital media and new product development strategies.

James Bruce

James Bruce focuses on capital raising and investor relations for Pembroke. James joined from Royal Bank of Scotland where he was a Pan- European cash equity sales trader for four and a half years. He predominantly covered UK institutions and specialised in UK mid and small cap companies. Prior to working at RBS, James had a six year career as a professional cricketer with Hampshire County Cricket Club. He joined the staff full time at Hampshire after graduating from Durham University with a degree in Geography.

2.2 Management fees

The Manager has agreed with the Company that it will indemnify the Company if the total annual running costs of the Company are more than 2.0% of Net Asset Value. Otherwise, the Manager will receive an annual investment management fee only if, and to the extent that, the annual running costs (disregarding any annual management fee payable) amount to less than 2.0% of the Company's NAV. In such a case the management fee (exclusive of VAT) will be payable quarterly in advance.

As is customary in the venture capital industry, the Manager will receive an incentive fee when the Company has performed well. In order to ensure that the interests of the Manager and Shareholders are aligned, and to provide a strong incentive to the Manager, a performance fee will not be payable until distributions (whether of capital or income) to Shareholders have exceeded certain thresholds. The Manager will receive performance related incentive fees (exclusive of VAT) of 20% of any amounts distributed to Shareholders in excess of £1 per Share provided that Shareholders have received a return of 8% per annum per Share (calculated on a daily basis and not compounded) on the amount subscribed per Share as from the date of the last allotment under the Offer. Where, at the time of a distribution there have been previous distributions to Shareholders, the return will be calculated from the day after the previous distribution date on the total amount subscribed per Share by Shareholders but reduced by the aggregate amount of such previous distributions made on a per Share basis.

There will be no change in the application of the above fees consequent on the change of Manager described in 2 above.

3. INVESTMENT STRATEGY

3.1 Investment portfolio

The Company will continue to invest primarily in unquoted companies, across a diverse range of businesses, predominantly those which the Manager considers are capable of organic growth and, in the long term, sustainable cash flow generation. The investments will be focused towards consumer-facing businesses with an established brand or where brand development opportunities exist. The Company will continue its strategy of investing in a small portfolio of qualifying investments where, in most cases, the Manager is able to exert influence over key elements of each investee company's strategy and operations. Investee companies may be at any stage in their development from start-up to established businesses, however Pembroke aims to have a split of circa 60% established businesses and circa 40% start-up. It is expected that a substantial proportion of the Qualifying Investments will be in the form of ordinary shares, and in some cases preference shares or loans.

It is anticipated that, at any time, up to 30% of investments will be held in Non-Qualifying Investments, recognising that no single investment will represent more than 15% of net assets (at the time of investment). Until suitable Qualifying Investments are identified, up to 30% of the net proceeds of the Offer will be invested in a portfolio of investments which may include unquoted companies, money market securities, gilts and cash deposits. The portfolio of Non-Qualifying Investments will be managed with the intention of generating a positive return.

Peter Dubens, a Director of the Company and the member holding the majority interest in the Manager, will participate in each Qualifying Investment made by the Company at the same time and on the same terms (in particular as to the ratio of debt/equity) as the Company. Peter will invest more or less than the Company, subject to a minimum of £10,000.

3.2 Risk diversification

The Directors will control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of unquoted companies, in particular, targeting a variety of sectors.

In order to limit concentration in the portfolio that is derived from any particular investment, at all times no more than 15% by value of the Company's investments (at the time of investment) will be invested in any single company. In addition, no more than 10%, in aggregate, of the assets of the Company (at the time the investment is made) will be invested in other listed closed-ended investment funds.

The Company may invest in a range of securities including, but not limited to, ordinary and preference shares, loan stocks and convertible securities, and other interest-bearing securities. Unquoted Qualifying Investments will usually be structured as a combination of ordinary shares, preference shares and loans.

3.3 Gearing

Whilst the board of directors of the Company (the "Board") does not intend that the Company will borrow funds, the Company is entitled to do so subject to the aggregate principal amount outstanding not at any one time exceeding 25% of the value of the adjusted capital and reserves of the Company (being, in summary, the aggregate of the issued share capital, plus any amount standing to the credit of the Company's reserves, deducting any distributions declared and intangible assets and adjusting for any variations to the above since the date of the relevant balance sheet).

3.4 Investment process

The Manager has sourced the majority of the Company's investments to-date from the extensive personal and professional networks of the Management Team, and this is expected to continue. Once relevant opportunities of interest are identified, the Manager conducts internal due diligence (legal, financial and commercial) which involves desk based research, industry reports, and Q&A sessions with management. Where the investment exceeds a certain size, the Manager will engage third party providers to conduct due diligence on its behalf.

3.5 Co-investment and Conflicts of Interest

The Company has co-invested, and expects to continue to co-invest, with other vehicles managed by the Oakley group and with the Directors and directors and members of the Management Team and the wider Oakley team (the "Oakley Investors"). Peter Dubens, a Director of the Company and the sole shareholder and a director of the Manager, participates in each Qualifying Investment made by the Company at the

same time and on the same terms (in particular as to the ratio of debt/equity). Peter invests more or less than the Company, subject to a minimum of £10,000. The Directors believe that the Company has benefited from the enhanced deal flow and better prospects created as a result of the Company's ability to co-invest in larger deals. Where the Manager identifies suitable opportunities for investment by the Company, the investment by the Company will be on the same terms as those accepted by other Oakley Investors, other than where the investment is follow-on to a pre-existing investment. However, the Manager, in consultation with the Independent Board has the discretion to accept a different allocation of the investment opportunity to reflect considerations such as the remaining life of a company or fund, the requirement to achieve or maintain a minimum of 70% by value of a VCT's portfolio in Qualifying Investments or the availability of funds.

If situations arise where the Company proposes to invest in the same companies as other funds managed by the Oakley group, but at a different time or on different terms, any such proposed investment will require approval by the Independent Board.

No member of the Oakley group is obliged to offer co-investment opportunities to the Company.

The Board will be responsible for determining the Company's investment policy and will have overall responsibility for the Company's activities. In accordance with the Listing Rules, a material change in the investment policy of the Company will only be effected with the prior approval of Shareholders.

In the event of a conflict of interest arising any potential conflicts will be dealt with and approved by the Independent Board and in accordance with the Conflicts Policy as set out in the Manager's Compliance Manual.

3.6 Exit opportunities

The Company aims to exit each of its Qualifying Investments after a holding period of approximately 3-7 years. The Management Team considers the likely exit options as part of its due diligence process on the opportunity before making a recommendation to invest. The Management Team has extensive experience of selling companies both to strategic buyers and private equity investors from which the Company will benefit.

Where possible, the Company will endeavour to orchestrate an exit from an investee company at the same time as other shareholders as this is likely to maximise value for Investors.

As interests in the investee companies are sold, the Company intends to pay the net proceeds it receives from each sale to Investors, most likely by way of a tax free dividend. Net proceeds are calculated after deducting costs of the transaction and any performance incentive payable.

4. DIVIDEND POLICY

Generally under the VCT Rules, a VCT must distribute by way of dividend such amount as to ensure that it retains not more than 15% of its income from shares and securities. The Directors aim to maximise tax free distributions to Shareholders by way of dividends paid out of income received and from capital gains received following successful realisations. All distributions are expected to be free of UK income tax to individuals aged 18 or over who acquire their shares within the annual £200,000 limit.

5. SHARE BUY BACK POLICY

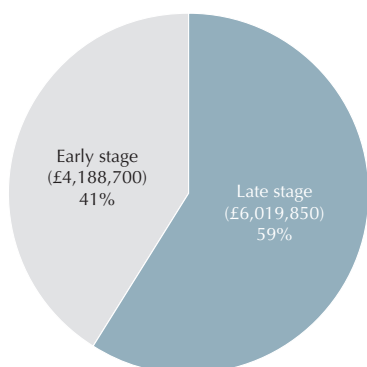
Although the Company's Shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's market for listed securities, there is an illiquid market and therefore Shareholders may find it difficult to sell their Shares in the market. In order to try to improve the liquidity in the Shares, the Company operates a share buy back policy. The Company will endeavour to repurchase shares which Shareholders wish to sell, at a discount to net asset value per Share, less transaction costs payable to market makers and stockbrokers. Any purchase of Shares will be subject to authority from Shareholders (currently the Company has authority to purchase up to 14.99% of its issued share capital annually), the Listing Rules and having the necessary cash resources and distributable reserves available for the purchase. Shares bought back by the Company may be cancelled or held in treasury for later sale in the market. Shares which have not been held for five years are considered for tax purposes to be a disposal and, therefore, subject to clawback by HMRC of any upfront income tax reliefs obtained on subscription. Shareholders should seek professional advice in relation to any disposal of Shares.

1. INVESTMENT PORTFOLIO

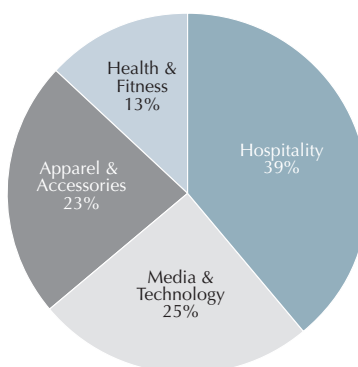
As at the date of this document, the investment portfolio of Pembroke VCT plc is made up as follows.

Name	Date	Investment (committed)	Proportion of total fund	Non- equity portion	% non- equity	Non- qualifying portion	Equity acquired
Health & Fitness							
Boom Cycle	29/04/2013	£429,700	2.7%		0%		27.2%
KX Gym	26/09/2013	£700,000	4.4%		0%		11.8%
Plenish	25/06/2013	£225,000	1.4%		0%		28.7%
Dilly & Wolf (Previously B Healthy Snacks)	22/10/2013	£170,000	1.1%		0%		21.3%
Hospitality							
Premium fast-food restaurant chain	01/08/2013	£1,320,000	8.2%	£1,320,000	100%	£1,320,000	na
Chilango	07/11/2013	£449,850	2.8%		0%		c.3%
La Bottega Deli-Caffe	01/08/2013	£1,960,000	12.2%	£1,000,000	51%	£1,000,000	32.0%
Chucs Bar and Grill	18/10/2013	£214,000	1.3%		0%		30.0%
Apparel & Accessories							
Kat Maconie	25/06/2013	£320,000	2.0%		0%		32.0%
Troubadour Goods	23/09/2013	£590,000	3.7%		0%		45.0%
Bella Freud	26/11/2013	£450,000	2.8%	£200,000	44%		27.8%
Chucs	21/12/2013	£790,000	4.9%	£140,000	18%		c.30%
Media & Technology							
Boat International	13/01/2014	£2,100,000	13.1%	£400,000	19%		21.0%
Rated People	17/01/2014	£490,000	3.0%		0%		c.3%
Total invested		£10,208,550	63.5%	£3,060,000		£2,320,000	

Total Investments: £10,208,550



Total investments by industry group



2. INFORMATION ON THE INDIVIDUAL INVESTMENTS

Health & Fitness

BOOMCYCLE

Boom Cycle:

BOOM Cycle is a new indoor cycling concept which offers a fun high intensity cardiovascular workout. The business currently has two studios based in Shoreditch and Holborn where they combine indoor spin cycling with various exercise classes for both upper and lower body work-outs. BOOM Cycle is one of the first dedicated spinning studios in London, and it has the potential to replicate the success of some larger players in the US (e.g. Soul Cycle and Fly Wheel). The investment will be used to help roll-out the concept across London.



GYM | SPA | RESTAURANT

KX Gym:

KX Gym, founded in 2002, is a private members gym and spa, which includes a restaurant and clubroom located in Chelsea, London. KX offers members an exclusive holistic approach to wellbeing incorporating fitness, diet and relaxation. Pembroke's investment will allow KX to maintain exclusivity (i.e. minimal volume growth), whilst enhancing secondary spend (restaurant, spa, personal training), and continuing to build the KX brand to offer other associated products (e.g. KX Life, KX Urban and KX Concierge).



Plenish:

Plenish, founded in 2012, is one of the leading cold-pressed juicing businesses in the UK offering 100% raw (unpasteurised) juice. Cold-press juicing is a convenient way to pack a large amount of vegetables and fruit into your diet. The company offers both a full body cleanse package and off the shelf juice bottles (250ml). The company is currently selling via two main channels: online and through select wholesale accounts (e.g. Selfridges, Planet Organic, Harvey Nichols, The Natural Kitchen and Daylesford Organic). Cold press juicing is in the early stages in the UK, and therefore represents an attractive growth opportunity.



Dilly & Wolf (Previously B Healthy Snacks):

Founded in 2013, Dilly & Wolf, is a new premium snack brand. The company produces tasty and nourishing food using globally inspired recipes such as kabuki peas, quinoa and fava beans. The company plans to launch in Selfridges in mid-2014 with no less than 5 products. The snack market in the UK is a competitive market place, however the Company believes there is an opportunity to launch a wholesome and nutritious snack brand which competes at a premium level.

Hospitality



Premium fast-food restaurant chain:

The company serves a range of hand-made burgers made with fresh locally sourced beef and cooked on a grill, along with fresh-cut fries cooked in pure peanut oil, served with unlimited toppings. Currently there are two restaurants in London and one in SE England. The investment will be used to roll-out the brand across the UK.



Chilango:

Chilango is a fast-casual Mexican restaurant chain concept based on successful US business models. There are six London restaurants today: Upper Street, Fleet Street, Chancery Lane, London Wall, Brushfield Street and Leather Lane. The investment proceeds will be used to fund further roll-out of the Chilango brand.



La Bottega Deli-Caffe:

La Bottega is an Italian chain of delicatessens in London, which serve high quality authentic Italian food and coffee. The food is sourced either locally (cold meats, pastries, drinks and other grocery items) or directly from Italy. Currently there are six shops trading in London in Chelsea, Belgravia, South Kensington, Ryder Street, Berners Street and Pont Street. The investment will be used to provide expansion capital to open multiple new sites across selected neighbourhoods in London.



Chucs Bar & Grill:

Chucs Bar & Grill will be a new restaurant / bar which will reflect the same style and branding of the Chucs retail brand. The restaurant will be situated on Dover Street in Mayfair, directly next door to the Chucs retail store, and is expected to launch in mid-2014. Chucs Bar & Grill will have c.18 covers inside and 8 covers outside, serving food and drinks all day, offering different menus for breakfast, lunch, tea and dinner with an array of cocktails in the evening. Combining the Chucs retail offering with a restaurant will create an innovative consumer experience. The investment proceeds will be used to acquire the lease, fund fit-out costs and working capital going forward.

Apparel & Accessories

KAT MACONIE

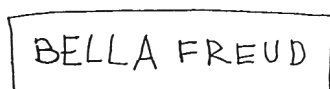
Kat Maconie:

Kat Maconie, founded in 2008, designs and manufactures ladies shoes which are sold online, in department stores and boutiques globally. The range consists of flats, heels, boots and wedges and focuses on younger demographic with current “on-trend” designs. Kat Maconie and her team design the shoes in-house and they are produced in Brazil. The investment will be used to expand the main line collections, enhance sales and marketing efforts, and improve the e-commerce platform for the business.

TROUBADOUR

Troubadour Goods:

Troubadour Goods is a London-based luxury men’s accessories brand specializing in designing and creating superior handcrafted leather goods. They offer a line of seven leather pieces ranging from a wallet to a weekend bag. The products are available at a number of retailers in the UK including Harvey Nicols, Harrods, Oki-ni and Autograph. Additionally, they have recently appointed new stockists in the US and Canada. The investment will be used to enhance sales and marketing efforts, provide working capital and to expand the current product portfolio.



Bella Freud:

Bella Freud is a fashion designer and manufacturer who produces a range of high end men’s and women’s clothing, focusing on knitwear. Currently her products are available at her own online website and through a range of other online retailers (e.g. Net a Porter and Space NK). The investment will be used to develop an e-commerce platform, expand the collections and provide cashflow to fund production runs.



Chucs:

Chucs is a luxury brand for men’s and women’s outdoor wear. The product range falls into two main areas, focusing on beach and mountain with classic and sport in both lines. Chucs currently sells via their online store, a retail store on Dover Street, London and through a number of stockists (including Mr Porter and Holt Renfrew). The investment will be used to refine the mainline collections, expand their wholesale presence and enhance sales and marketing.

Media & Technology



Boat International

Boat International Media is the world's leading media provider for the global superyacht community. The company produces events, magazines, books and digital platforms targeted at superyacht owners, buyers, sellers, operators, builders, captains and crew and brokers. Pembroke has led a consortium of investors to complete a management buy-out which will de-lever the business allowing the company to support the growth strategy. Going forward, management will continue to develop the print media platform and accelerate the transition to digital.



Rated People

Rated People, founded in 2005, is the UK's #1 online marketplace for homeowners to find tradesmen in the UK. Individuals can place job requests on the platform for a range of different tradesman (e.g. painting / decorating, electrician, plumber etc) to which tradesman can respond. The platform has c.24,000 tradesmen over the UK for which over 380,000 ratings have been provided by homeowners who have used them. The investment will be used to enhance the sales and marketing effort, and look at select bolt-ons to improve the service offering and user experience.

1. KEY TERMS OF THE TOP-UP OFFER

It is proposed that Pembroke VCT plc raise up to £1,649,200 by way of a Top-Up Offer for subscription for up to 1,649,200 New Shares.

The Issue Price is 100p.

The New Shares will rank pari passu with the Existing Ordinary Shares.

The Directors of the Company invested £625,000 in the original Offer ensuring that their interests are aligned with other shareholders.

2. MINIMUM APPLICATION

The minimum application level under the Offer is £3,000 and thereafter in multiples of £1,000. The maximum aggregate subscription by an individual in any tax year which will be eligible for the full tax relief is £200,000. Accordingly, a husband and wife may be eligible to obtain tax relief in respect of £200,000 each in respect of the Offers.

3. PROMOTER'S FEE

The Company will pay Palmer Capital LLP (the "Promoter") a fee equal to 2% of the total amount subscribed under the Top-up Offer.

4. INITIAL COMMISSION

Initial commission of 2% of the sum subscribed will be payable to authorised intermediaries in respect of either (i) retail investors subscribing through an authorised intermediary on an execution only basis or (ii) professional investors subscribing through an authorised intermediary. This commission will be paid from the Promoter's fee.

5. TRAIL COMMISSION

Annual trail commission of 0.25% of the sum subscribed will be payable for up to four years to authorised intermediaries in respect of either (i) retail investors subscribing through an authorised intermediary on an execution only basis or (ii) professional investors subscribing through an authorised intermediary. This commission will be paid from the Promoter's fee.

6. FACILITATION OF PAYMENT OF ADVISERS' FEES

No arrangements will be made for the facilitation of the payment of advisers' fees.

The Company has to satisfy a number of tests in order to qualify as a VCT and to obtain the tax benefits available to VCTs and their individual Shareholders. A summary of the tax benefits available to VCTs and their individual Shareholders, and the consequences of losing VCT status, is set out in Section 1 below. A summary of those tests together with the consequences of losing VCT status is set out in Section 2 below.

1. TAXATION BENEFITS

The following is a general guide to the tax benefits available to VCTs and their Shareholders. It does not set out any of the legislative provisions in full and investors should seek their own independent taxation advice.

1.1 VCTs

For each accounting period in respect of which a company is approved by HMRC as a VCT, the company is exempt from corporation tax on chargeable gains. The company continues to be liable to corporation tax on income in the usual way.

1.2 Tax reliefs for investors

The tax reliefs set out below are available to individuals aged 18 or over who invest in shares in a VCT. There is no specific limit on the amount an individual can invest in a VCT, but tax reliefs will only be given to the extent that the total of an individual's subscription or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should take independent advice on this. A husband and wife may be eligible to obtain tax relief in respect of £200,000 each under the Offers.

(i) Income Tax

- *Relief on subscription*

An investor subscribing for shares in a VCT will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 in any tax year. The current taxation legislation applicable to individual investors provides for income tax relief of up to 30% of the amount subscribed up to investor limits (subject to an amount that reduces the investor's income tax liability to nil).

- *Dividend relief*

An investor who acquires, whether by subscription, purchase or otherwise, in any tax year, VCT shares up to a maximum of £200,000 will not be liable to income tax on dividends paid by the VCT on those shares. 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.

- *Withdrawal of relief*

Relief from all or some income tax on subscription for shares in a VCT is 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.

(ii) Capital Gains Tax

- *Relief from capital gains tax on the disposal of shares in the market*

Any gains made on shares held in a VCT are not subject to capital gains tax (subject to a maximum investment by an individual of £200,000 in any one tax year). Similarly, any loss on shares held in a VCT will not be treated as an allowable loss. Both of the above apply to the extent that the shares have been acquired within the limit of £200,000 for any tax year. A husband and wife may be eligible to obtain tax relief in respect of £200,000 each under the Offers.

- *Purchasers in the market*

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

- *Withdrawal of relief*

If a VCT which has been granted approval subsequently fails to comply with the conditions for approval, any gains on the shares after the date on which loss of VCT status takes effect will be taxable. Where VCT status is treated as never having been given, all gains are taxable.

(iii) Share Buy Backs

Notwithstanding a clear intention that VCTs are intended to be a tax free investment, investors can be subject to income tax when their shares are purchased by the Company. Where an investor sells shares back to the Company any gain made on those shares could be treated as a taxable distribution, and become subject to income tax. Whilst it is hoped that this anomaly will at some point be ironed out in the legislation, investors who are looking to sell shares through a buy back for a higher price than they paid originally should seek advice in this regard. The Company will also seek to inform investors of any developments on this point.

(iv) Obtaining Tax Reliefs

- *Income tax relief*

A VCT issues each investor with a certificate which should be used to claim the income tax relief, either by obtaining from HMRC an adjustment to his/her tax coding under the PAYE system, or by waiting until the end of the tax year and using his/her Self Assessment Tax Return to claim relief.

Dividends received on shares acquired in VCTs up to the qualifying maximum of £200,000 per tax year need not be shown in the investor's Self Assessment Tax Return.

- *Investors not resident in the UK*

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

VCT reliefs may not be available if the investor takes out a loan specifically to subscribe for New Shares in the VCT.

(v) Future changes to the tax regime applicable to the Company

The tax rules set out in this section of the document are a summary of certain applicable rules as at the date of this document. The taxation rules and their interpretation and/or any applicable rates of tax and tax reliefs may change at any time.

Investors should consult their own tax adviser before making an investment.

2. VCT STATUS

2.1 Qualifying as a VCT

The Company has to satisfy a number of tests in order to qualify as a VCT and, therefore, to obtain the tax benefits available to VCTs and their individual shareholders. A summary of those tests is set out below. Where these tests refer to "value", this means according to the valuation methodology set out in s.278-9 of Part 6 of the Income Tax Act 2007.

In order to qualify as a VCT, the Company must satisfy the following conditions in each accounting period:

- i. must be approved as a VCT by HMRC;
- ii. must not be a close company;
- iii. throughout the period each class of the equity share capital must be quoted on any regulated market in the EU or European Economic Area;
- iv. must derive income in that period wholly or mainly from shares or securities;
- v. must have at least 70% by value of its investments throughout the period in newly issued shares or securities (where the securities are not redeemable within five years of issue) comprising Qualifying Holdings, of which 30% by value must be in ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- vi. must have at least 10% by value of each of its Qualifying Holdings in ordinary shares which carry no preferential rights to dividends or assets on winding up and no rights to be redeemed;
- vii. must have not more than 15% by value of its investments throughout that period in each single company or group (other than a VCT or similar company);
- viii. must generally not retain more than 15% of the income which it derives from shares and securities in that period;
- ix. should not make an investment in a company which causes that company to receive more than £5 million of State Aid investment funding, including from VCTs, in the 12 months ending on the date of the investment; and
- x. at least 70% by value of Qualifying Holdings must be in “eligible shares”. “Eligible shares” for this purpose are ordinary shares with no preferential rights to assets on a winding up and no rights to be redeemed, but may have certain preferential rights to dividends.

2.2 Qualifying Holdings

In order to qualify as a Qualifying Holding, each company in which the Company makes an investment must satisfy the following tests:

- i. it must be unquoted (which will, in the case of a company which was unquoted at the time of the VCT's investment, be deemed to be the case for a further five years after the company ceases to be unquoted). Companies whose shares are traded on AIM, or are traded or quoted on ISDA, are treated as unquoted.
- ii. it must be a Qualifying Company (see below under section 2.3 “Qualifying Companies and qualifying subsidiaries”);
- iii. it must have gross assets of £15 million or less immediately pre-investment and £16 million or less immediately post-investment (in the case of companies which have qualifying subsidiaries (see below), the test is applied on a group basis);
- iv. it (or a relevant qualifying subsidiary of the Qualifying Company) must apply the money invested for the purposes of a qualifying trade;
- v. the Qualifying Company must have a permanent establishment in the UK at all times while the VCT is an investor in the company;

- vi. it must not be able to control (whether on its own or together with a connected person) any company which is not a qualifying subsidiary;
- vii. it must not be controlled by another company (on its own or together with a connected person); and
- viii. the Qualifying Company (or group) must have fewer than 250 full-time (or equivalent) employees at the time of investment, and must not receive more than £5 million from VCTs or other risk capital schemes in any 12 month period.

In certain circumstances, a holding can be split into part Qualifying Holdings and part Non-Qualifying Holdings.

2.3 Qualifying Companies and qualifying subsidiaries

A Qualifying Company is a company which exists to carry on one or more qualifying trades (see below) or is the parent of a trading group where all its subsidiaries are qualifying subsidiaries and the group as a whole is not engaged in non-qualifying activities.

For the purposes of the test in (iv) under the heading “Qualifying Holdings” above, a subsidiary will be a relevant qualifying subsidiary if at least 90% of its issued share capital and its voting power is owned by the Qualifying Company or its wholly owned subsidiary. Certain other tests as to the distribution of the subsidiary’s profits and assets on a winding-up must also be satisfied.

In the case of the test under (v) under the heading “Qualifying Holdings” above, a subsidiary will be a qualifying subsidiary if the majority of its issued share capital is owned by the Qualifying Company and the other tests are also satisfied.

A trade will be a qualifying trade only if it does not to a substantial extent include non-qualifying activities (non-qualifying activities include, but are not limited to, dealing in land or shares, providing financial services or activities which are largely land-based, such as farming, hotels and nursing homes). In the case of a company which is preparing to carry on a qualifying trade, the qualifying trade must begin within two years of the issue to the VCT of the shares or securities, and must continue thereafter.

2.4 Approval as a VCT

A VCT must be approved as such at all times by HMRC. Approval has effect from the time specified in the approval, which cannot be earlier than the time at which the application for approval is made.

A VCT cannot be approved until the relevant tests (see above under the heading, “Qualifying as a VCT”) have been satisfied throughout the most recent complete accounting period of the VCT and HMRC is satisfied that the tests will be satisfied in relation to the accounting period of the VCT which is current at the time the application is made.

However, in order to facilitate the launch of VCTs, HMRC may grant provisional approval to a VCT, notwithstanding that not all the relevant tests are satisfied at the time of the application, provided that HMRC is satisfied that the tests will be satisfied within a certain period. In particular, HMRC may grant provisional approval if it is satisfied that:

- i. the relevant tests in (iii), (iv), (vii) and (viii) under section 2.1 “Qualifying as a VCT” above will either be satisfied in the accounting period during which the application for approval is made or the following accounting period;
- ii. the relevant tests in (v) and (ix) under section 2.1 “Qualifying as a VCT” above will be satisfied in relation to any accounting period beginning not more than three years after the time when

approval is given, or if earlier, when it has effect; and

- iii. the relevant tests in (iii), (iv), (v), (vii) and (viii) under section 2.1 “Qualifying as a VCT” above will continue to be satisfied in all subsequent accounting periods.

The Company has been granted provisional approval as a VCT as at the date of this document.

2.5 Withdrawal of approval

Approval of a VCT may be withdrawn by HMRC if the relevant tests (see above under section 2.1 “Qualifying as a VCT”) are not satisfied. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all the tests were satisfied.

The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT. For comprehensive clarification, investors are recommended to consult a professional adviser.

2.6 Loss of VCT Status

The following is a summary of the tax consequences for VCTs and their shareholders resulting from a loss of VCT Status.

i. For the VCT

The exemption from corporation tax on capital gains will not apply to any gain realised after the time from which VCT status is lost. Where provisional approval is lost, all gains realised over the period during which provisional approval was in force will be subject to corporation tax. Should tax status be lost under section 274 of ITA the FCA will be notified as soon as possible.

ii. For Qualifying Subscribers Income tax relief on investment

If VCT approval is treated as never having been given, or if it is withdrawn before the shares have been held for five years, the relief will be withdrawn by the making of an assessment for the year of assessment for which the relief was originally given on an amount equal to that relief. Interest on overdue tax may arise.

iii. For Qualifying Subscribers and Qualifying Purchasers Dividend Income

Dividend income will not be exempt from tax in respect of profits or gains arising or accruing in any accounting period at a time when VCT status has been lost. A notional tax credit equal to 1/9th of the net dividend paid will be available to offset against income tax due on the dividend.

iv. Capital gains

If provisional VCT approval is withdrawn, approval is treated as never having been given. Gains and losses on shares in the VCT will be taxable and allowable in the ordinary way. If full VCT approval is withdrawn, the individual is treated as having disposed of his shares immediately before the status is lost. Thus, any capital gains realised up to that date will be exempt from tax, but gains after that date will be taxable in the ordinary way.

2.7 Withholding Taxation

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

Terms and Conditions of Application

1. These terms and conditions of the Top-up Offer apply to the Top-up Offer made by Pembroke VCT plc (the “Company”).
2. The contract created by the acceptance of a subscription (in whole or in part) by the Company may, at the discretion of the Company, be conditional on admission to the Official List of the UK Listing Authority of the New Shares conditionally allotted.
3. The right is reserved by the Company to present all cheques and bankers’ drafts for payment on receipt by the Receiving Agent and to retain share certificates and subscription monies, pending clearance of successful subscribers’ cheques and bankers’ drafts. The Company and its agents may treat subscriptions as valid and binding even if not made in all respects in accordance with the prescribed instructions or not complying fully with these terms and conditions of subscription. The Company and its agents reserve the right to waive in whole or in part any of the provisions of these terms and conditions of subscription. If any subscription is not accepted in full or any contract created by acceptance does not become unconditional, the subscription monies or, as the case may be, the balance thereof will be returned (without interest) in Sterling by returning each relevant subscriber’s cheque or bankers’ draft or by crossed cheque in favour of the subscriber, through the post at the risk of the person(s) entitled thereto. The Company may require the subscriber to pay interest or its other resulting costs (or both) if the cheque or bankers’ draft accompanying his or her application is not honoured on first presentation at the rate of LIBOR plus 3 per cent.
4. The right is reserved to change the basis of allocation under either Top-Up Offer at the discretion of the Directors, and to reject in whole or in part and scale down and/or ballot any subscription or any part thereof and to shorten or extend any closing date and to arrange for the issue and listing and admission of any shares to be issued at the Directors’ discretion. The right is reserved for the Company to scale down the number of New Shares available for subscription under the Top-Up Offer at any time prior to the closing of the Top-Up Offer. Up to 1,649,200 New Shares may be issued under the Top-Up Offer. Nor will New Shares be issued under the Top-Up Offer where such issue would trigger the requirement for a prospectus.
5. By completing and delivering an Application Form, you as the subscriber (and, if you sign the Application Form on behalf of somebody else, that person, except for paragraph (xiv) below):
 - (i) offer to subscribe for the number of New Shares in the Company as will be determined by the amount specified in your Application Form (or such lesser number for which your Application is accepted) divided by the price of the New Shares, £1, and subject to the conditions set out, in the Document including these terms and conditions, and subject to the Memorandum and Articles of Association of the Company;
 - (ii) agree that, in consideration of the Company and its agents agreeing to process your application, your subscription will not be revoked until after (in the case of a subscription in respect of the tax year 2013/2014) 5 April 2014 and (in case of a subscription in respect of the tax year 2014/2015) 30 June 2014 and that this paragraph shall constitute an irrevocable collateral contract between you and the Company and its agents which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form;
 - (iii) agree that in respect of those New Shares for which your subscription has been received and is not rejected, your subscription may be accepted at the election of the Company either by notification to the UK Listing Authority of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
 - (iv) agree that the Company will hold any monies in respect of your subscription together with other monies received in respect of all subscriptions on trust for the payment of New Shares you have subscribed for or failing such payment to be returned to you without interest and that any interest earned in respect of such monies will be paid to the Company;

- (v) authorise The City Partnership (UK) Limited as Registrar on behalf of the Company to send share certificate(s) in respect of the New Shares for which your subscription is accepted and/or a crossed cheque for any monies returnable by post without interest to your address set out in the Application Form and to procure that your name is placed on the register of members of the Company in respect of such New Shares;
- (vi) agree that all subscriptions, acceptances of subscriptions and contracts resulting therefrom under the Top-Up Offer shall be governed by English law, and that, for the benefit of the relevant Company and the Receiving Agent, you submit to the non-exclusive jurisdiction of the English Courts;
- (vii) confirm that, in making such subscription, you are not relying on any information or representation in relation to the Company and the New Shares other than the information contained in the Document;
- (viii) confirm that you have reviewed the restrictions contained in paragraph 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933, as amended, nor a resident of Canada, Australia, South Africa or Japan and that you are not applying for any New Shares with a view to their offer, sale or delivery to or for the benefit of any US person or a resident of Canada, Australia, South Africa or Japan;
- (ix) agree that all documents and cheques sent by post, by or on behalf of the Company or the Receiving Agent will be sent at the risk of the person entitled thereto;
- (x) agree on request by the Company or the Receiving Agent on behalf of the Company to disclose promptly in writing to any of them such information as the Company or the Receiving Agent may reasonably request in connection with your subscription including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 as amended or replaced from time to time;
- (xi) undertake that you will notify the Company if you are not, or cease to be, either a Qualifying Subscriber or beneficially entitled to the New Shares;
- (xii) declare that a loan has not been made to you or any associate of you, which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares and that the New Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
- (xiii) declare that you are aged 18 or over on the date of your application;
- (xiv) warrant that, if you sign the Application Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney (or a copy thereof duly certified by a solicitor or bank) with the Application Form;
- (xv) agree that a failure to receive, process or accept your application for New Shares does not give rise to any right of action by any person against the Company, the Receiving Agent or any other person;
- (xvi) agree that any error in the register of members of the Company arising as a result of your remittance not being honoured on first presentation or as a result of any other error in connection with your application for New Shares, or as a result of termination or avoidance of any agreement to allocate New Shares pursuant to these terms and conditions of subscription may be rectified and, in addition and without prejudice to the foregoing, you hereby irrevocably authorise the Company, or any person appointed by it for this purpose, to execute on your behalf any instrument of transfer which may be necessary to effect any re-allocation or sale of New Shares to any other person arising as a result of the foregoing;

- (xvii) agree that you will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your subscription (provided that this does not affect any other right you may have).
6. No person receiving a copy of the Document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him. The Company reserves the right, in its absolute discretion, to reject any application received from outside the United Kingdom. The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Advisers Act of 1940, as amended. No subscription will be accepted if it bears an address or post mark in the USA.
7. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their name and FCA number will be paid such amounts of commission and/or trail commission as set out on page 4 of this document. Commission, including trail commission, will not be paid where the Company or the Manager reasonably believes that payment of such commission would be illegal or prohibited by any applicable rule or regulation. The Promoter reserves the right to negotiate bespoke commission arrangements with particular distributors where they believe it is in the interests of the Company to do so. Trail commission is expected to be calculated each year, based on the sum subscribed and paid annually in June of each year, or as otherwise determined by the Manager (the first such payment being expected to be made in June 2014). The Manager will be entitled to rely on a notification from a Shareholder that he has changed his adviser, in which case the trail commissions will cease to be payable. In the event of the termination of the Manager's appointment as investment manager to the Company, any continued obligation of the Manager to pay further annual trail commissions will also terminate. The Manager's calculation of trail commissions shall be conclusive.
8. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of an application and authorise the Company to apply an amount equal to the amount of commission that would otherwise be payable to the authorised financial intermediary in a subscription for further Ordinary Shares in the Company for the account of their clients. If this is the case, then such application will be treated as an application to apply for the number of New Shares as determined by the amount stated in Box 1C of the Application Form together with a number of additional New Shares as determined by the amount of commission waived, which waived commission will be applied in paying for such New Shares. No commission will be paid in respect of such additional New Shares. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on subscription.
9. To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the New Shares and the Top-Up Offer.

Notes on how to complete the Application Form

It is essential that you complete all relevant parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft, by post, or deliver it by hand (during normal business hours), to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF. If you have any questions on how to complete the Application Form please contact Malcolm Haw on telephone 0131 243 7210, or email Malcolm.Haw@city.uk.com, or speak to your financial adviser.

1

Subscription Details

Amount for which you wish to subscribe: Insert (in figures) in Boxes A, B and C the amount for which you wish to subscribe in relation to each individual tax year. You are able to specify in which individual tax year you invest. The application must be for a minimum of £3,000 and above that minimum in multiples of £1,000.

Payment can be made by electronic transfer, cheque or bankers' draft. Your payment must relate solely to this application.

If you wish to pay by electronic transfer, the details of the account into which your transfer should be made are:

Sort code:	802260
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Account number:	11010368
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Account name:	The City Partnership – Pembroke VCT
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The sum transferred should be the exact amount shown in Box C and Box Db.

To pay by cheque or bankers' draft, please attach a cheque or bankers' draft to the Application Form for the exact amount shown in Box C and Box Da. Your cheque or bankers' draft must be made payable to "The City Partnership – Pembroke VCT" and crossed "A/C Payee only". Your payment must relate solely to this application. Cheques may be presented for payment on receipt. Application forms accompanied by a post-dated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

Your electronic transfer, cheque or bankers' draft must be drawn in sterling on an account with a United Kingdom or European Union regulated credit institution, and which is in the sole or joint name of the Applicant and must bear, if a cheque, the appropriate sort code in the top right-hand corner.

The right is reserved to reject any application in respect of which the Applicant's electronic transfer, cheque or bankers' draft has not been cleared on first presentation. Any monies returned will be sent through the post at the risk of the persons entitled thereto by cheque crossed "A/C Payee only" in favour of the Applicant without interest.

Money Laundering Notice - Important procedures for applications of the sterling equivalent of €15,000 (for these purposes approximately £12,000) or more. The verification of identity requirements in the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant may be required. Failure to provide the necessary evidence of identity may result in your application being treated as invalid or result in a delay.

If the amount of your application is for the sterling equivalent of €15,000 or more (for these purposes approximately £12,000 or more) or is one of a series of linked applications, the value of which exceeds that amount) then please provide the documents set out in A or B below (as appropriate).

Copies should be certified by a solicitor or a bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party.

A

Application is made through an IFA: verification of the Applicant's identity may be provided by means of a "Letter of Introduction" from an IFA or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The City Partnership (UK) Limited will supply specimen wording on request.

Or

B

Application is made direct (not through an IFA): please ensure that the following documents are enclosed with the Application Form:

- a. a certified copy of either your passport or driving licence; and
- b. a recent (no more than 3 months old) original bank or building society statement, or utility bill, or recent tax bill, in your name.

2

Personal Details

Name and address, etc: Insert (using block capitals) in Section 2 your full name, full address including the post code, e-mail address, daytime telephone number, National Insurance number and date of birth.

3

Signature

Signature and date: Sign and date the Application Form in Section 3. By signing and dating this form you agree to invest in Pembroke VCT plc in accordance with the Terms and Conditions as set out in the Top-Up Offer document dated 27 February 2014.

Administration of Shareholder Account

The dividends paid by the Company can be taken as cash. Sections 4 and 5 of the Application Form allow you to indicate whether you would like to have them paid directly into your bank account. Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk if neither Section 4 nor 5 is completed. The Company's Registrar will charge administration fees for re-issuing cheques.

4

Payment of Dividends to your Bank Account

In order to facilitate the payment of dividends on any Shares held in the Company directly to your bank or building society account, please complete Section 4 of the Application Form. Dividends paid directly into your account will be paid in cleared funds on the dividend payment date. Your bank or building society statement will identify details of the dividends as well as the dates and amounts paid.

5

Dividend Payment Authorisation

Signature, date and post code: Please sign and date the dividend payment authorisation in Section 5 of the Application Form. By signing and dating this section of the form you authorise the Company's Registrar to administer your shareholding in accordance with the instructions noted in the Shareholder Account Administration section of the Application Form.

To be Completed by the Financial Intermediary

In order to assist in the making of the application, and to process the payment (if any) of any commission, appropriately authorised financial advisers should complete Sections 6 and 7, giving their contact name and address and their FCA number. Please note the financial advisers' obligations to advise their clients of the risk factors set out on pages 1 to 3 of this document.

6

Details of Financial Advisers

Name, address, FCA number, etc. Insert in Section 6 your contact details and FCA number.

7

Payment of Commission

Financial advisers who are entitled to receive commission can choose to have the commission paid directly to their bank account. In order to facilitate this, please complete Section 8 of the Application Form.

Frequently Asked Questions

Q. *How much can I invest in the Company?*

There is no upper limit on the amount that you can invest in the Company. However, there is a limit on the amount which, in any tax year, you may invest in VCTs which will qualify for any tax reliefs. The current limit is £200,000 in any one tax year. As the Offer spans two tax years - 2013/14 and 2014/15 - on current limits you can subscribe up to a maximum of £400,000.

Q. *What is the minimum level of investment?*

The minimum subscription is £3,000 per application.

Q. *To whom should I make the cheque payable?*

Cheques should be made payable to "The City Partnership – Pembroke VCT".

Q. *Where should I send my application?*

Your application form should be sent to The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh, EH2 1DF.

Q. *Will I receive a share certificate?*

The Company will despatch a share certificate to you within 10 Business Days of each allotment. In due course you will be provided with tax certificates enabling you to claim income tax relief.

Q. *What income tax relief will be given on my investment?*

The current rate of income tax relief for VCT investors is 30% of the amount invested, so long as you have sufficient income tax payable in the year in which the shares are issued to you to cover the relief. Therefore, depending on your circumstances, you can get a maximum of £60,000 income tax relief per tax year being 30% of an investment of £200,000.

Q. *How do I claim back my income tax relief on my VCT investment?*

In order to claim back your tax relief you can write to HM Revenue & Customs office and ask them to amend your tax code so you can receive your tax relief via the PAYE system. Alternatively, you can claim the relief in your tax return for the year in which the Shares are issued to you.

Application Form

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. **IMPORTANT – before completing this form please read the accompanying notes.** Please either email Malcolm.Haw@city.uk.com or telephone 0131 243 7210 if you have any questions concerning the completion of the Application Form.

PLEASE USE BLOCK CAPITALS TO COMPLETE THE FORM

Cheque

Make your cheque or bankers' draft out to "The City Partnership – Pembroke VCT" and cross it with the words "A/C Payee only". Please complete Box Da at the end of Section 1 of the Application Form. Return this form by post or by hand (during normal business hours) to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF so as to arrive by no later than 12.00 noon on 4 April 2014 in respect of an application for New Shares to be made in relation to the 2013/2014 tax or 12.00 noon on 30 June 2014 in respect of an application for New Shares to be made in relation to the 2014/2015 tax year. The closing date of the Offer, and the deadline for receipt of applications for the final allotment with respect to the 2014/15 Offer, may be extended by the Directors at their absolute discretion. If you post your Application Form you are recommended to use first class post and allow at least four days for delivery.

Electronic Transfer

If you wish to pay by electronic transfer, the details of the account into which your transfer should be made are:

Sort code: 802260

Account number: 11010368

Account name: The City Partnership – Pembroke VCT

Please complete Box Db at the end of Section 1 of the Application Form. Return this form by post or by hand (during normal business hours) to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF so as to arrive by no later than 12.00 noon on 4 April 2014 in respect of an application for New Shares to be made in relation to the 2013/2014 tax or 12.00 noon on 30 June 2014 in respect of an application for New Shares to be made in relation to the 2014/2015 tax year (subject to any extension referred to in the paragraph above). If you post your Application Form you are recommended to use first class post and allow at least four days for delivery.

1

Subscription Details

A Application for Shares in 2013/2014 (income tax year 2013/2014)

£

B Application for Shares in 2014/2015 (income tax year 2014/2015)

£

C Total (A+B)

£

Total (A+B) to be not less than £3,000 (multiples of £1,000 thereafter)

Da Total per cheque/bankers' draft

£

Db Total per electronic transfer

£



2

Personal Details

Title and Full Name:

Address:

Address:

Postcode:

Date of Birth:

Daytime Telephone Number

National Insurance Number:

Email address:

3

Applicant's Signature

By signing this form I HEREBY DECLARE THAT I have read the Terms and Conditions of Application and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

Signature:

Date:

Administration of Shareholder Account

Please complete any relevant section.

4

Payments of Dividends to your Bank Account

☐

If you would like your dividends to be paid directly into your bank or building society please tick this box.

Please provide your Bank or Building society details below. The Company cannot accept responsibility if any details provided by you are incorrect.

Account name:

Account Number
(please quote all digits and zeros)

Sort Code:

Name of Bank or Building Society:

Branch:

Branch Address:

Branch Address:

Postcode:

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing or which may hereafter stand, in my name in the register of members of the Company to the account noted above.

Full Name:

Signature:

Date:

Postcode:

To be completed by the Financial Intermediary only if permitted, under FCA Rules, to receive commission in respect of this Application for New Shares

(If the financial intermediary is not permitted, under FCA Rules, to receive commission in respect of this application for New Shares then it should not complete Sections 6 and 7. **Post the Retail Distribution Review, it is only those execution-only brokers who have not given advice or personal recommendation and advisers with investors who are categorised as “professional” under FCA Rules who remain entitled to receive commission.**)

The financial intermediary is to complete this Section 6 only if it is permitted, under FCA Rules, to receive commission in respect of this application for New Shares.

All financial advisers **MUST** advise their clients of the Risk Factors set out on pages 1 to 3 of this document.

Firm Name:

Contact (Adviser / Administrator)
(delete as appropriate):

Email address:

FCA Number:

Telephone Number:

Address:

Address:

Postcode:

7

Financial Intermediary's Commission

The financial intermediary is to complete this Section 7 only if the financial intermediary firm named in Section 6 is permitted, under FCA Rules, to receive commission in respect of this application for New Shares.

Introductory commission will be paid, subject to the terms set out in this document, as follows:

- Initial commission: 2.00% of the sum subscribed
- Trail commission: 0.25% of the sum subscribed per annum for up to four years

Insert the amount of any initial commission which you wish to waive and reinvest in New Shares for your client (this will be deducted from the initial commission)

If commission is to be paid to an address other than the address given in Section 6, please complete the boxes below:

Address:

Postcode:

The firm named in Section 6 certifies that it is permitted under FCA Rules to receive payment of commission in respect of this application – please tick appropriate box below:

☐

Execution-only and gave no advice or personal recommendation

☐

Client is categorised as “professional” under FCA Rules

Note that this Section 7 must be signed on behalf of the intermediary firm even where the firm wishes to waive its initial commission in favour of the applicant.

Signature:

(Authorised signatory for the firm named in Section 6.)

8

Payment of Commission to a Bank Account

(for applications in respect of which intermediaries, who are permitted under FCA Rules to receive commission, have elected to receive commission)

☐

If you would like your commission, initial and trail, to be paid directly into your bank or building society please tick this box.

Please provide your Bank or Building Society details below. The Company and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account Name:

Account Number:
(please quote all digits and zeros)

Sort Code:

Name of Bank or Building Society:

Branch:

Branch Address:

Branch Address:

Postcode:

Please forward all commission due as a result of my client's investment in the Company

Signature:

Date:

**The completed Application Form and cheque or bankers' draft should be sent to:
The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF.**

Pembroke VCT plc
3 Cadogan Gate
London SW1X 0AS