

# news



## News Summary

Beringea and the ProVen VCTs have enjoyed an active period since the last newsletter in October. Both ProVen VCTs led an investment round in Europe's largest independent online media buyer, i-level, in November and in January the funds backed the management buyout of niche magazine publisher, Campden Publishing. The VCTs have also celebrated exits from consultancy firm TMI, pub group Nectar Taverns, and restaurant group Loch Fyne, achieving a total return of 1.5, 2.1 and 1.5 times the initial investment respectively.

At the beginning of November Beringea Limited announced the promotions of Jeff Cornish (Sales Director), Trevor Hope and Jamie Kennell (Investment Directors) to the board. The appointments are recognition of the valuable contribution Trevor, Jamie and Jeff have made to the company since they joined.

In late November Beringea launched a "C" share issue for ProVen Growth & Income VCT (PGIVCT) with the objective of raising up to £25 million. The proposition includes a tender offer which is intended to return

25p per £1 invested within 3½ years of the offer closing. Funds raised from the new share offer will provide additional capital to ensure that Beringea can continue to take advantage of its strong pipeline of new investment opportunities

**If you would like any more information on Beringea's investments, its VCTs or fundraising activities please call 0845 686 0225.**

MANAGED BY  
**BERINGEA**

## VCT Industry Update

### Industry awaits tax relief decision

The Chancellor's pre budget speech on December 8th made no reference to VCTs, sparking speculation that the tax relief on VCT shares would be cut. Investors currently receive 40% income tax relief on investments in new VCT shares of up to £200,000. This prompted VCT fundraising of £520 million in the last tax year and at least that amount is expected in the 2005/2006 tax year. Whilst no reference to VCTs was made in the pre-budget speech, the following paragraph appears in the Pre-Budget Report:

"The Government remains committed to ensuring the long-term sustainability and success of the VCT market, and will announce the future level of VCT reliefs at Budget 2006. The intervening period will allow further analysis of trends in the VCT market and continued dialogue with key stakeholders."

Beringea Managing Director, Stuart Veale, comments "The statement of the Government's commitment to the VCT market is recognition of the important role it plays in stimulating economic growth, by ensuring that rapidly growing smaller companies have access to equity funding and the associated support and advice from VCT fund managers. Nevertheless, there is still uncertainty about what the VCT tax regime will be from 6th April 2006. Investors who want to be sure of securing 40% tax relief on their VCT investment should not leave their investment until the end of the tax year, by which time some of the more attractive VCT share offers may be fully subscribed."

### VCTs Target Larger Investments

A recent shift in strategy by venture capital investors managing non-VCT funds has created a major opportunity for VCTs. Over the last few years, institutional investors who were previously willing to provide as little as £2 million of equity funding to companies, have raised their minimum investment size to £5 million or greater. This has left VCTs as the main source of finance for high-growth companies seeking to raise less than £5 million of equity.

One key result of this change is that the number of transactions available for VCTs to invest in has increased, a powerful counter-argument to people concerned that it may be difficult to find a good home for the increased level of funds being raised by VCTs. Just as importantly, it allows VCTs to participate in bigger deals, giving them access to investments in larger, more established companies.

As each VCT is only permitted to invest £1 million per tax year in each company, the VCT managers best able to take advantage of this opportunity are those which manage several funds and whose Investment Directors have the experience to lead syndicated transactions. Beringea demonstrated the strength of its capability in both of these areas with its two most recent investments, i-level and Campden Publishing.

## ProVen Growth & Income VCT "C" Share offer

The ProVen Growth & Income VCT (PGI VCT) "C" Share issue was launched in November 2005. The VCT industry's leading commentators have both recently rated PGI VCT highly in terms of track record, quality of the investment team and exit strategy.

Tax Efficient Review (Martin Churchill)	83/100	2nd highest rating for a generalist VCT
Tax Shelter Report: (Allenbridge)	85/100	2nd highest rating for a generalist VCT

## PGI VCT Testimonials



### **Richard Allen, Director, Allenbridge Tax Shelter Research:**

“ The ProVen VCTs have performed well over recent years since the current management team took over... Since June 2002 the manager has made efforts to increase the value of the portfolio, and in the last 12 months they have borne fruit. The VCT has seen a significant uplift in the NAV and made significant capital distributions to shareholders.”

### **Matthew Woodbridge, Bond and VCT Manager, Chelsea Financial Services**

“ The existing ProVen VCTs have demonstrated that Beringea have taken advantage of the attractive feature of tax free dividends by returning 18.7p (Proven VCT) and 15.4p (PG&I) respectively. ProVen Growth & Income VCT 'C' Share will be managed with a similar policy and the management intends to seek attractive realisation opportunities for their holdings to maximise tax free dividends. Indeed, the management only targets companies with a clear exit route within 4 years.

The VCT has been awarded our highest rating as we expect the current team to make investors excellent long term returns.”

### **Ben Yearsley, Head of VCT research at Hargreaves Lansdown:**

“ Beringea have proved over the last few years that they can and do add value and make money for investors in their VCTs. They have made a number of successful exits and have paid healthy dividends to their investors. I am happy to recommend them as one of my VCT choices for this tax year.”

## New Investments

### i-level

In November, the ProVen VCTs led a £2.2 million investment round in i-level, Europe's largest privately owned digital advertising agency. With annual revenues approaching £50 million i-level is a specialist and award winning firm focusing solely on digital communications. The company provides clients such as Sky and Orange with

media planning and buying on the internet, email and mobile devices. i-level Group also includes Generator Consulting, a successful digital management consultancy business.

Digital communications, including online advertising, is undergoing huge growth. Corporates are increasingly looking for specialist

help to assist them in managing their brand and sales online. Beringea has backed the most experienced and talented management team in the market and the investment will enable the company to continue its exceptional growth.



[www.i-level.com](http://www.i-level.com)

### Campden Publishing



In January 2006, ProVen VCT and PGI VCT provided £1.5 million of funding for the £6 million management buyout of Campden Publishing Limited (Campden) - a niche magazine publisher focusing on the Healthcare and Wealth Management markets.

Campden publishes periodicals and organises conferences specifically aimed at nurses, GPs, hospital administrators, high net

worth individuals and their advisors. Over 40% of its products carry official endorsement or accreditation from the relevant professional/trade bodies. Campden has a turnover approaching £6m and employs 56 dedicated and professional team members.

From early on Beringea was impressed by the strength of the management team, the quality of

the products and Campden's strong customer relationships. Its investment will enable the company and its management team to take advantage of further opportunities in its key markets.

[www.campdenpublishing.com](http://www.campdenpublishing.com)

## Successful Exits

### Nectar Taverns

In October Beringea announced the sale of Nectar Taverns ("Nectar"), a leading operator of community pubs, to Lincoln Capital Limited, a newly formed private investment company. Beringea's ProVen VCT and PGI VCT realised a total return of 2.1 times their original investment from the sale.

Nectar Taverns was a highly successful investment for Beringea, generating profits of £1.4 million for the VCTs since their investment in 2002. This is equivalent to 5p per share for both ProVen VCT and PGI VCT.



### TMI

In December 2005, ProVen VCT realised its investment in Labinah Management Training Limited (which trades under the brand 'TMI UK') following a £4.13m sale to Cello Group Plc, the quoted marketing services group. Being part of a larger group will provide TMI with the financial and strategic support to further grow the business and build on its already strong market position.

The purchase price represents a multiple of 8 times EBIT and is another good result for ProVen VCT. Beringea originally backed the MBO of the company in December 2000.

[www.tmi.co.uk](http://www.tmi.co.uk)

## ProVen VCT and PGI VCT Exits 2005-2006

There have been five full exits and two partial exits from the ProVen VCTs' portfolio since January 2005. Five have been in unquoted companies and two in AIM listed companies:

Investment	Initial Investment Amount (£m)		Profit (£m)		Total Return on Investment	
	ProVen VCT	PGI VCT	ProVen VCT	PGI VCT	ProVen VCT	PGI VCT
Notability Solutions	1.0	-	1.4	-	2.4 times	-
Copyright Promotions	0.4	0.1	0.6	0.2	2.4 times	2.4 times
Nectar Taverns	1.0	0.3	1.1	0.3	2.1 times	2.1 times
TMI	0.8	-	0.4	-	1.5 times	-
Loch Fyne	1.0	0.4	0.5	0.2	1.5 times	1.5 times
Cardpoint	1.2	0.3	1.8	0.5	2.4 times	2.6 times
Miva, Inc*	0.4	0.3	0.4	0.4	2.1 times	2.4 times

\*Total return since investment includes pre 2005 returns and current unrealised holding as at 31 December 2005. However past performance is no guide to future performance.

### What does this mean to shareholders?

These gains have enabled ProVen VCT and ProVen Growth & Income VCT to maintain their positions as two of the best performing VCTs in their respective launch years. Total dividends paid to shareholders since inception are 187p for ProVen VCT and 154p for ProVen Growth & Income VCT. The ProVen VCTs will be announcing 05/06 final dividend payments at the end of February.

## Successful Exits Continued

### Loch Fyne



In December, Beringea sold its stake in branded seafood restaurant chain, Loch Fyne Restaurants ("LFR") to Premium Casual Dining ("PCD"). The sale generated a return of 1.5 times the initial investment. Beringea's ProVen VCT and ProVen Growth & Income VCT invested in LFR in May 2002 and subsequently held around 10% of the equity in the company.

[www.lochfyne.com](http://www.lochfyne.com)

## Portfolio Developments

### Ma Potter's

ProVen VCT and PGI VCT portfolio company Ma Potter's will soon be adding two new restaurants to its network of family friendly restaurants in shopping malls and high streets across the UK. The new restaurants will be based in Glasgow and Manchester's Arndale Centre and will take the total number of restaurants to 17. Negotiations are also underway to open a further restaurant in Newcastle. Ma Potter's started with one restaurant in a central London location in 1998 and grew rapidly, with new locations including Edinburgh, Birmingham and Manchester. ProVen VCT and PGI VCT invested in the company

in January 2003 to support its planned expansion across the UK.

[www.mapotters.co.uk](http://www.mapotters.co.uk)



Visuals for the new Ma Potter's restaurant in Glasgow

# Portfolio Developments Continued...

## JVTV

JVTV, owner of SUBtv, the national youth TV channel which targets university students, has recently launched Dot Mobile, a mobile phone company aimed at the student community.

Since ProVen and PGI VCTs' investment in JVTV in May 2004, the company's student union bar plasma screen network, SUBtv, has significantly increased its audience share. It is now fully established as the premier student medium, reaching 1.5 million students each week, 75 per cent of the total student population in the UK.

On the back of the success of the targeted TV network, JVTV has created a mobile phone service

designed specifically for the student community offering aspects such as billing in "units" and free text alerts to ensure that students are not penalized for going over their monthly allowance, as well as access to student-targeted mobile content. For more information visit [www.jvtv.co.uk](http://www.jvtv.co.uk) / [www.dot-mobile.co.uk](http://www.dot-mobile.co.uk)



SUBtv at the University of London Union

## i-level

The ProVen VCTs' new investment company i-level has enjoyed considerable success in recent months. Not only has the company won numerous industry awards such as; "Agency Of The Year" IMAA 2005 - **MarketingWeek / New Media Age** and "Best Small Companies To Work For" 2004 & 2005- **Sunday Times**, but it has continued to win new clients and develop and secure media first initiatives in the digital arena.

In December i-level successfully brokered an advertising deal for the Royal Air Force (RAF) during Channel 4's media first live, 24-hour IPTV (TV over the internet streaming) of Space Cadets, the popular televised practical joke

where individuals believed that they

were orbiting the earth in space when they were actually in a disused military base in the UK. With the progression of broadband, more and more people are now watching TV online. i-level's advertising expertise in this area helped the Air Force in its quest to position itself as an exciting and aspirational career choice for 16-24 year olds. For more information visit [www.i-level.com](http://www.i-level.com)



Channel Four's Space Cadets

Contact details: For more information please call us on

**0845 686 0225, [provenvcts@beringea.co.uk](mailto:provenvcts@beringea.co.uk) or visit [www.provenvcts.com](http://www.provenvcts.com) or [www.beringea.co.uk](http://www.beringea.co.uk)**



Stuart Veale  
Managing Director [sveale@beringea.co.uk](mailto:sveale@beringea.co.uk) 020 7845 7827



Jamie Kennell  
Investment Director [jkennell@beringea.co.uk](mailto:jkennell@beringea.co.uk) 020 7845 7828



Trevor Hope  
Investment Director [thope@beringea.co.uk](mailto:thope@beringea.co.uk) 020 7845 7822



Jeff Cornish  
Sales Director [jcornish@beringea.co.uk](mailto:jcornish@beringea.co.uk) 020 7845 7831

The information and opinions in this report were prepared by Beringea Limited ("Beringea"). The information herein is believed by Beringea to be reliable and has been obtained, where possible, from public sources believed to be reliable, but Beringea makes no representation as to the accuracy or completeness of such information. Copyright© 2005 Beringea Limited. This is not a financial promotion. Beringea Ltd is authorised and regulated by the Financial Services Authority. This document is not and should not be construed as an offer or a solicitation of an offer, to buy or sell any securities or other financial instruments. Investment in VCTs involves a higher level of risk than some other investment products and investors may not get back the amount they invest. Potential investors who are in any doubt about the suitability of VCTs for them should consult an authorised financial adviser.